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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1999
Commission File No. 1-10308

CENDANT CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	06-0918165 (I.R.S. Employer Identification Number)
9 W 57TH STREET NEW YORK, NY (Address of principal executive office)	10019 (Zip Code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if applicable)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the Registrant's classes of common stock was 711,025,187 shares of Common Stock outstanding as of October 26, 1999.

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CENDANT CORPORATION AND SUBSIDIARIES

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Certain statements in this Quarterly Report on Form 10-Q constitute "forward looking statements" within the meaning of the Private Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward looking statements. These forward looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward looking statements, include, but are not limited to: the resolution or outcome of the pending litigation and government investigation relating to the previously announced accounting irregularities; uncertainty as to the Company's future profitability; the Company's ability to develop and implement operational and financial systems to manage rapidly growing operations; competition in the Company's existing and potential future lines of business; the Company's ability to integrate and operate successfully acquired and merged businesses and the risks associated with such businesses, including the merger that created Cendant and the National Parking Corporation acquisition; the Company's plan to create a tracking stock for the Company's real estate portal; the Company's ability to obtain financing on acceptable terms to finance the Company's growth strategy and for the Company to operate within the limitations imposed by financing arrangements; and the ability of the Company and its vendors to complete the necessary actions to achieve a year 2000 conversion for its computer systems and applications and other factors. Other factors and assumptions not identified above were also involved in the derivation of these forward looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to publicly correct or update these forward looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward looking statements or if the Company later becomes aware that they are not likely to be achieved.

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
REVENUES				
Membership and service fees, net	$1,372.3	$1,433.6	$3,972.1	$3,735.3
Fleet leasing (net of depreciation and interest costs of $0, $324.9, $669.7, and $954.6)	--	18.5	29.9	57.5
Other	38.1	5.7	116.7	72.3
Net revenues	1,410.4	1,457.8	4,118.7	3,865.1
EXPENSES				
Operating	443.6	565.9	1,355.4	1,356.9
Marketing and reservation	270.5	297.2	820.6	853.2
General and administrative	169.6	187.6	525.1	487.4
Depreciation and amortization	87.4	88.9	277.0	241.3
Other charges				
Merger-related costs and other unusual charges (credits)	89.9	--	111.6	(24.4)
Termination of proposed acquisition	--	--	7.0	--
Other investigation-related costs	4.6	11.5	12.8	31.0
Investigation-related financing costs	--	14.5	--	27.2
Executive termination	--	50.4	--	50.4
Interest, net	51.5	31.0	153.8	72.9
Total expenses	1,117.1	1,247.0	3,263.3	3,095.9
Net gain on disposition of businesses	75.3	--	824.8	--
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	368.6	210.8	1,680.2	769.2
Provision for income taxes	144.3	73.2	382.2	273.0
Minority interest, net of tax	15.7	14.5	46.1	34.3
INCOME FROM CONTINUING OPERATIONS	208.6	123.1	1,251.9	461.9
Loss from discontinued operations, net of tax	--	(12.1)	--	(25.0)
Gain (loss) on sale of discontinued operations, net of tax	(6.9)	--	174.1	--
NET INCOME	$ 201.7	$ 111.0	$1,426.0	$ 436.9
INCOME (LOSS) PER SHARE				
BASIC				
Income from continuing operations	$ 0.29	$ 0.14	$ 1.64	$ 0.55
Loss from discontinued operations	--	(0.01)	--	(0.03)
Gain (loss) on sale of discontinued operations	(0.01)	--	0.22	--
NET INCOME	$ 0.28	$ 0.13	$ 1.86	$ 0.52
DILUTED				
Income from continuing operations	$ 0.27	$ 0.14	$ 1.54	$ 0.53
Loss from discontinued operations	--	(0.01)	--	(0.03)
Gain (loss) on sale of discontinued operations	(0.01)	--	0.21	--
NET INCOME	$ 0.26	$ 0.13	$ 1.75	$ 0.50

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 623.5	$ 1,008.7
Receivables, net	1,301.6	1,536.4
Deferred membership commission costs	195.8	253.0
Deferred income taxes	--	466.6
Other current assets	1,367.9	908.6
Net assets of discontinued operations	--	373.6
Total current assets	3,488.8	4,546.9
Property and equipment, net	1,352.0	1,432.8
Franchise agreements, net	1,392.7	1,363.2
Goodwill, net	3,590.3	3,923.1
Other intangibles, net	694.9	757.1
Other assets	1,068.3	681.5
Total assets exclusive of assets under programs	11,587.0	12,704.6
Assets under management and mortgage programs		
Net investment in leases and leased vehicles	--	3,801.1
Relocation receivables	571.1	659.1
Mortgage loans held for sale	1,786.0	2,416.0
Mortgage servicing rights	968.7	635.7
	3,325.8	7,511.9
TOTAL ASSETS	$14,912.8	$20,216.5

See accompanying notes to consolidated financial statements.

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

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 1,276.1	$ 1,517.5
Deferred income	1,230.0	1,354.2
Total current liabilities	2,506.1	2,871.7
Deferred income	428.8	233.9
Long-term debt	3,344.3	3,362.9
Deferred income taxes	263.6	77.2
Other non-current liabilities	75.7	125.3
Total liabilities exclusive of liabilities under programs	6,618.5	6,671.0
Liabilities under management and mortgage programs		
Debt	2,793.6	6,896.8
Deferred income taxes	175.5	341.0
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,475.9	1,472.1
Commitments and contingencies (Note 10)		
Shareholders' equity		
Preferred stock, $.01 par value -authorized 10 million shares; none issued and outstanding	--	--
Common stock, $.01 par value -authorized 2 billion shares; issued 867,189,539 and 860,551,783 shares	8.7	8.6
Additional paid-in capital	4,025.0	3,863.4
Retained earnings	2,906.2	1,480.2
Accumulated other comprehensive loss	(15.1)	(49.4)
Treasury stock, at cost, 155,070,397 and 27,270,708 shares	(3,075.5)	(467.2)
Total shareholders' equity	3,849.3	4,835.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,912.8	$20,216.5

See accompanying notes to consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
OPERATING ACTIVITIES		
Net income	$ 1,426.0	$ 436.9
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Loss from discontinued operations, net of tax	--	25.0
Gain on sale of discontinued operations, net of tax	(174.1)	--
Depreciation and amortization	277.0	241.3
Other charges -asset impairments and termination benefits	--	62.5
Merger-related costs and other unusual charges (credits)	3.8	(24.4)
Payments of merger-related costs and other unusual charge liabilities	(23.5)	(127.2)
Net gain on disposition of businesses	(824.8)	--
Other, net	(12.3)	(50.5)
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	672.1	563.6
Management and mortgage programs:		
Depreciation and amortization	668.4	944.9
Origination of mortgage loans	(20,841.0)	(18,599.3)
Proceeds on sale and payments from mortgage loans held for sale	21,471.0	17,874.9
	1,298.4	220.5
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	1,970.5	784.1
INVESTING ACTIVITIES		
Property and equipment additions	(212.8)	(240.8)
Net change in marketable securities	45.3	(74.7)
Net assets acquired (net of cash acquired) and acquisition-related payments	(145.8)	(2,658.2)
Net proceeds from sale of subsidiaries	2,771.9	--
Other, net	33.8	62.2
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	2,492.4	(2,911.5)
Management and mortgage programs:		
Investment in leases and leased vehicles	(2,378.1)	(1,876.4)
Proceeds from disposal of leases and leased vehicles	1,529.2	765.5
Proceeds from sales and transfers of leases and leased vehicles to third parties	74.8	136.8
Equity advances on homes under management	(6,025.7)	(5,186.5)
Repayment on advances on homes under management	6,032.5	5,333.8
Additions to mortgage servicing rights	(559.2)	(338.7)
Proceeds from sales of mortgage servicing rights	83.7	49.6
	(1,242.8)	(1,115.9)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS	1,249.6	(4,027.4)

See accompanying notes to consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
FINANCING ACTIVITIES		
Proceeds from borrowings	$ 4.0	$ 3,279.6
Principal payments on borrowings	--	(420.5)
Issuance of common stock	75.6	160.4
Purchases of common stock	(2,634.9)	--
Proceeds from mandatorily redeemable preferred securities issued by subsidiary, net	--	1,446.7
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(2,555.3)	4,466.2
Management and mortgage programs:		
Proceeds received for debt repayment in connection with fleet segment disposition	3,016.9	--
Proceeds from debt issuance or borrowings	4,157.0	2,455.1
Principal payments on borrowings	(6,483.5)	(2,215.7)
Net change in short-term borrowings	(1,772.1)	347.0
	(1,081.7)	586.4
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(3,637.0)	5,052.6
Effect of changes in exchange rates on cash and cash equivalents	31.7	(9.7)
Cash used in discontinued operations	--	(255.4)
Net (decrease) increase in cash and cash equivalents	(385.2)	1,544.2
Cash and cash equivalents, beginning of period	1,008.7	67.0
Cash and cash equivalents, end of period	$ 623.5	$ 1,611.2

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated balance sheet of Cendant Corporation and subsidiaries (the "Company") as of September 30, 1999, the consolidated statements of income for the three and nine months ended September 30, 1999 and 1998 and the consolidated statements of cash flows for the nine months ended September 30, 1999 and 1998 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements are included. There were no adjustments of an unusual nature except for those discussed in Note 6. During the second quarter of 1999, the Company changed the amortization period for customer acquisition costs related to accidental death and dismemberment insurance products, which resulted in a reduction in expenses of $8.2 million ($5.3 million, after tax or $0.01 per diluted share). The change was based upon new information becoming available to determine customer retention rates. The accompanying consolidated financial statements include the accounts and transactions of the Company and all wholly owned subsidiaries and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of Form 10-Q and Rule 10-01 of Regulation S-X promulgated under the Securities Exchange Act of 1934. The December 31, 1998 consolidated balance sheet was derived from the Company's audited financial statements included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 1998, filed with the Securities and Exchange Commission ("SEC") on October 12, 1999, and should be read in conjunction with such consolidated financial statements and footnotes thereto. The consolidated financial statements of the Company include the assets and liabilities of Ramada Franchise Systems, Inc., an entity controlled by the Company by virtue of its ownership of 100% of common stock of such entity. The assets of Ramada Franchise Systems, Inc. are not available to satisfy the claims of any creditors of the Company or any of its other affiliates, except as otherwise specifically agreed by Ramada Franchise Systems, Inc. Operating results for the three and nine months ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999 or any subsequent interim periods.

Certain reclassifications have been made to the 1998 consolidated financial statements to conform with the presentation used in 1999.

2. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed based solely on the weighted average number of common shares outstanding during the period. Diluted EPS reflects all potential dilution of common stock, including the assumed exercise of stock options using the treasury method and convertible debt. At September 30, 1999, 58.9 million stock options outstanding with a weighted average exercise price of $25.50 per option were excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common stock and would therefore be antidilutive. Basic and diluted EPS from continuing operations are calculated as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1999	1998	1999	1998
Income from continuing operations	$208.6	$123.1	$1,251.9	$461.9
Convertible debt interest, net of tax................................	2.9	2.8	8.5	8.6
Income from continuing operations, as adjusted...........................	$211.5	$125.9	$1,260.4	$470.5
Weighted average shares				
Basic...............................	725.8	850.8	764.8	844.8
Potential dilution of common stock:				
Stock options......................	36.5	8.6	36.2	31.2
Convertible debt...................	18.0	18.0	18.0	19.0
Diluted.............................	780.3	877.4	819.0	895.0

3. COMPREHENSIVE INCOME

Components of comprehensive income are summarized as follows:

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
Net income	$201.7	$111.0	$1,426.0	$436.9
Other comprehensive income (loss):				
Currency translation adjustment	92.3	45.6	39.0	35.5
Net unrealized loss on marketable securities, net of tax	(12.3)	(4.2)	(4.7)	(4.0)
Comprehensive income	$281.7	$152.4	$1,460.3	$468.4

The components of accumulated other comprehensive loss for the nine months ended September 30, 1999 are as follows:

(IN MILLIONS)	NET UNREALIZED LOSS ON MARKETABLE SECURITIES	CURRENCY TRANSLATION ADJUSTMENT	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balance, January 1, 1999	$ --	$(49.4)	$(49.4)
Current period change	(4.7)	39.0	34.3
Balance, September 30, 1999	$(4.7)	$(10.4)	$(15.1)

4. PRO FORMA INFORMATION

The following table reflects the operating results of the Company for the nine months ended September 30, 1998 on a pro forma basis, which gives effect to the April 1998 acquisition of National Parking Corporation Limited ("NPC"). The pro forma results are not necessarily indicative of the operating results that would have occurred had the NPC acquisition been consummated on January 1, 1998, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the amortization expense associated with the assets acquired, the Company's financing arrangements, certain purchase accounting adjustments and related income tax effects.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	NINE MONTHS ENDED SEPTEMBER 30, 1998
Net revenues	$4,066.6
Income from continuing operations	459.3
Net income (1)	434.3
Per share information:	
Basic	
Income from continuing operations	$ 0.54
Net income (1)	0.51
Weighted average shares	844.8
Diluted	
Income from continuing operations	$ 0.52
Net income (1)	0.50
Weighted average shares	895.0

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(1) Includes a loss from discontinued operations, net of tax, of $25.0 million ($0.03 per diluted share).

5. DISCONTINUED OPERATIONS

On April 21, 1999 (the "Measurement Date"), the Company announced that its Board of Directors approved management's plan to pursue the sale of its Entertainment Publications, Inc. ("EPub") business unit, a wholly-owned subsidiary of the Company. At such time, the Company reclassified EPub to discontinued operations for all prior-reporting periods. The Company expected to realize a gain on sale and, accordingly, $6.9 million of EPub's net operating losses were deferred subsequent to the Measurement Date through June 30, 1999.

In September 1999, the Company entered into a definitive agreement to sell EPub. However, the sale transaction was structured in a manner that precluded EPub from being classified as a discontinued operation. As a result, the deferral of EPub's operating results of $6.9 million was reclassified to continuing operations during the second quarter of 1999 with a corresponding gain recognized on sale of discontinued operations in order to properly reflect the results of continuing operations. The impact to net income, however, was not required to be recognized until the third quarter of 1999. Accordingly, the gain recognized on sale of discontinued operations in the second quarter was reversed.

On January 12, 1999, the Company completed the sale of Cendant Software Corporation ("CDS") for $800.0 million in cash. The Company realized an after tax gain of $371.9 million on the disposition of CDS of which $192.7 million was recognized in the first quarter of 1999, coincident with the closing of the transaction. The Company recorded an $18.6 million reduction to the gain during the second quarter of 1999, in connection with the settlement of certain post closing adjustments. The net gain in 1999 of $174.1 million is reported as gain on sale of discontinued operations in the consolidated statements of income for the nine months ended September 30, 1999. The remaining $197.8 million of realized after tax net gain was recognized in the fourth quarter of 1998, substantially in the form of a tax benefit and corresponding deferred tax asset. CDS was a developer, publisher and distributor of educational and entertainment software.

In December 1998, the Company completed the sale of Hebdo Mag International, Inc. ("Hebdo Mag"), the Company's former business unit which published and distributed classified advertising information.

Summarized financial data of discontinued operations are as follows:

STATEMENT OF INCOME:

	THREE MONTHS ENDED SEPTEMBER 30, 1998		NINE MONTHS ENDED SEPTEMBER 30, 1998	
(IN MILLIONS)	CDS	HEBDO MAG	CDS	HEBDO MAG
Net revenues	$119.5	$65.2	$345.8	$202.4
Income (loss) before income taxes	(20.2)	(0.2)	(57.3)	20.4
Provision for (benefit from) income taxes	(9.7)	1.4	(22.9)	11.0
Net income (loss)	$(10.5)	$(1.6)	$(34.4)	$ 9.4

The Company allocated $0.3 million and $13.8 million of interest expense to discontinued operations for the nine months ended September 30, 1999 and 1998, respectively. Such interest expense represents the cost of funds associated with businesses acquired by the discontinued business segments at an interest rate consistent with the Company's consolidated effective borrowing rate.

BALANCE SHEET:

(IN MILLIONS)	DECEMBER 31, 1998 CDS
Current assets	$ 284.9
Goodwill	105.7
Other assets	88.2
Total liabilities	(105.2)
Net assets of discontinued operations	$ 373.6

6. OTHER CHARGES

MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES (CREDITS). On September 15, 1999, Netmarket Group, Inc. ("NGI") began operations as an independent company that will pursue the development of the interactive businesses formerly within the Company's direct marketing division. NGI will own, operate, develop and expand the on-line membership businesses, which collectively have 1.3 million on-line members. Prior to September 15, 1999, the Company's ownership of NGI was restructured into common stock and preferred stock interests. The fair market value of the NGI common stock on the date of donation was approximately $20 million. On September 15, 1999, (the "donation date") the Company donated NGI's outstanding common stock to a charitable trust, and NGI issued additional shares of its common stock to certain of its marketing partners. Accordingly, as a result of the change in ownership of NGI's common stock from the Company to independent third parties, prospective from the donation date, NGI's operating results were no longer be included in the Company's consolidated financial statements. The Company retained an ownership in a convertible preferred stock of NGI, which is ultimately exchangeable, at the Company's option until after September 14, 2001, into approximately 78% of NGI's diluted common shares which has a $5 million annual preferred dividend. The convertible preferred stock will be accounted for using the cost method of accounting. The preferred stock dividend will be recorded in income if and when it becomes realizable. Subsequent to the Company's contribution of NGI's common stock to the trust, the Company provided a development advance of $77.0 million to NGI which is contingently repayable to the Company if certain financial targets related to NGI are achieved. The purpose of the development advance was to provide NGI with the funds necessary to develop internet related products and systems, that if successful, would significantly increase the value of NGI. Without these funds, NGI would not have sufficient funds for development activities contemplated in its business plans. Repayment of the advance is therefore solely dependent on the success of these development efforts. The Company recorded a charge, inclusive of transaction costs, of $84.8 million ($48.4 million, after tax) in the third quarter of 1999, in connection with the donation of NGI shares to the charitable trust and the subsequent development advance.

In the third quarter of 1999, the Company incurred $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland and $1.1 million of other reorganization related costs. In the second quarter of 1999, the Company incurred a $23.0 million non-recurring charge to fund a contribution to the trust responsible for completing the transition of the Company's lodging franchisees to a Company-sponsored property management system.

In January 1999, the Company completed the sale of its Essex Corporation ("Essex") subsidiary for $8.0 million and recognized a $1.3 million gain on sale. Such gain was reported as a credit to merger-related costs and other unusual charges in the consolidated statement of income for the nine months ended September 30, 1999. Coincident with the Cendant merger, the Company previously recorded an unusual charge related to certain intangible assets of Essex which were determined to be impaired.

During the nine months ended September 30, 1998, the Company recorded a net credit of $24.4 million associated with changes in the estimate of liabilities previously recorded in connection with merger-related costs and other unusual charges.

EXECUTIVE TERMINATION. The Company incurred $50.4 million of costs on July 28, 1998 related to the termination of Walter A. Forbes, who resigned as Chairman of the Company and as a member of the

Board of Directors. The severance agreement reached with Mr. Forbes entitled him to the benefits required by his employment contract relating to a termination of Mr. Forbes' employment with the Company for reasons other than for cause. Aggregate benefits given to Mr. Forbes resulted in a charge of $50.4 million comprised of $37.9 million in cash payments and 1.3 million Company stock options, with a Black-Scholes value of $12.5 million. Such options were immediately vested and expire on July 28, 2008. The main benefit to the Company from Mr. Forbes' termination was the resolution of the division of the governance issues that existed at that time between the members of the Board of Directors formerly associated with CUC International Inc. ("CUC") and the members of the Board formerly associated with HFS Incorporated.

INVESTIGATION-RELATED COSTS. During the three and nine months ended September 30, 1999, the Company incurred $4.6 million and $12.8 million, respectively, of professional fees (primarily litigation-related) and other miscellaneous expenses in connection with accounting irregularities in the former business units of CUC and resulting investigations into such matters ("investigation-related costs").

TERMINATION OF PROPOSED ACQUISITION. On February 4, 1999, the Company announced its intention not to proceed with the acquisition of RAC Motoring Services ("RACMS") due to certain conditions imposed by the UK Secretary of State of Trade and Industry that the Company determined to be commercially infeasible. The Company originally announced on May 21, 1998 its definitive agreement with the Board of Directors of Royal Automobile Club Limited to acquire RACMS for approximately $735.0 million in cash. The Company wrote-off $7.0 million of deferred acquisition costs in the first quarter of 1999 in connection with the termination of the proposed acquisition of RACMS.

7. DISPOSITION OF BUSINESSES

CENTRAL CREDIT, INC. On September 3, 1999, the Company completed the sale of its Central Credit, Inc. ("CCI") business unit for $44.0 million in cash and realized a gain on sale of $3.9 million ($12.1 million, after tax loss). Upon the initial execution of the definitive agreement to sell CCI, the Company recorded an additional tax provision of $14.5 million with a corresponding deferred tax liability in the second quarter of 1999, which was when the recognition of such deferred tax liability became apparent. CCI is the leading provider of gaming patron credit information services to casinos.

GLOBAL REFUND GROUP. On August 24, 1999, the Company completed the sale of its Global Refund Group subsidiary ("Global Refund") for approximately $160.0 million in cash. Global Refund, formerly known as Europe Tax Free Shopping, is the world's largest value-added tax refund services company. The Company realized a gain on sale of $73.3 million ($25.3 million, after tax) during the third quarter of 1999.

SPARK SERVICES, INC. On August 12, 1999, the Company completed the sale of its Spark Services, Inc. ("Spark") business unit for approximately $34.6 million in cash and realized a gain on sale of $7.6 million ($2.3 million, after tax) during the third quarter of 1999. Spark is a leading provider of dating and personals services to the radio industry.

FLEET. On June 30, 1999, the Company completed the disposition of the fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services LLC, Wright Express Corporation, The Harpur Group, Ltd., and other subsidiaries pursuant to an agreement between PHH Corporation ("PHH"), a wholly-owned subsidiary of the Company, and Avis Rent A Car, Inc. ("ARAC"). Pursuant to the agreement, ARAC acquired the net assets of the fleet businesses through the assumption and subsequent repayment of $1.44 billion of intercompany debt and the issuance of $360.0 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation ("Avis Fleet"), a wholly-owned subsidiary of ARAC. The transaction followed a competitive bidding process. Coincident to the closing of the transaction, ARAC refinanced the assumed debt under management programs which was payable to the Company. Accordingly, on June 30, 1999, the Company received additional consideration from ARAC of $3,047.5 million comprised of $3,016.9 million of cash proceeds and a $30.6 million note receivable. On such date, the Company used proceeds of $1,809.4 million to repay outstanding fleet segment financing arrangements. Additionally, in July 1999, the Company utilized cash proceeds from the transaction of $1,033.0 million (received in the form of a dividend payment from PHH) to substantially execute the "Dutch Auction" tender offer by the Company to purchase 50 million shares of Company common stock (See Note 11 -- Shareholders' Equity). As of June 30, 1999, the remaining proceeds were designated to repay outstanding debt as it matures (the borrowings of which had been loaned to the fleet segment to finance the purchases of leased vehicles and to finance other assets under management and mortgage programs.

The convertible preferred stock of Avis Fleet is convertible into common stock of ARAC at the Company's option upon the satisfaction of certain conditions, including the per share price of ARAC Class A common stock equaling or exceeding $50 per share and the fleet segment attaining certain EBITDA (earnings before interest, taxes, depreciation and amortization) thresholds, as defined. There are additional circumstances upon which the shares of Avis Fleet convertible preferred stock are automatically or mandatorily convertible into ARAC common stock. At September 30, 1999, the Company beneficially owned approximately 18% of the outstanding Class A common stock of ARAC. If all of the Avis Fleet convertible preferred stock was converted into common stock of ARAC, as of the closing date, the Company would have owned approximately 33% of ARAC's outstanding common equity (although the voting interest would be limited, in most instances to 20%).

The Company realized a net gain on the disposition the fleet business segment of $881.4 million ($865.7 million, after tax) of which $714.8 million ($702.1 million, after tax) was recognized in the second quarter of 1999 and $166.6 million ($163.6 million, after tax) was deferred at June 30, 1999. The Company deferred the portion of the realized net gain which was equivalent to its common equity ownership percentage in ARAC at the time of closing. During the third quarter of 1999, the Company recognized $9.7 million ($9.3 million, after tax) of the deferred portion of the realized net gain due to the sale of a portion of the Company's ownership of ARAC. The realized gain is net of approximately $90.0 million of transaction costs. The deferred net gain is included in deferred income as presented in the consolidated balance sheet at September 30, 1999. The fleet segment disposition was structured to be treated as a tax-free reorganization and, accordingly, no tax provision has been recorded on a majority of the gain. However, based upon a recent interpretive ruling, the Internal Revenue Service may challenge this treatment. Should the transaction be deemed taxable, the resultant tax liability could be material. Notwithstanding, the Company believes that based upon analysis of relevant tax law, the Company's position would prevail.

See Note 13 -- Segment Information -- Fleet for a description of the services which were provided within the fleet segment.

OTHER BUSINESSES. During the second quarter of 1999, the Company completed the dispositions of certain businesses, including Match.com, National Leisure Group and National Library of Poetry. Aggregate consideration received on the dispositions of such businesses was comprised of $27.4 million in cash and $43.3 million of common stock. The Company realized a net gain of $34.9 million ($21.5 million, after tax), which is included in net gain on the disposition of businesses in the consolidated statements of income for the nine months ended September 30, 1999.

8. PENDING ISSUANCE OF TRACKING STOCK

On September 30, 1999, the Company's Board of Directors approved a new series of Cendant common stock "tracking stock" intended to reflect the performance of the Move.com Group, a group of businesses owned by the Company which will be engaged in providing a broad range of home-related services through a new internet services portal. The tracking stock is subject to shareholder approval. There is currently no tracking stock outstanding. The Company has filed a proxy statement with the SEC, which contains detailed financial information as well as more specific plans concerning the transaction. Although the Move.com Group tracking stock is intended to track the performance of the Move.com Group, holders, if any, will be subject to all of the risks associated with an investment in the Company and all of its businesses, assets and liabilities. The tracking stock offering, if approved by the shareholders, will enable the Company to issue the tracking stock in one or more private or public financings and perhaps creating a public trading market for the tracking stock. In connection with this announcement, the Company will report the Move.com Group as a separate business segment. See Note 13 -- Segment Information -- Move.com for a description of the services provided.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Pending Issuance of Tracking Stock" for summarized income state-ment data presented for Cendant Consolidated, the Move.com Group and Cendant excluding the Move.com. Group

9. LITIGATION SETTLEMENT

On March 17, 1999, the Company reached a final agreement to settle the class action lawsuit that was brought on behalf of the holders of Income or Growth FELINE PRIDES ("PRIDES") securities who purchased their securities on or prior to April 15, 1998, the date on which the Company announced the discovery of accounting irregularities in the former business units of CUC. Under the terms of the final agreement only holders who owned PRIDES at the close of business on April 15, 1998 will be eligible to receive a new additional "Right" for each PRIDES security held. Right holders may (i) sell them or (ii) exercise them by delivering to the Company, three Rights together with two PRIDES in exchange for two New PRIDES (the "New PRIDES"), for a period beginning upon distribution of the Rights and concluding upon expiration of the Rights (February 2001).

The terms of the New PRIDES will be the same as the original PRIDES except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, or, in the aggregate, approximately $351.0 million. The final agreement also requires the Company to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) to holders of Rights for cash, at a value which will be based on the valuation model that will be utilized to set the conversion rate of the New PRIDES. The offering of additional PRIDES will be made only pursuant to a prospectus filed with the SEC. The Company currently expects to use the proceeds of such offering to repay indebtedness, repurchase Company common stock and for other general corporate purposes. The arrangement to offer additional PRIDES is designed to enhance the trading value of the Rights by removing up to six million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating four million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such additional PRIDES, under certain circumstances they will be offered to the public. Under the settlement agreement, the Company has also filed a shelf registration statement for an additional 15 million special PRIDES, which could be issued by the Company at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, the Company will be required to offer these special additional PRIDES to holders of Rights at a price in cash equal to 105% of their theoretical value. The special PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights.

Based on an average market price of $15.75 per share of Company common stock (calculated based on the average closing price per share of Company common stock for the consecutive five-day period ended October 22, 1999), the effect of the issuance of the New PRIDES will be to distribute approximately 22 million more shares of Company common stock when the mandatory purchase of Company common stock associated with the PRIDES occurs in February 2001.

On June 15, 1999, the United States District Court for the District of New Jersey entered an order and judgment approving the settlement described above and awarding fees to counsel to the class. One objector, who objected to a portion of the settlement notice concerning fees to be sought by counsel to the class and the amount of fees to be sought by counsel to the class, has filed an appeal to the U.S. Court of Appeals for the Third Circuit from the District Court order approving the settlement and awarding fees to counsel to the class. Although under the settlement the Rights are required to be distributed following the conclusion of court proceedings, including appeals, the Company believes that the appeal is without merit. As a result, the Company currently intends to distribute the Rights in November 1999 after the final list of eligible claimants has been determined by the court.

10. COMMITMENTS AND CONTINGENCIES

LITIGATION

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

In addition, in October 1998, an action claiming to be a class action was filed against the Company and four of the Company's former officers and directors by persons claiming to have purchased American Bankers' stock between January and October 1998. The complaint claimed that the Company made false and misleading public announcements and filings with the SEC in connection with the Company's proposed acquisition of American Bankers allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and that the plaintiff and the alleged class members purchased American Bankers' securities in reliance on these public announcements and filings at inflated prices. On April 26, 1999, the United States District Court for New Jersey found that the class action failed to state a claim upon which relief could be granted and, accordingly, dismissed the complaint. The plaintiff has appealed the District Court's findings to the U.S. Court of Appeals for the Third Circuit.

As previously disclosed, the Company reached a final agreement with plaintiffs' counsel representing the class of holders of its PRIDES securities who purchased their securities on or prior to April 15, 1998 to settle their class action lawsuit against the Company through the issuance of a new "Right" for each PRIDES security held. (See Note 9 -- Litigation Settlement for a more detailed description of the settlement).

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to the matters referenced above. The SEC advised the Company that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. As a result of the findings from the investigations, the Company made all adjustments considered necessary by the Company, which are reflected in its restated financial statements. Although the Company can provide no assurances, the Company does not expect that additional adjustments will be necessary.

SEE NOTE 14 -- Subsequent Events -- Common Stock Litigation Settlement.

Other Pending Litigation. The Company and its subsidiaries are involved in pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. SHAREHOLDERS' EQUITY

During 1999, the Company's Board of Directors authorized an additional $1.8 billion of Company common stock to be repurchased under a common share repurchase program, increasing the total authorized amount to be repurchased under the program to $2.8 billion. The Company has executed this program through open market purchases or privately negotiated transactions, subject to bank credit facility covenants and certain rating agency constraints. As of September 30, 1999, the Company repurchased approximately $1.8 billion (93.6 million shares) of Company common stock under the program.

On July 21, 1999, pursuant to a Dutch Auction self-tender offer to its shareholders, the Company purchased 50 million shares of Company common stock through its wholly-owned subsidiary Cendant Stock Corporation at a price of $22.25 per share (the "Dutch Auction").

SEE NOTE 14 -- Subsequent Events -- Share Repurchases.

12. NEW ACCOUNTING STANDARDS

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements". SAB No. 101 draws upon the existing accounting rules and explains those rules, by analogy, to other transactions that the existing rules do not specifically address. SAB No. 101 requires that revenue generally is realized or realizable when all of the following criteria are met:

persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. The Company has not yet determined what impact the adoption of SAB No. 101 will have on its consolidated financial statements. The Company will adopt SAB No. 101 as required for its first quarterly filing of fiscal 2000.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires the Company to record all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. If the derivative does not qualify as a hedging instrument, the change in the derivative fair values will be immediately recognized as a gain or loss in earnings. If the derivative does qualify as a hedging instrument, the gain or loss on the change in the derivative fair values will either be recognized (i) in earnings as offsets to the changes in the fair value of the related item being hedged or (ii) be deferred and recorded as a component of other comprehensive income and reclassified to earnings in the same period during which the hedged transactions occur. The Company has not yet determined what impact the adoption of SFAS No. 133 will have on its financial statements. Implementation of this standard has recently been delayed by the FASB for a twelve month period. The Company will adopt SFAS No. 133 as required for its first quarterly filing of fiscal year 2001.

13. SEGMENT INFORMATION

Management evaluates each segment's performance on a stand-alone basis based on a modification of earnings before interest, income taxes, depreciation and amortization. For this purpose, Adjusted EBITDA is defined as earnings before non-operating interest, income taxes, depreciation and amortization, adjusted to exclude net gain on disposition of businesses and other items which are of a non-recurring or unusual nature, and are not measured in assessing segment performance or are not segment specific. The Company determined its reportable operating segments based primarily on the types of services it provides, the consumer base to which marketing efforts are directed and the methods used to sell services. Although the Company disposed of its fleet segment on June 30, 1999, the Company added the Move.com Group as an additional reportable operating segment, thereby maintaining the eight reportable operating segments which collectively comprise the Company's continuing operations. Included in the Move.com Group is RentNet, Inc. ("RentNet"), a company acquired during January 1996 and National Home Connection LLC acquired in May 1999. Prior to the formation of the Move.com Group, RentNet's historical financial information was included in our Individual Membership segment. The Company reclassified the financial results of RentNet for the nine months ended September 30, 1998 into the Move.com Group segment. Inter-segment net revenues were not significant to the net revenues of any one segment. A description of the services provided within each of the Company's reportable operating segments is as follows:

TRAVEL

Travel services include the franchising of lodging properties and car rental locations, as well as vacation/timeshare exchange services. As a franchisor of guest lodging facilities and car rental agency locations, the Company licenses the independent owners and operators of hotels and car rental agencies to use its brand names. Operational and administrative services are provided to franchisees, which include access to a national reservation system, national advertising and promotional campaigns, co-marketing programs and volume purchasing discounts. As a provider of vacation and timeshare exchange services, the Company enters into affiliation agreements with resort property owners/developers (developers) to allow owners of weekly timeshare intervals (subscribers) to trade their owned weeks with other subscribers. In addition, the Company provides publications and other travel-related services to both developers and subscribers.

REAL ESTATE FRANCHISE

The Company licenses the owners and operators of independent real estate brokerage businesses to use its brand names. Operational and administrative services are provided to franchisees, which are designed to increase franchisee revenue and profitability. Such services include advertising and promotions, referrals, training and volume purchasing discounts.

RELOCATION

Relocation services are provided to client corporations for the transfer of their employees. Such services include appraisal, inspection and selling of transferees' homes and providing equity advances to transferees (generally guaranteed by the corporate customer). Additional services provided include certain home management services, assistance in locating a new home at the transferee's destination, consulting services and other related services.

MORTGAGE

Mortgage services primarily include the origination, sale and servicing of residential mortgage loans. Revenues are earned from the sale of mortgage loans to investors as well as from fees earned on the servicing of loans for investors. The Company markets a variety of mortgage products to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms and other mortgage banks.

The Company customarily sells all mortgages it originates to investors (which include a variety of institutional investors) either as individual loans, as mortgage-backed securities or as participation certificates issued or guaranteed by Fannie Mae, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association while generally retaining mortgage servicing rights. Mortgage servicing consists of collecting loan payments, remitting principal and interest payments to investors, holding escrow funds for payment of mortgage-related expenses such as taxes and insurance, and otherwise administering the Company's mortgage loan servicing portfolio.

INDIVIDUAL MEMBERSHIP

Individual membership provides customers with access to a variety of services and discounted products in such areas as retail shopping, travel, auto, dining, home improvement, credit information and special interest/outdoor clubs. The Company affiliates with business partners such as leading financial institutions and retailers to offer membership as an enhancement to their credit card customers. Individual memberships are marketed primarily using direct marketing techniques. Through the Company's membership based on-line consumer sites, similar products and services are offered over the internet.

INSURANCE/WHOLESALE

Insurance/Wholesale markets and administers competitively priced insurance products, primarily accidental death and dismemberment insurance and term life insurance. The Company also provides services such as checking account enhancement packages, various financial products and discount programs to financial institutions, which in turn provide these services to their customers. The Company affiliates with financial institutions, including credit unions and banks, to offer their respective customer bases such products and services.

MOVE.COM GROUP

The Move.com Group is a real estate services Internet portal that encompasses all aspects of the home experience, including finding a home, buying or renting a home, moving and post-closing home improvements. The Move.com Group's business consists of three primary sources of revenue: rental directory services, e-commerce/advertising and real estate related products including mortgage brokerage. The Move.com Group integrates and enhances the on-line efforts of the Company's residential real estate brand names and those of the Company's other real estate business units.

OTHER SERVICES

In addition to the previously described business segments, the Company also derives revenues from providing a variety of other consumer and business products and services which include the Company's tax preparation services franchise, information technology services, car park facilities, vehicle emergency support and rescue services, discount coupon books, credit information services, financial products, published products, welcoming packages to new homeowners, value added-tax refund services to travelers and other consumer-related services.

FLEET

As disclosed in Note 7, on June 30, 1999, the Company completed the disposition of its fleet segment for aggregate consideration of $1.8 billion. The fleet segment provided fleet and fuel card related products and services to corporate clients and government agencies. These services included management and leasing of vehicles, fuel card payment and reporting and other fee-based services for clients' vehicle fleets. The Company leased vehicles primarily to corporate fleet users under operating and direct financing lease arrangements.

SEGMENT INFORMATION
(IN MILLIONS)

	THREE MONTHS ENDED SEPTEMBER 30,			
	1999		1998	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA
Travel................	$ 311.6	$162.7	$ 297.3	$142.2
Real Estate Franchise............	161.4	124.4	126.7	102.1
Relocation............	116.8	42.2	130.8	45.6
Mortgage..............	113.8	59.3	79.9	45.4
Individual Membership...........	279.6	48.3 (2)	239.6	(10.4)
Insurance/Wholesale ..	143.5	48.3	135.5	32.1
Move.com..............	5.2	(7.7)	3.2	(0.2)
Other Services........	278.5	49.2 (3)	350.0	9.8 (4,5)
Fleet.................	--	--	94.8	40.5
Total.................	$1,410.4	$526.7	$1,457.8	$407.1

	NINE MONTHS ENDED SEPTEMBER 30,			
	1999		1998	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA (10)
Travel................	$ 873.2	$ 453.9 (6)	$ 826.5	$ 427.0
Real Estate Franchise............	416.9	309.7	342.5	264.4
Relocation............	314.5	94.3	340.7	97.6
Mortgage..............	313.6	153.0	251.9	127.7
Individual Membership...........	766.8	77.3 (2)	650.1	(68.4)
Insurance/Wholesale ..	426.2	136.6 (7)	406.3	106.7
Move.com..............	11.3	(13.6)	7.8	0.5
Other Services........	788.8	125.6 (8)	751.9 (1)	80.3 (1,5,9)
Fleet.................	207.4	80.8	287.4	131.8
Total.................	$4,118.7	$1,417.6	$3,865.1	$1,167.6

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(1) Includes the financial results of NPC from the April 27, 1998 acquisition date.
(2) Excludes an $84.8 million non-recurring charge associated with the formation of NGI.
(3) Excludes (i) $4.6 million of investigation-related costs; (ii) $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland; and (iii) $1.1 million of other reorganization related costs.
(4) Excludes (i) $50.4 million of costs associated with separation payments to the Company's former chairman; and (ii) $26.0 million of investigation-related costs.
(5) Includes a $50.0 million non-cash write-off of impaired goodwill associated with the Company's National Library of Poetry subsidiary and certain equity investments in interactive membership businesses.
(6) Excludes a $23.0 million non-recurring charge in connection with the transition of the Company's lodging franchisees to a Company-sponsored property management system.
(7) Includes an $8.2 million reduction in expenses resulting from a change in the estimated amortization lives of accidental death and dismemberment customer acquisition costs.
(8) Excludes (i) $12.8 million of investigation-related costs; (ii) $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland; (iii) $1.1 million of costs associated with certain reorganization; (iv) a $7.0 million write-off of deferred acquisition costs incurred in connection with the termination of the

proposed acquisition of RACMS; and (v) a $1.3 million gain on the sale of Essex which has been recorded as a credit to merger-related costs and other unusual charges.

(9) Excludes (i) $50.4 million of costs associated with separation payments to the Company's former chairman; and (ii) $58.2 million of investigation-related costs.

(10) Excludes a net credit of $24.4 million associated with changes in the estimate of liabilities previously recorded in connection with merger-related costs and other unusual charges. The aforementioned net credit was comprised of $5.4 million, $1.0 million, $24.1 million and $1.3 million of credits within the Travel, Real Estate Franchise, Other Services and Fleet segments, respectively, and $3.7 million of charges incurred within the Relocation and Mortgage segments, respectively.

Provided below is a reconciliation of total Adjusted EBITDA for reportable operating segments for the three and nine months ended September 30, 1999 and 1998 to income from continuing operations before income taxes and minority interest.

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1999	1998
Adjusted EBITDA for reportable segments	$ 526.7	$ 407.1
Depreciation and amortization	87.4	88.9
Other charges		
Merger-related costs and other unusual charges (credits)	89.9	--
Other investigation-related costs	4.6	11.5
Investigation-related financing costs	--	14.5
Executive termination	--	50.4
Interest, net	51.5	31.0
Net gain on disposition of businesses	75.3	--
Income from continuing operations before income taxes and minority interest	$ 368.6	$ 210.8

(IN MILLIONS)	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
Adjusted EBITDA for reportable segments	$1,417.6	$1,167.6
Depreciation and amortization	277.0	241.3
Other charges		
Merger-related costs and other unusual charges (credits)	111.6	(24.4)
Termination of proposed acquisition	7.0	--
Other investigation-related costs	12.8	31.0
Investigation-related financing costs	--	27.2
Executive termination	--	50.4
Interest, net	153.8	72.9
Net gain on disposition of businesses	824.8	--
Income from continuing operations before income taxes and minority interest	$1,680.2	$ 769.2

14. SUBSEQUENT EVENTS

COMMON SHARE REPURCHASES

As of January 7, 2000, the Company repurchased a total of $3.3 billion (162.3 million shares) of its common stock, inclusive of the stock repurchase program, the Dutch Auction, and the 7.1 million shares of the common stock received as partial consideration in connection with the sale of the Hebdo Mag business unit.

STRATEGIC ALLIANCE

On December 15, 1999 the Company entered into a strategic alliance with Liberty Media Corporation ("Liberty Media"). Specifically, the Company has agreed to work with Liberty Media to develop internet and related opportunities associated with the Company's travel, mortgage, real estate and membership businesses. Such efforts may include the creation of joint ventures with Liberty Media, and others as well as equity investments in each others businesses.

The Company will also assist Liberty Media in creating, and will receive a participation in, a new venture that will seek to provide broadband video, voice and data content to the Company's hotels and their guests on a worldwide basis. The Company will also pursue opportunities within the cable industry with Liberty Media to leverage the Company's direct marketing resources and capabilities.

In addition, Liberty Media has agreed to invest $400 million in cash to purchase 18 million shares of Company common stock and two-year warrants to purchase approximately 29 million shares of Company common stock at an exercise price of $23.00 per share. The transaction is subject to customary conditions, and is expected to close in January of 2000. The Company also announced that Liberty Media Chairman, Dr. John C. Malone, Ph.D., will join the Company's board of directors.

DEBT REDEMPTION

On December 10, 1999, the Board of Directors approved the redemption of all outstanding $400 million 7 1/2% Senior Notes on January 21, 2000. The redemption price is the greater of par or the make whole call option plus 50 basis points.

COMMON STOCK LITIGATION SETTLEMENT

On December 7, 1999, the Company announced that it reached a preliminary agreement to settle the principal securities class action pending against the Company in the U.S. District Court in Newark, New Jersey relating to the Common Stock class action lawsuits. Under the agreement, the Company would pay the class members $2.83 billion in cash. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, the Company can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement. Please see the Company's Form 8-K, dated December 7, 1999, for a description of the preliminary agreement to settle the common stock class action litigation.

DISPOSITION OF BUSINESSES

Disposition of EPub. On November 30, 1999, the Company completed the disposition of approximately 85% of its EPub business unit for $281.0 million in cash, inclusive of certain adjustments. The Company will retain approximately 15% of EPub's equity in connection with the transaction. In addition, the Company will have a designee on EPub's Board of Directors. EPub is a marketer and publisher of coupon books and discount programs which provides customers with unique products and services that are designed to enhance a customer's purchasing power.

Subsequent to the consummation of the transaction, the Company will account for the investment in EPub using the equity method of accounting because, in accordance with Accounting Principles Board Opinions No. 18, the Company believes that its ownership interest combined with our representation on the Board of Directors of EPub gives the Company the ability to exercise significant influence on EPub. Under the equity accounting method, the Company's investments will be increased or reduced to reflect the Company's share of EPub's income or losses. In addition, the Company's earlier classification of EPub as a discontinued operation was reversed in accordance with generally accepted accounting principles.

Disposition of Green Flag. On November 26, 1999, the Company completed the disposition of its Green Flag business unit for approximately $400 million. Green Flag is a roadside assistance organization based in the UK, which provides a wide range of emergency support and rescue services.

North American Outdoor Group. On October 8, 1999, the Company completed the disposition of approximately 94% of its North American Outdoor Group ("NAOG") business unit for approximately $140.0 million in cash. The Company will retain approximately 6% of NAOG's equity in connection with the transaction. Subsequent to consummation, the Company will account for its investment in NAOG using the cost method. NAOG is one of the largest lifestyle affinity membership organizations.

ITEM 2. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are one of the foremost providers of real estate related, travel related, and membership-based consumer and business services in the world. We provide business services to our customers, many of which are consumer services companies, and also provide fee-based services directly to consumers, generally without owning the assets or sharing the risks associated with the underlying businesses of our customers or collaborative partners.

Our businesses provide a wide range of complementary consumer and business services which together consists of four principal divisions -travel related services, real estate related services, direct marketing services and other consumer and business services. Although the Company disposed of its Fleet segment on June 30, 1999, we added Move.com as an additional reportable operating segment in the third quarter 1999, thereby maintaining eight business segments. The travel services businesses facilitate vacation timeshare exchanges, and franchise car rental and hotel businesses; the real estate related services division franchise real estate brokerage businesses, provide home buyers with mortgages and assist in employee relocation; and the direct marketing services businesses provide an array of value driven products and services. Our other consumer and business services include our tax preparation services franchise, information technology services, car parking facility services, vehicle emergency support and rescue services, discount coupon books (sale pending), credit information services, financial products and other consumer-related services.

As a franchisor of hotels, real estate brokerage offices, car rental operations and tax preparation services, we license the owners and operators of independent businesses to use our brand names. We do not own or operate hotels, real estate brokerage offices, car rental operations or tax preparation offices. Instead, we provide our franchisee customers with services designed to increase their revenue and profitability.

In connection with our previously announced program to focus on maximizing the opportunities and growth potential of our existing businesses, we divested or announced our intention to divest several non-strategic businesses and assets and have completed or commenced certain other strategic initiatives related to our internet businesses. Pursuant to such program, we completed the dispositions of North American Outdoor Group, Global Refund Group, the Fleet businesses, Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry, Cendant Software Corporation and Hebdo Mag International, Inc. and have entered into definitive agreements to dispose of the Green Flag Group ("Green Flag") and Entertainment Publications, Inc. ("EPub"). The Green Flag and EPub transactions are expected to close during the fourth quarter of 1999. The divestiture program will ultimately generate approximately $4.5 billion in proceeds. (see "Liquidity and Capital Resources -- Divestitures"). As a result of the divesture program, we divested former CUC International Inc. ("CUC") businesses representing 45% of CUC's revenues in 1997, the year in which we merged with HFS Incorporated ("HFS").

In addition to the above mentioned divestitures, we recently initiated certain internet strategies outlined below.

On September 30, 1999, we announced that our Board of Directors approved a new series of Cendant common stock to track the performance of the Move.com Group, a group of businesses owned by us which will be engaged in providing a broad range of home-related services through a new internet services portal. The Move.com Group commenced operations in the third quarter of 1999 with the Internet site scheduled to become functional during January 2000. The Board of Directors approved the creation of the Move.com Group and the tracking stock without reviewing financial information related thereto since this was a new venture based upon an existing business, RentNet, Inc. ("RentNet"). Prior to the formation of the Move.com Group, RentNet's historical financial information was included in our Individual Membership segment. Beginning in the third quarter 1999 coincident with our Board of Directors approval to create a new class of common stock, we are providing separate footnote disclosure of the Move.com Group's separate financial information within our Consolidated Financial Statements. We have filed a proxy statement with the Securities and Exchange Commission("SEC"), which contains financial details as well as more specific plans concerning the transaction. If we obtain shareholder approval for the tracking stock, we currently intend to issue such tracking stock in a public offering in the second quarter of 2000. The Move.com Group will integrate and enhance the on-line efforts of our residential real estate brands and those of our other real estate business units. The Move.com Group encompasses all aspects of the home experience including finding a home, buying or renting home, moving and post-closing home improvements.

The Move.com Group's business consists of three primary sources of revenue: rental directory services, e-commerce/advertising and real estate related products including mortgage brokerage. Although the tracking stock is intended to track the performance of the Move.com Group, holders, if any, will still be subject to all the risks associated with an investment in the Company and all of its businesses, assets and liabilities. In addition to the Move.com site itself, the Move.com Group assets include RentNet, a company we originally acquired in 1996, National Home Connections LLC, a company we acquired in May 1999 and the assets of Metro Rent which we acquired in the fourth quarter of 1999.

On September 15, 1999, we donated the outstanding common stock of Netmarket, Inc. ("NGI") to a charitable trust and NGI began operations as an independent company that will pursue the development of the interactive on-line businesses formerly within our direct marketing division. NGI will own, operate, develop and expand the on-line membership businesses. We donated NGI's outstanding common stock to a charitable trust and retained an ownership of a convertible preferred stock of NGI, which is ultimately exchangeable, at our option, after September 14, 2001, into approximately 78% of NGI's diluted common shares which has a $5 million annual preferred dividend (see "Liquidity and Capital Resources -- Investment in Netmarket, Inc."). Accordingly, as a result of the change of ownership, NGI's operating results will no longer be included in our consolidated financial statements on a prospective basis.

RESULTS OF OPERATIONS -- THREE MONTHS ENDED SEPTEMBER 30, 1999
VS.
THREE MONTHS ENDED SEPTEMBER 30, 1998

CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1999	1998	% CHANGE
Net revenues	$1,410.4	$1,457.8	(3)%
Expenses			
Operating	443.6	565.9	(22)%
Marketing and reservation	270.5	297.2	(9)%
General and administrative	169.6	187.6	(10)%
	883.7	1,050.7	(16)%
Other charges			
Merger-related costs and other unusual charges (credits)	89.9	--	*
Other investigation-related costs	4.6	11.5	*
Investigation-related financing costs	--	14.5	*
Executive termination	--	50.4	*
Depreciation and amortization expense	87.4	88.9	(2)%
Interest expense, net	51.5	31.0	66%
Net gain on disposition of businesses	75.3	--	*
Pre-tax income from continuing operations before minority interest	368.6	210.8	*
Provision for income taxes	144.3	73.2	97%
Minority interest, net of tax	15.7	14.5	8%
Income from continuing operations	208.6	123.1	*
Loss from discontinued operations, net of tax	--	(12.1)	*
Loss on sale of discontinued operations, net of tax	(6.9)	--	*
Net income	$ 201.7	$ 111.0	*

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* Not meaningful.

REVENUES

Revenues decreased $47.4 million (3%) in third quarter 1999 compared with second quarter 1998. Revenues grew in substantially all of our reportable operating segments, however the disposition of non-strategic businesses during 1999 resulted in the consolidated revenue decrease. Significant contributing factors which gave rise to growth in substantially all of our reportable operating segments included growth in the volume of mortgage services provided and an increase in the amount of royalty fees received from our franchised brands, within both our travel and real estate franchise segments. In addition, we experienced strong growth and efficiencies within our direct marketing businesses. A detailed discussion of revenue trends from 1998 to 1999 is included in the section entitled "Results of Reportable Operating Segments -- Third Quarter 1999 vs. Third Quarter 1998."

OTHER CHARGES

Executive Terminations. We incurred $50.4 million of costs on July 28, 1998 related to the termination of Walter A. Forbes, who resigned as our Chairman and as a member of our Board of Directors in July 1998. The severance agreement reached with Mr. Forbes entitled him to the benefits required by his employment contract relating to a termination of Mr. Forbes' employment with us for reasons other than for cause. Aggregate benefits given to Mr. Forbes resulted in a charge of $50.4 million comprised of $37.9 million in cash payments and 1.3 million of immediately vested Company stock options, with a Black-Scholes value of $12.5 million. The main benefit to us from Mr. Forbes' termination was the resolution of the division of the governance issues that existed at that time between the members of the Board of Directors formerly associated with CUC and the members of the Board formerly associated with HFS.

Investigation-Related Costs. During third quarter 1999, we incurred $4.6 million of professional fees and other miscellaneous expenses in connection with accounting irregularities in the former business units of CUC and the resulting investigations into such matters ("investigation-related costs").

Merger-Related Costs and Other Unusual Charges (Credits). During third quarter 1999, we recorded a net charge of $89.9 million ($51.6 million, after tax), comprised of an $84.8 million ($48.4 million, after tax) non-recurring charge in connection with the donation of NGI shares to the charitable trust, $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland and $1.1 million of other reorganization related costs.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense decreased $1.5 million (2%) in third quarter 1999 compared to third quarter 1998 primarily as a result of the impact of the disposed businesses offset by increased depreciation on the continuing business due to continued capital spending.

INTEREST EXPENSE, NET AND MINORITY INTEREST, NET OF TAX

Interest expense, net, increased $20.5 million (66%) while minority interest, net of tax, increased slightly in third quarter 1999 compared to third quarter 1998. The increase in interest expense is principally attributable to higher borrowing costs during 1999 as compared to 1998. The average debt balances in 1999 were comprised of longer-term fixed rate debt as compared to 1998, which substantially contributed to the increase in cost of funds. Minority interest, net of tax, reflects the preferred dividends payable in cash on our FELINE PRIDES and the trust preferred securities issued in March 1998 (see "Liquidity and Capital Resources -- Financing Exclusive of Management and Mortgage Financing -- FELINE PRIDES and Trust Preferred Securities").

NET GAIN ON DISPOSITION OF BUSINESSES

See "Liquidity and Capital Resources -- Divestitures" for a discussion regarding the dispositions of certain businesses during third quarter 1999 and the resulting net gain from such dispositions.

PROVISION FOR INCOME TAXES

Our effective tax rate was increased from 34.7% in 1998 to 39.1% in 1999 due to income taxes provided on the net gain realized upon the disposition of Global Refund Group and Spark Services, Inc. at a higher tax rate than that of continuing operations.

DISCONTINUED OPERATIONS

Pursuant to our program to divest non-strategic businesses and assets, we sold our consumer software and classified advertising businesses in January 1999 and December 1998, respectively (see "Liquidity and Capital Resources -- Divestitures -- Discontinued Operations").

On April 21, 1999 (the "Measurement Date"), we announced that our Board of Directors approved management's plan to pursue the sale of our Entertainment Publications, Inc. ("EPub") business unit, our wholly-owned subsidiary. At such time we reclassified EPub to discontinued operations for all prior-reporting periods. We expected to realize a gain on sale and, accordingly, $6.9 million of EPub's net operating losses were deferred subsequent to the Measurement Date through June 30, 1999.

In September 1999, we entered into a definitive agreement to sell EPub. However, the sale transaction was structured in a manner that precluded EPub from being classified as a discontinued operation. As a result, the deferral of EPub's operating results of $6.9 million was reclassified to continuing operations during the second quarter of 1999 with a corresponding gain recognized on sale of discontinued operations in order to properly reflect the results of continuing operations. The impact to net income, however, was not required to be recognized until the third quarter of 1999. Accordingly, the gain recognized on sale of discontinued operations in the second quarter was reversed.

The operating results of the consumer software business during 1999, through the date of sale (January 12, 1999) were not material. In 1998, loss from discontinued operations, net of tax, was $12.1 million and was comprised of the following operating results:

	THREE MONTHS ENDED SEPTEMBER 30, 1998	
(IN MILLIONS)	SOFTWARE	ADVERTISING
Net revenues................................	$119.5	$65.2
Net loss....................................	(10.5)	(1.6)

RESULTS OF REPORTABLE OPERATING SEGMENTS -- THREE MONTHS ENDED SEPTEMBER 30, 1999
VS.
THREE MONTHS ENDED SEPTEMBER 30, 1998

The underlying discussions of each segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before non-operating interest, income taxes, depreciation and amortization, adjusted to exclude net gain on disposition of businesses and other items which are of a non-recurring or unusual nature, and are not measured in assessing segment performance or are not segment specific. Our management believes such discussion is the most informative representation of how management evaluates performance. However, our presentation of Adjusted EBITDA may not be comparable with similar measures used by other companies. We identified our reportable operating segments based primarily on the types of services we provide, the consumer base to which marketing efforts are directed and the methods we use to sell services. Although we disposed of our fleet segment on June 30, 1999, we added the Move.com Group as an additional reportable operating segment, thereby maintaining the eight reportable operating segments which collectively comprise our continuing operations. For additional information, including a description of the services provided in each of our reportable operating segments, see Note 13 to the consolidated financial statements.

Three Months Ended September 30,
(Dollars in millions)

	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1999	1998	% CHANGE	1999	1998	% CHANGE	1999	1998
Travel.........	$ 311.6	$ 297.3	5%	$162.7	$142.2	14%	52%	48%
Real Estate Franchise.....	161.4	126.7	27%	124.4	102.1	22%	77%	81%
Relocation.....	116.8	130.8	(11%)	42.2	45.6	(7%)	36%	35%
Mortgage.......	113.8	79.9	42%	59.3	45.4	31%	52%	57%
Individual Membership....	279.6	239.6	17%	48.3(1)	(10.4)	*	17%	(4%)
Insurance/ Wholesale.....	143.5	135.5	6%	48.3	32.1	50%	34%	24%
Move.com.......	5.2	3.2	63%	(7.7)	(0.2)	*	*	*
Other Services......	278.5	350.0	(20%)	49.2(2)	9.8(3,4)	*	18%	3%
Fleet..........	--	94.8	*	--	40.5	*	*	43%
Total..........	$1,410.4	$1,457.8	(3%)	$526.7	$407.1	29%	37%	28%

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(1) Excludes an $84.8 million non-recurring charge associated with the formation of NGI.

(2) Excludes (i) $4.6 million of investigation-related costs; (ii) $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland; and (iii) $1.1 million of other reorganization related costs.

(3) Includes a $50.0 million non-cash write off of certain equity investments in interactive membership businesses and impaired goodwill associated with our National Library of Poetry ("NLP") subsidiary.

(4) Excludes $76.4 million of investigation-related items, including incremental financing costs, and separation payments to our former chairman.

* Not meaningful.

TRAVEL

Revenues and Adjusted EBITDA increased $14.3 million (5%) and $20.5 million (14%), respectively, in third quarter 1999 compared to third quarter 1998. Contributing to the revenue and Adjusted EBITDA increases were $6.6 million (4%) increase in franchise fees, consisting of increases in lodging and car rental franchise fees of $3.6 million (3%) and $3.0 million (7%), respectively, as well as higher Preferred Alliances revenues. Our franchise businesses experienced incremental growth in third quarter 1999 compared to third quarter 1998 primarily due to increases in available rooms (22,600 incremental rooms domestically), and car rental days. Timeshare subscription and exchange revenue increased $3.0 million (4%) as a result of increased volume. The Adjusted EBITDA margin improved to 52% in 1999 from 48% in the same quarter in 1998. The improvement in Adjusted EBITDA margin is attributable to continued expense management and operating leverage.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $34.7 million (27%) and $22.3 million (22%), respectively, in third quarter 1999 compared to third quarter 1998. Royalty fees increased for the CENTURY 21, COLDWELL BANKER and ERA franchise brands collectively by $24.6 million (21%) primarily as a result of a 4% increase in home sale transactions by franchisees and a 7% increase in the average price of homes sold. Home sales by franchisees benefited from strong third quarter 1999 existing domestic home sales, as well as from expansion of our franchise systems. Beginning in second quarter 1999, the financial results of the national advertising funds for the COLDWELL BANKER and ERA brands (the "Advertising Funds") were consolidated into the segment's financial results. This increased third quarter revenues by $8.3 million and increased expenses by the like amount, with no impact on Adjusted EBITDA. The Advertising Funds spend most of their revenues on marketing and advertising expenses for their respective franchise brands. The consolidation of the Advertising Funds reduced the 1999 Adjusted EBITDA margin to 77%, versus 81% in 1998.

RELOCATION

Revenues and Adjusted EBITDA decreased $14.0 million (11%) and $3.4 million (7%), respectively in the third quarter 1999 compared to the third quarter 1998. Certain niche-market asset management operations, which were sold in third quarter 1998, benefited third quarter 1998 revenues and Adjusted EBITDA by $10.6 million and $8.9 million, respectively. Without this non-recurring item, revenues were down 37% and Adjusted EBITDA increased 15%. Ancillary service fees have generally increased, partially offsetting reduced home sale revenue and reflecting a trend from asset-based to service-based fees. The Adjusted EBITDA margin increased from 35% in 1998 to 36% in 1999 primarily due to operating expense reductions of $10.6 million (12%), comprised of cost savings in information technology, regional operations, sales and the sale of certain asset management operations discussed above.

MORTGAGE

Revenues and Adjusted EBITDA increased $33.9 million (42%) and $13.9 million (31%), respectively, in third quarter 1999 compared to third quarter 1998, primarily due to growth in both mortgage origination revenue and servicing revenue. The Adjusted EBITDA margin decreased from 57% in 1998 to 52% in 1999, as higher revenues were offset by higher operating expenses including technology, infrastructure expenditures and teleservices costs to support our "Phone-in, Move-in" and "Log-in, Move-in" programs. Mortgage closings decreased $0.4 billion (6%) to $6.6 billion, due to lower refinance volumes partially offset by continued increases in the origination of mortgages for home purchases. The average production fee increased 28.6 basis points, resulting in a $14.6 million increase in production revenues. The increase in the average production fee resulted from a shift to more profitable sales and processing channels and growth in servicing origination revenues. The average servicing portfolio grew $9.0 billion (23%) and recurring servicing revenue increased $21.9 million, with the average servicing fee increasing 4.5 basis points.

INDIVIDUAL MEMBERSHIP

Revenues and Adjusted EBITDA increased $40.0 million (17%) and $58.7 million, respectively, in third quarter 1999 compared to third quarter 1998. The Adjusted EBITDA margin improved to positive 17% from negative 4% for the same period. The revenue growth is principally due to a greater number of members and increases in the average price of a membership. The increase in Adjusted EBITDA margin is primarily due to the revenue increases, since many of the infrastructure costs associated with providing services to members are not dependent on revenue volume. Results also benefited from reduced solicitation spending, as we further refined the targeted audiences for our direct marketing efforts and achieved greater efficiencies in reaching potential new members. Beginning September 15, 1999, Individual Membership's principal on-line businesses are no longer consolidated into our operations as a result of the formation of NGI, which will own, operate, develop and expand those businesses. In the third quarter of 1999, the on-line membership business contributed $15.9 million in revenues but reduced Adjusted EBITDA by $7.2 million.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $8.0 million (6%) and $16.2 million (50%), respectively, in third quarter 1999 compared to third quarter 1998. The increase in revenues was principally attributable to international expansion, while the Adjusted EBITDA improvement was due to improved profitability in international markets and a $7.3 million marketing expense decrease related to longer amortization periods for certain customer acquisition costs. International revenues and Adjusted EBITDA increased $6.7 million (22%) and $5.2 million, respectively, primarily due to a 35% increase in customers. The Adjusted EBITDA margin increased from 24% in 1998 to 34% in 1999. The Adjusted EBITDA margin for domestic operations was 40% in 1999, versus 30% in 1998. The Adjusted EBITDA margin for international operations was 15% for 1999, versus 1% in 1998. Domestic operations, which represented 74% of segment revenues in 1999, generated higher Adjusted EBITDA margins than international operations as a result of continued expansion costs incurred internationally to penetrate new markets. International operations, however, have become increasingly profitable as they have expanded over the last 18 months.

MOVE.COM GROUP

The Move.com Group is our new internet real estate services portal. We announced in the third quarter of 1999, that we plan to create a new series of common stock intended to reflect the performance of the Move.com Group. The plan to create a new series of tracking stock is subject to stockholder approval. The tracking stock proposal, if adopted, will enable us to issue the Move.com Group tracking stock in one or more private or public financings and perhaps creating a public trading market for the Move.com Group tracking stock. Accordingly, the Move.com Group is reported as a separate business segment beginning third quarter 1999. Revenues increased $2.0 million (63%) to $5.2 million, while Adjusted EBITDA decreased $7.9 million to a loss of $7.7 million in third quarter 1999 compared to third quarter 1998. These results reflect our increased investment in marketing and development of the portal. The revenues and expenses include those of RentNet, which has been contributed to the Move.com Group and were previously included in the Individual Membership segment.

OTHER SERVICES

Revenues decreased $71.5 million (20%) and Adjusted EBITDA increased $39.4 million, respectively, in third quarter 1999 compared to third quarter 1998. Revenues decreased primarily as a result of the disposition of certain operations including Essex Corporation, ("Essex") in January 1999, National Leisure Group ("NLG") and NLP in May 1999, Spark Services, Inc. ("Spark") in August 1999, Global Refund Group ("Global Refund") in August 1999, and Central Credit, Inc. ("CCI") in September 1999. In addition, EPub revenues decreased due to the timing of field sales. The revenue decreases were partially offset by income from financial investments in 1999 versus a significant loss in 1998. The increase in Adjusted EBITDA was primarily due to a $50.0 million non-cash write-off of assets in 1998 and a $13.0 million increase in the Adjusted EBITDA of our National Car Parks subsidiary in 1999. These increases were partially offset by the revenue items discussed above.

FLEET

On June 30, 1999, we completed the disposition of our fleet segment for aggregate consideration of $1.8 billion (see "Liquidity and Capital Resources - -- Divestitures --Disposition of Fleet Segment"). Revenues and Adjusted EBITDA were $94.8 million and $40.5 million, respectively, in third quarter 1998.

RESULTS OF OPERATIONS -- NINE MONTHS ENDED SEPTEMBER 30, 1999
VS.
NINE MONTHS ENDED SEPTEMBER 30, 1998

CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS)	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998	% CHANGE
Net revenues	$4,118.7	$3,865.1	7%
Expenses			
Operating	1,355.4	1,356.9	*
Marketing and reservation	820.6	853.2	(4%)
General and administrative	525.1	487.4	8%
	2,701.1	2,697.5	*
Other charges			
Merger-related costs and other unusual charges (credits)	111.6	(24.4)	*
Termination of proposed acquisition	7.0	--	*
Other investigation-related costs	12.8	31.0	*
Investigation-related financing costs	--	27.2	*
Executive termination	--	50.4	*
Depreciation and amortization expense	277.0	241.3	15%
Interest expense, net	153.8	72.9	111%
Net gain on disposition of businesses	824.8	--	*
Pre-tax income from continuing operations before minority interest	1,680.2	769.2	*
Provision for income taxes	382.2	273.0	40%
Minority interest, net of tax	46.1	34.3	34%
Income from continuing operations	1,251.9	461.9	*
Loss from discontinued operations, net of tax	--	(25.0)	*
Net gain on sale of discontinued operations, net of tax	174.1	--	*
Net income	$1,426.0	$ 436.9	*

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* Not meaningful.

REVENUES

Revenues increased $253.6 million (7%) during the nine months ended September 30, 1999 compared to the nine months ended September 30, 1998, which reflected growth in substantially all of our reportable operating segments despite the effects of the disposition of non-strategic businesses. Significant contributing factors which gave rise to such increase included substantial growth in the volume of mortgage services provided and an increase in the amount of royalty fees received from our franchised brands, within both our travel and real estate franchise segments. In addition, we experienced strong growth and efficiencies within our direct marketing businesses. Revenues included the operating results of NPC, which was acquired in April 1998, for all nine months in 1999 compared to the post acquisition period in 1998. A detailed discussion of revenue trends from 1998 to 1999 is included in the section entitled "Results of Reportable Operating Segments -- Nine Months Ended September 30, 1999 vs. Nine Months Ended September 30, 1998."

OTHER CHARGES

Merger-Related Costs and Other Unusual Charges (Credits). During the nine months ended September 30, 1999, we recorded a net charge of $111.6 million which was comprised of an $84.8 million non-recurring charge in connection with the donation of NGI shares to the charitable trust and the subsequent development advance (see "Overview" discussion regarding the creation of NGI on September 15, 1999), a $23.0 million non-recurring charge in connection with the transition of our lodging franchisees to a Company-sponsored property management system, $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland and $1.1 million of other reorganization related costs, partially offset by a $1.3 million pre-tax gain on the sale of Essex. In January 1999, we completed the sale of Essex for $8.0 million. Coincident with the Cendant merger, we previously recorded an unusual charge related to certain intangible assets of Essex which were determined to be impaired.

During the nine months ended September 30, 1998, we recorded a net credit of $24.4 million associated with changes in the estimate of liabilities previously recorded in connection with merger-related costs and other unusual charges.

Termination of Proposed Acquisition. On February 4, 1999, we announced our intention not to proceed with the acquisition of RAC Motoring Services ("RACMS") due to certain conditions imposed by the UK Secretary of State for Trade and Industry that we determined to be commercially infeasible. We wrote-off $7.0 million of deferred acquisition costs in the first quarter of 1999 in connection with the termination of the proposed acquisition of RACMS.

Investigation-Related Costs. During the nine months ended September 30, 1999, we incurred $12.8 million of investigation-related costs.

Executive Termination. See "Other charges" discussion for three months ended September 30, 1999, regarding the termination of Walter A. Forbes in July 1998.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased $35.7 million (15%) during the nine months ended September 30, 1999 compared to the prior year period as a result of incremental amortization of goodwill and other intangible assets from 1998 acquisitions and continued capital spending primarily to support growth and enhance marketing opportunities in our businesses, partially offset by the impact of the disposed businesses.

INTEREST EXPENSE, NET AND MINORITY INTEREST, NET OF TAX

Interest expense, net, increased $80.9 million (111%) primarily as a result of higher borrowing costs as well as an increase in the average debt balances outstanding during the nine months ended September 30, 1999 when compared with the same period in 1998. The composition of average debt balances during 1999 included longer-term fixed rate debt carrying higher interest rates as compared to 1998. The higher average debt balance carried during 1999 is principally reflective of incremental borrowings used to finance the April 1998 acquisition of NPC. In addition, minority interest, net of tax, increased $11.8 million (34%). Minority interest, net of tax, is primarily related to the preferred dividends payable in cash on our FELINE PRIDES and the trust preferred securities issued in February 1998 (see "Liquidity and Capital Resources -- Financing Exclusive of Management and Mortgage Financing -- FELINE PRIDES and Trust Preferred Securities").

NET GAIN ON DISPOSITION OF BUSINESSES

See "Liquidity and Capital Resources -- Divestitures" for a discussion regarding the dispositions of certain businesses during the nine months ended September 30, 1999 and the resulting net gain from such dispositions.

PROVISION FOR INCOME TAXES

Our effective tax rate was decreased from 35.5% in 1998 to 22.7% in 1999 primary due to the impact of the disposition of our fleet businesses which were accounted for as a tax-free merger for tax purposes. Accordingly, minimal income taxes were provided on the net gain realized upon disposition.

DISCONTINUED OPERATIONS

Pursuant to our program to divest non-strategic businesses and assets, we sold our consumer software and classified advertising businesses in January 1999 and December 1998, respectively. We recorded a $192.7 million gain, net of tax, on the sale of discontinued operations in the first quarter of 1999, related to the disposition of our consumer software business, coincident with the closing of the transaction. We recorded an $18.6 million reduction to the gain in the second quarter of 1999 in connection with certain post-closing adjustments.

Loss from discontinued operations, net of tax, was $25.0 million in 1998 and was comprised of the following operating results:

	NINE MONTHS ENDED SEPTEMBER 30, 1998	
(IN MILLIONS)	CONSUMER SOFTWARE	CLASSIFIED ADVERTISING
Net revenues......	$345.8	$202.4
Net income (loss)..........	(34.4)	9.4

RESULTS OF REPORTABLE OPERATING SEGMENTS -NINE MONTHS ENDED SEPTEMBER 30, 1999 VS. NINE MONTHS ENDED SEPTEMBER 30, 1998

Nine Months Ended September 30,
(Dollars in millions)

	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1999	1998	% CHANGE	1999	1998 (1)	% CHANGE	1999	1998
Travel.........	$ 873.2	$ 826.5	6%	$ 453.9(2)	$ 427.0	6%	52%	52%
Real Estate Franchise.....	416.9	342.5	22%	309.7	264.4	17%	74%	77%
Relocation.....	314.5	340.7	(8%)	94.3	97.6	(3%)	30%	29%
Mortgage.......	313.6	251.9	24%	153.0	127.7	20%	49%	51%
Individual Membership....	766.8	650.1	18%	77.3(3)	(68.4)	*	10%	(11%)
Insurance/ Wholesale.....	426.2	406.3	5%	136.6	106.7	28%	32%	26%
Move.com	11.3	7.8	45%	(13.6)	0.5	*	*	*
Other Services......	788.8	751.9	5%	125.6(4)	80.3(5,6)	56%	16%	11%
Fleet	207.4	287.4	*	80.8	131.8	*	39%	46%
Total..........	$4,118.7	$3,865.1	7%	$1,417.6	$1,167.6	21%	34%	30%

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(1) Excludes a net credit of $24.4 million associated with changes in the estimate of liabilities previously recorded in connection with merger-related costs and other unusual charges. The aforementioned net credit was comprised of $5.4 million, $1.0 million, $24.1 million and $1.3 million of credits within the Travel, Real Estate Franchise, Other Services and Fleet segments, respectively, and $3.7 million of charges incurred within each of the Relocation and Mortgage segments, respectively.

(2) Excludes a $23.0 million non-recurring charge in connection with the transition of our lodging franchisees to a Company-sponsored property management system.

(3) Excludes an $84.8 million non-recurring charge associated with the formation of NGI.

(4) Excludes (i) $12.8 million of investigation-related costs; (ii) $4.0 million of costs resulting from further consolidation of European call centers in Cork, Ireland; (iii) $1.1 million of other reorganization related costs; (iv) a $7.0 million write-off of deferred acquisition

costs incurred in connection with the termination of the proposed acquisition of RACMS; and (v) a $1.3 million gain on the sale of Essex.

(5) Includes a $50.0 million non-cash write off of certain equity investments in interactive membership businesses and impaired goodwill associated with NLP.

(6) Excludes $108.6 million of investigation-related items, including incremental financing costs, and separation payments to the Company's former chairman.

* Not meaningful.

TRAVEL

Revenues and Adjusted EBITDA increased $46.7 million (6%) and $26.9 million (6%), respectively, in the first nine months of 1999 compared to the first nine months of 1998. Excluding a $6.9 million decrease in gains from the sale of portions of our equity investment in Avis Rent A Car, Inc. ("ARAC") from $17.7 million in 1998 to $10.8 million in 1999, revenues increased $53.6 million (7%) and Adjusted EBITDA increased $33.7 million (8%). Contributing to the revenue and Adjusted EBITDA growth were increases in lodging and car rental franchise fees of $18.4 million (6%) and $12.2 million (10%), respectively. Our franchise businesses experienced incremental growth in the first nine months of 1999 compared to the first nine months of 1998, primarily due to increases in average available rooms (23,800 incremental rooms domestically), revenue per available room and car rental days. Timeshare subscription and exchange revenue increased $16.8 million (7%) as a result of increased volume. Increased operating expenses and increased marketing and reservation fund expenses, which were attributable to increased volumes and were offset by increased marketing and reservation revenues received from franchisees, substantially contributed to a $19.8 million (5%) increase in total expenses. The Adjusted EBITDA margin remained unchanged at 52%.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $74.4 million (22%) and $45.3 million (17%), respectively, in the first nine months of 1999 compared to the first nine months of 1998. Royalty fees increased for the CENTURY 21, COLDWELL BANKER and ERA franchise brands collectively by $49.9 million (17%) primarily as a result of a 7% increase in both home sale transactions by franchisees and the average price of homes sold. Home sales by franchisees benefited from strong existing domestic home sales in the first nine months of 1999, as well as from expansion of our franchise system. Beginning in second quarter 1999, the financial results of the Advertising Funds for the COLDWELL BANKER and ERA brands were consolidated into the results of the Real Estate Franchise segment, which increased revenues by $23.0 million and increased expenses by a like amount, with no impact on Adjusted EBITDA. Revenues from Preferred Alliance declined $6.7 million compared to the first nine months of 1998. This decrease was offset by a $10.0 million gain on the sale of preferred stock of NRT Incorporated, the independent company we helped form in 1997 to serve as a consolidator of residential real estate brokerages. Since most costs associated with the real estate franchise business do not vary significantly with home sale volume or revenues, the increase in revenues contributed to an improvement of the Adjusted EBITDA margin from 77% in 1998 to 79% in 1999, prior to the consolidation of the Advertising Funds.

RELOCATION

Revenues and Adjusted EBITDA decreased $26.2 million (8%) and $3.3 million (3%), respectively, in the first nine months of 1999 compared to the first nine months of 1998. Certain niche-market asset management operations which were sold in the third quarter of 1998 benefited the first nine months of 1998 revenues and Adjusted EBITDA by $19.6 million and $14.5 million, respectively. This was partially offset by the second quarter 1999 sale of a minority interest in our Fairtide insurance subsidiary, which resulted in $7.2 million of additional revenue and Adjusted EBITDA. Referral fees increased $10.2 million, nearly offsetting an $11.5 million decline in home sale revenue and reflecting a trend from asset-based to service-based fees. In 1998, revenues and Adjusted EBITDA benefited from an improvement in receivable collections, which permitted a $7.5 million reduction in billing reserve requirements. Operating expenses decreased $22.9 million (9%), comprised of cost savings in regional operations, reduced government home sale expenses and the sale of certain asset management operations discussed above. The Adjusted EBITDA margin increased 30% in 1999 from 29% in 1998 primarily due to the previously discussed operating expense reductions.

MORTGAGE

Revenues and Adjusted EBITDA increased $61.7 million (24%) and $25.3 million (20%), respectively, in the first nine months of 1999 compared to the first nine months of 1998, primarily due to substantial growth in both mortgage origination revenue and servicing revenue. The Adjusted EBITDA margin decreased from 51% in 1998 to 49% in 1999, as higher revenues were partially offset by higher operating expenses related to increases in hiring, technology and capacity to support continued growth. Mortgage closings increased $2.8 billion (15%) to $21.2 billion, while the average production fee increased 3.6 basis points, resulting in a $39.0 million net increase in production revenues. The increase in the average production fee resulted from a shift to more profitable sales and processing channels and growth in servicing origination revenues. The average servicing portfolio grew $11.1 billion (32%) and recurring servicing revenue increased $27.5 million (83%), with the average servicing fee increasing 3.7 basis points.

INDIVIDUAL MEMBERSHIP

Revenues and Adjusted EBITDA increased $116.7 million (18%) and $145.7 million, respectively, in the first nine months of 1999 compared to the first nine months of 1998. The Adjusted EBITDA margin improved to positive 10% from negative 11% for the same periods. The revenue growth is principally due to a greater number of members added year over year and increases in the average price of a membership. Also contributing to the revenue growth was a $12.8 million increase due to the acquisition of a company in April 1998 that, among other services, provides members with access to their personal credit information. The increase in Adjusted EBITDA margin is primarily due to the revenue increases, since many of the infrastructure costs associated with providing services to members are not dependent on revenue volume. Results also benefited from a reduction in solicitation spending, as we further refined the targeted audiences for our direct marketing efforts and achieved greater efficiencies in reaching potential new members. Beginning September 15, 1999, Individual Membership's principal on-line businesses are no longer consolidated into our operations as a result of the formation of NGI, which will own, operate, develop and expand those businesses. Through its September 15 disposition date, on-line membership business contributed $48.8 million in revenues, but reduced Adjusted EBITDA by $23.5 million.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $19.9 million (5.0%) and $29.9 million (28%), respectively, in the nine months of 1999 compared to the nine months of 1998 primarily due to customer growth, which resulted from increases in affiliations with financial institutions. The increase in revenues was attributable principally to international expansion, while the Adjusted EBITDA increase was due to improved profitability in international markets as well as an $18.2 million expense decrease related to longer amortization periods for certain customer acquisition costs. International revenues and Adjusted EBITDA increased $22.1 million (26%) and $11.8 million (257%), respectively, primarily due to a 41% increase in customers. For the segment as a whole, the Adjusted EBITDA margin increased to 32% in 1999 from 26% in 1998. The Adjusted EBITDA margin for domestic operations was 38% in 1999, versus 32% in 1998. The Adjusted EBITDA margin for international operations was 15% for 1999, versus 5% in 1998. Domestic operations, which represented 75% of segment revenues in 1999, generated higher Adjusted EBITDA margins than international operations as a result of continued expansion costs incurred internationally to penetrate new markets. International operations, however, have become increasingly profitable as they have expanded over the last 18 months.

MOVE.COM GROUP

Revenues increased $3.5 million (45%) to $11.3 million, while Adjusted EBITDA decreased $14.1 million to a loss of $13.6 million in the first nine months of 1999 compared to the first nine months of 1998. These results reflect our increased investment in marketing and development of the portal. The revenues and expenses include those of RentNet, which has been contributed to the Move.com Group and were previously included in the Individual Membership segment.

OTHER SERVICES

Revenues and Adjusted EBITDA increased $36.9 million (5%) and $45.3 million (56%), respectively in the nine months of 1999 compared to the nine months of 1998. Revenues increased primarily as a result of the April 1998 acquisition of NPC, which contributed $135.1 million of additional revenues in 1999 compared to 1998. The revenue increase attributable to the NPC acquisition was partially offset by the impact of divested operations, including Essex in January 1999, NLG and NLP in May 1999, Spark and Global Refund in August 1999 and CCI in September 1999. In addition, EPub revenues were reduced due to the timing of field sales. The increase in Adjusted EBITDA was primarily due to the revenue items discussed above and partially offset by increased operating and infrastructure costs.

FLEET

On June 30, 1999, we completed the disposition of our fleet segment (see "Liquidity and Capital Resources -- Divestitures -- Disposition of Fleet Segment"). Revenues and Adjusted EBITDA were $207.4 million and $80.8 million, respectively, in the first six months of 1999 and $287.4 million and $131.8 million, respectively, in the first nine months of 1998.

LIQUIDITY AND CAPITAL RESOURCES

STRATEGIC ALLIANCE

On December 15, 1999 we entered into a strategic alliance with Liberty Media Corporation ("Liberty Media"). Specifically, we have agreed to work with Liberty Media to develop internet and related opportunities associated with our travel, mortgage, real estate and membership businesses. Such efforts may include the creation of joint ventures with Liberty Media and others as well as equity investments in each others businesses.

We will also assist Liberty Media in creating, and will receive a participation in, a new venture that will seek to provide broadband video, voice and data content to our hotels and their guests on a worldwide basis. We will also pursue opportunities within the cable industry with Liberty Media to leverage our direct marketing resources and capabilities.

In addition, Liberty Media has agreed to invest $400 million in cash to purchase 18 million shares of our common stock and two-year warrants to purchase approximately 29 million shares of our common stock at an exercise price of $23.00 per share. The transaction is subject to customary conditions, and is expected to close in January of 2000. We also announced that Liberty Media Chairman, Dr. John C. Malone, Ph.D., will join our board of directors.

PENDING ISSUANCE OF TRACKING STOCK

On September 30, 1999, our Board of Directors approved a new series of Cendant common stock ("tracking stock") to track the performance of the Move.com Group, a group of businesses owned by us which will be engaged in providing a broad range of home-related services through a new internet services portal. The tracking stock is subject to shareholder approval. There is currently no common stock outstanding related to the Move.com Group. We have filed a proxy statement with the SEC, which contains detailed financial information as well as more specific plans concerning the transaction. Although the Move.com Group tracking stock is intended to track the performance of the Move.com Group, holders, if any, will be subject to all of the risks associated with an investment in the Company and all of its businesses, assets and liabilities. The tracking stock offering, if approved by the shareholders, will enable us to sell all or part of the Move.com Group tracking stock in one or more private or public financings and perhaps creating a public trading market for the Move.com Group tracking stock. In connection with this announcement, we will report the Move.com Group as a separate business segment. See Note 13 -- Segment Information -- Move.com Group for a description of the services provided.

Below is the summarized income statement data of Cendant Consolidated, Move.com Group, and Cendant excluding Move.com Group. Prior to the issuance of the Move.com Group tracking stock, all financial results of the Move.com Group will be allocated to the traditional Cendant stockholders.

THREE MONTHS ENDED SEPTEMBER 30, 1999

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	CENDANT CONSOLIDATED	MOVE.COM GROUP	CENDANT EXCLUDING MOVE.COM GROUP
Net revenues	$1,410.4	$ 5.2	$1,405.2
Expenses	1,117.1	13.4	1,103.7
Net gain on disposition of businesses	75.3		75.3
Income (loss) before income taxes and minority interest	368.6	(8.2)	376.8
Income (loss) from continuing operations	208.6	(5.3)	213.9
Earnings per share from continuing operations			
Basic	$ 0.29		$ 0.29
Diluted	0.27		0.28

THREE MONTHS ENDED SEPTEMBER 30, 1998

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	CENDANT CONSOLIDATED	MOVE.COM GROUP	CENDANT EXCLUDING MOVE.COM GROUP
Net revenues	$1,457.8	$ 3.2	$1,454.6
Expenses	1,247.0	3.9	1,243.1
Income (loss) before income taxes and minority interest	210.8	(0.7)	211.5
Income (loss) from continuing operations	123.1	(0.4)	123.5
Earnings per share from continuing operations			
Basic	$ 0.14		$ 0.14
Diluted	0.14		0.14

NINE MONTHS ENDED SEPTEMBER 30, 1999

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	CENDANT CONSOLIDATED	MOVE.COM GROUP	CENDANT EXCLUDING MOVE.COM GROUP
Net revenues	$4,118.7	$ 11.3	$4,107.4
Expenses	3,263.3	26.5	3,236.8
Net gain on disposition of businesses	824.8		824.8
Income (loss) before income taxes and minority interest	1,680.2	(15.2)	1,695.4
Income (loss) from continuing operations	1,251.9	(9.9)	1,261.8
Earnings per share from continuing operations			
Basic	$ 1.64		$ 1.65
Diluted	1.54		1.55

NINE MONTHS ENDED SEPTEMBER 30, 1998

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	CENDANT CONSOLIDATED	MOVE.COM GROUP	CENDANT EXCLUDING MOVE.COM GROUP
Net revenues	$3,865.1	$ 7.8	$3,857.3
Expenses	3,095.9	8.7	3,087.2
Income (loss) before income taxes and minority interest	769.2	(0.9)	770.1
Income (loss) from continuing operations	461.9	(0.5)	462.4
Earnings per share from continuing operations			
Basic	$ 0.55		$ 0.55
Diluted	0.53		0.53

DIVESTITURES

During 1998, we implemented a program to divest non-strategic businesses and assets in order to focus on our core businesses, repay debt and repurchase our common stock. Pursuant to such program, we completed or have pending the following dispositions:

Disposition of EPub. On November 30, 1999, we completed the disposition of approximately 85% of our EPub business unit for $281.0 million in cash, inclusive of certain adjustments. We will retain approximately 15% of EPub's equity in connection with the transaction. In addition, we will have a designee on the EPub's Board of Directors. EPub is a marketer and publisher of coupon books and discount programs which provides customers with unique products and services that are designed to enhance a customer's purchasing power.

We will account for our investment in EPub using the equity method of accounting because, in accordance with Accounting Principles Board Opinions No. 18, we believe that our ownership interest combined with our representation on the Board of Directors of EPub gives us the ability to exercise significant influence on EPub. Under the equity accounting method, our investments will be increased or reduced to reflect our share of EPub's income or losses. In addition, our earlier classification of EPub as a discontinued operation was reversed in accordance with generally accepted accounting principles.

Disposition of Green Flag. On November 26, 1999, we completed the disposition of Green Flag business unit for approximately $400 million. Green Flag is a roadside assistance organization based in the UK, which provides a wide range of emergency support and rescue services.

North American Outdoor Group. On October 8, 1999, we completed the disposition of approximately 94% of our North American Outdoor Group ("NAOG") business unit for approximately $140.0 million in cash and we will retain approximately 6% of NAOG's equity in connection with the transaction. NAOG is the world's largest lifestyle affinity membership organization.

Central Credit, Inc. On September 3, 1999, we completed the sale of our Central Credit, Inc. ("CCI") business unit for $44.0 million in cash. We realized a gain on sale of $3.9 million ($12.1 million, after tax loss). CCI is the leading provider of gaming patron credit information services to casinos.

Global Refund Group. On August 24, 1999, we completed the sale of our Global Refund Group subsidiary ("Global Refund") for approximately $160.0 million in cash. Global Refund, formerly known as Europe Tax Free Shopping, is the world's largest value-added tax refund services company. We realized a gain on sale of approximately $73.3 million ($25.3 million, after tax) during the third quarter of 1999.

Spark Services, Inc. On August 12, 1999, we completed the sale of our Spark Services, Inc. ("Spark") business unit for approximately $34.6 million in cash and realized a gain on sale of $7.6 million ($2.3 million, after tax) during the third quarter of 1999. Spark is the leading provider of dating and personal services to the radio industry.

Fleet. On June 30, 1999, we completed the disposition of our fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services LLC, Wright Express Corporation, The Harpur Group, Ltd., and other subsidiaries pursuant to an agreement between PHH Corporation ("PHH"), our wholly-owned subsidiary, and Avis Rent A Car, Inc. ("ARAC"). Pursuant to the agreement, ARAC acquired the net assets of our fleet businesses through the assumption and subsequent repayment of $1.44 billion of intercompany debt and the issuance of $360.0 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation ("Avis Fleet"), a wholly-owned subsidiary of ARAC. The transaction followed a competitive bidding process. Coincident to the closing of the transaction, ARAC refinanced the assumed debt under management programs which was payable to us. Accordingly, on June 30, 1999, we received additional consideration from ARAC of $3,047.5 million comprised of $3,016.9 million of cash proceeds and a $30.6 million note receivable. On such date, we used proceeds of $1,809.4 million to repay outstanding fleet segment financing arrangements. Additionally, in July 1999, we utilized cash proceeds from the transaction of $1,033.0 million (received in the form of a dividend payment from PHH) to substantially execute the "Dutch Auction" tender offer by us to purchase 50 million shares of our common stock (See "Common Share Repurchases"). As of June 30, 1999, proceeds remaining from the transaction were designated to repay outstanding corporate debt as it matures (the borrowings of which had been loaned to the fleet segment to finance the purchases of leased vehicles) and to finance other assets under management and mortgage programs.

The convertible preferred stock of Avis Fleet is convertible into common stock of ARAC at our option upon the satisfaction of certain conditions, including the per share price of ARAC Class A common stock equaling or exceeding $50 per share and the fleet segment attaining certain EBITDA (earnings before interest, taxes, depreciation and amortization) thresholds, as defined. There are additional circumstances upon which the shares of Avis Fleet convertible preferred stock are automatically or mandatorily convertible into ARAC common stock. At September 30 1999, we beneficially owned approximately 18% of the outstanding Class A common stock of ARAC. If all of the Avis Fleet convertible preferred stock was converted into common stock of ARAC, as of the closing date, we would have owned approximately 33% of ARAC's outstanding common equity (although the voting interest would be limited, in most instances to 20%). At December 31, 1999, our ownership percentage of outstanding Class A Common Stock of ARAC was 18%.

We realized a net gain on disposition of $881.4 million ($865.7 million, after tax) of which $714.8 million ($702.1 million, after tax) was recognized in the second quarter of 1999 and $166.6 million ($163.6 million, after tax) was deferred at June 30, 1999. During the third quarter of 1999, we recognized $9.7 million ($9.3 million, after tax) of the deferred portion of the realized net gain. The realized gain is net of approximately $90.0 million of transaction costs. We deferred the portion of the realized net gain which was equivalent to our common equity ownership percentage in ARAC at the time of closing. The fleet segment disposition was structured to be treated as a tax-free reorganization and, accordingly, no tax provision has been recorded on a majority of the gain. However, based upon a recent interpretive ruling, the Internal Revenue Service may challenge this treatment. Should the transaction be deemed taxable, the resultant tax liability could be material. Notwithstanding, we believe that based upon our analysis of relevant tax law, our position would prevail.

Other Businesses. During the second quarter of 1999, we completed the dispositions of certain businesses, including Match.com, NLG and NLP. Aggregate consideration received on the dispositions of such businesses was comprised of $27.4 million in cash and $43.3 million of common stock. We realized a net gain of $34.9 million ($21.5 million, after tax) on the dispositions of the businesses.

Discontinued Operations. On January 12, 1999, we completed the sale of Cendant Software Corporation ("CDS") for approximately $800.0 million in cash. We realized an after tax net gain of $371.9 million on the disposition of CDS of which $192.7 million was recognized in the first quarter of 1999, coincident with the closing of the transaction. We recorded an $18.6 million reduction to the gain during the second quarter of 1999, in connection with the settlement of certain post closing adjustments. The remaining $197.8 million of such realized after tax net gain was recognized in the fourth quarter of 1998, substantially in the form of a tax benefit and corresponding deferred tax asset. CDS was a developer, publisher and distributor of educational and entertainment software.

In December 1998, we completed the sale of Hebdo Mag International, Inc. ("Hebdo Mag") to its former 50% owners for $314.8 million in cash and 7.1 million shares of our common stock. Hebdo Mag was our former business unit which published and distributed classified advertising information.

INVESTMENT IN NETMARKET GROUP, INC.

On September 15, 1999, Netmarket Group, Inc. ("NGI") began operations as an independent company that will pursue the development of the interactive businesses formerly within our direct marketing division. NGI will own, operate, develop and expand the on-line membership businesses, including Netmarket.com, Travelers Advantage, Auto Vantage, Privacy Guard and Hagglezone.com, which collectively have 1.3 million on-line members (and are expected to produce approximately $70.0 million of revenues in 1999). Prior to September 15, 1999, our ownership of NGI was restructured into common stock and preferred stock interests. On September 15, 1999 (the "donation date"), we donated NGI's outstanding common stock to a charitable trust (the "Trust") and, NGI intended to issue additional shares of its common stock to certain of its marketing partners. This structure would allow NGI to use its equity to attract, retain and incent employees, to permit NGI to pursue strategic alliances and acquisitions and to make operational and strategic decisions without the need to consider the impact of those decisions on us. In addition, the contribution would establish a charitable foundation that would enhance our image in the marketplace. Although no assurances can be given, we believe the donation of NGI to a separate autonomous entity will increase the likelihood that NGI will be successful and increase in value thereby increasing the value of our investment. Our shareholders should benefit from the potential increased value. The beneficiaries of the Trust include The Inner City Games Foundation, The Susan G. Komen Breast Cancer Foundation, Inc. and Community Funds, Inc. The fair market value of NGI common stock on the date of contribution was estimated to be approximately $20 million. Accordingly, as a result of the change in ownership of NGI's common stock from us to independent third parties, prospective from the donation date, NGI'S operating results were no longer included in our consolidated financial statements. We retained the opportunity to participate in NGI's value through the ownership of a convertible preferred stock of NGI, which is ultimately exchangeable, at our option, until after September 14, 2001, into approximately 78% of NGI's diluted common shares which has a $5 million annual preferred dividend. The convertible preferred stock will be accounted for using the cost method of accounting. The preferred stock dividend will be recorded in income if and when it becomes realizable. Subsequent to our contribution of NGI's common stock to the trust, we provided a development advance of $77.0 million to NGI, which is contingently repayable to us if certain financial targets related to NGI are achieved. The purpose of the development advance was to provide NGI with the funds necessary to develop internet related products and systems, that if successful, would significantly increase the value of NGI. Without these funds, NGI would not have sufficient funds for development activities contemplated in its business plans. Repayment of the advance is therefore solely dependent on the success of these development efforts. We recorded a charge, inclusive of transaction costs of $84.8 million ($48.4 million, after tax), during the third quarter of 1999, in connection with the donation of NGI shares to the charitable trust and the subsequent development advance.

FINANCING (EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAM FINANCING)

We believe that we have sufficient liquidity and access to liquidity through various sources, including our ability to access public equity and debt markets and financial institutions. We currently have a $1.25 billion term loan facility in place as well as committed back-up facilities totaling $1.75 billion, which is currently undrawn and available and $2.45 billion of availability under existing shelf registration statements. Our long-term debt was $3.3 billion at September 30, 1999 which substantially consisted of $2.1 billion of publicly issued fixed rate debt and $1.25 billion of borrowings under a term loan facility. In addition, we had $1.5 billion of equity-linked FELINE PRIDES securities outstanding at September 30, 1999.

CREDIT FACILITIES

Our primary credit facility consists of (i) a $750 million, five-year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1 billion, 364-day revolving credit facility (the "364-Day Revolving Credit Facility") (collectively the "Revolving Credit Facilities"). The 364-Day Revolving Credit Facility will mature on October 27, 2000 but may be renewed on an annual basis for an additional 364 days upon receiving lender approval. The Five-Year Revolving Credit Facility will mature on October 1, 2001. Borrowings under the Revolving Credit Facilities, at our option, bear interest based on competitive bids of lenders participating in the facilities, at prime rates or at LIBOR, plus a margin of approximately 75 basis points. We are required to pay a per annum facility fee of .175% and .15% of the average daily unused commitments under the Five Year Revolving Credit Facility and 364 Day Revolving Credit Facility, respectively. The interest rates and facility fees are subject to change based upon credit ratings on our senior unsecured long-term debt by nationally recognized debt rating agencies. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness, mergers, liquidations and sale and leaseback transactions and requires the maintenance of certain financial ratios, including a 3:1 minimum interest coverage ratio (14:1 as of September 30, 1999) and a maximum debt-to-capitalization ratio of 0.5:1 (0.4:1 as of September 30, 1999).

TERM LOAN FACILITIES

On February 9, 1999, we replaced a 364-day, $3.25 billion term loan facility with a new two-year term loan facility (the "Term Loan Facility") which provides for borrowings of up to $1.25 billion. The Term Loan Facility bears interest at LIBOR plus a margin of approximately 100 basis points and is payable in five consecutive quarterly installments beginning on the first anniversary of the closing date. At September 30, 1999, borrowings under the Term Loan Facility which were due within one year were classified as long-term based on our intent and ability to refinance such borrowings on a long-term basis. The Term Loan Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for our Revolving Credit Facilities. We used $1.25 billion of the proceeds from the Term Loan Facility to refinance a portion of the outstanding borrowings under the former term loan facility.

7 1/2% AND 7 3/4% SENIOR NOTES

We filed a shelf registration statement with the SEC, effective November 1998, which provided for the aggregate issuance of up to $3 billion of debt and equity securities. Pursuant to such registration statement, we issued $1.55 billion of Senior Notes (the "Notes") in two tranches, consisting of $400 million principal amount of 7 1/2% Senior Notes due December 1, 2000 and $1.15 billion principal amount of 7 3/4% Senior Notes due December 1, 2003. Interest on the Notes is payable on June 1 and December 1 of each year, beginning on June 1, 1999. The Notes may be redeemed, in whole or in part, at any time, at our option at a redemption price plus accrued interest to the date of redemption. The redemption price is equal to the greater of (i) the face value of the Notes or (ii) the sum of the present values of the remaining scheduled payments discounted at the treasury rate plus a spread as defined in the indenture. The offering was a component of a plan designed to refinance an aggregate of $3.25 billion of borrowings under our former term loan facility, based on provisions contained in the indenture. Net proceeds from the offering were used to repay $1.3 billion of borrowings under such term loan facility and for general corporate purposes, which included the purchase of our common stock.

On December 10, 1999, our Board of Directors approved the redemption of all outstanding $400 million 7 1/2% Senior Notes on January 21, 2000. The redemption price is the greater of par or the make whole call option plus 50 basis points.

FELINE PRIDES AND TRUST PREFERRED SECURITIES

Through our wholly owned subsidiary, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware, we have an outstanding issuance of 29.9 million FELINE PRIDES, each with a face amount of $50 per PRIDE and 2.3 million trust preferred securities. Proceeds of $1.5 billion from the original issuance of the FELINE PRIDES were invested by the Trust in our 6.45% Senior Debentures due 2003 (the "Debentures"), which represents the sole asset of the Trust. The obligations of the Trust related to the FELINE PRIDES and trust preferred securities are unconditionally guaranteed by us to the extent we make payments pursuant to the Debentures. The issuance of the FELINE PRIDES and trust preferred securities, resulted in the utilization of approximately $3 billion of availability under a $4 billion shelf registration statement. At September 30, 1999, the FELINE PRIDES consisted of approximately 27.8 million Income PRIDES and 2.1 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"). The Income PRIDES consist of trust preferred securities and forward purchase contracts under which the holders are required to purchase our common stock in February 2001. The Growth PRIDES consist of zero coupon U.S. Treasury securities and forward purchase contracts under which the holders are required to purchase our common stock in February 2001. The stand-alone trust preferred securities and the trust preferred securities forming a part of the Income PRIDES, each with a face amount of $50, bear interest, in the form of preferred stock dividends, at the annual rate of 6.45%, payable in cash. Payments under the forward purchase contract forming a part of the Income PRIDES are made by us in the form of a contract adjustment payment at an annual rate of 1.05%. Payments under the forward purchase contract forming a part of the Growth PRIDES are made by us in the form of a contract adjustment payment at an annual rate of 1.30%. The forward purchase contracts require the holder to purchase a minimum of 1.0395 shares and a maximum of 1.3514 shares of our common stock per PRIDES security, depending upon the average of the closing price per share of our common stock for a 20 consecutive day period ending in mid-February of 2001. We have the right to defer the contract adjustment payments and the payment of interest on its Debentures to the Trust. Such election will subject us to certain restrictions, including restrictions on making dividend payments on our common stock until all such payments in arrears are settled.

On March 17, 1999, we reached a final agreement to settle a class action lawsuit that was brought on behalf of the holders of PRIDES securities who purchased their securities on or prior to April 15, 1998. Under the terms of the final agreement, only holders who owned PRIDES at the close of business on April 15, 1998 will be eligible to receive a new additional "Right" for each PRIDES security held. At any time during the life of the Rights (expires February 2001), holders may (i) sell them or (ii) exercise them by delivering to us three Rights together with two PRIDES in exchange for two new PRIDES (the "New PRIDES"). The terms of the New PRIDES will be the same as the original PRIDES except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, or, in the aggregate, approximately $351.0 million. The final agreement also requires us to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) to holders of Rights for cash, at a value which will be based on the valuation model that was utilized to set the conversion rate of the New PRIDES. The offering of additional PRIDES will be made only pursuant to a prospectus filed with the SEC. We currently expect to use the proceeds of such an offering for general corporate purposes. The arrangement to offer additional PRIDES is designed to enhance the trading value of the Rights by removing up to six million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating four million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such PRIDES, they will be offered to the public. Under the settlement agreement, we also agreed to file a shelf registration statement for an additional 15 million special PRIDES, which could be issued by us at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, we will be required to make these additional PRIDES available to holders of Rights at a price in cash equal to 105% of their theoretical value. The special PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Based on a market price of $15.75 on (calculated based on the average closing price per share of our common stock for the consecutive five day period ended October 22, 1999), the effect of the issuance of the New PRIDES will be to distribute approximately 22 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February 2001.

On June 15, 1999, the United States District Court for the District of New Jersey entered an order and judgment approving the settlement described above and awarding fees to counsel to the class. One objector, who objected to a portion of the settlement notice concerning fees to be sought by counsel to the class and the amount of fees to be sought by counsel to the class, has filed an appeal to the U.S. Court of Appeals for the Third Circuit from the District Court order approving the settlement and awarding fees to counsel to the class. Although under the settlement the Rights are required to be distributed following the conclusion of court proceedings, including appeals, we believe that the appeal is without merit. As a result, we currently intend to distribute the Rights in November 1999 after the final list of eligible claimants has been determined by the court.

3% CONVERTIBLE SUBORDINATED NOTES

We have an outstanding issuance of $550.0 million principal amount of 3% Convertible Subordinated Notes (the "3% Notes") due 2002. Each $1,000 principal amount of 3% Notes is convertible into 32.6531 shares of our common stock subject to adjustment in certain events. The 3% Notes may be redeemed at our option at any time on or after February 15, 2000, in whole or in part, at the appropriate redemption prices (as defined in the indenture governing the 3% Notes) plus accrued interest to the redemption date. The 3% Notes will be subordinated in right of payment to all existing and future Senior Debt (as defined in our indenture governing the 3% Notes).

FINANCING RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Our PHH subsidiary operates our mortgage and relocation services businesses as a separate public reporting entity and supports originated mortgages and advances under relocation contracts primarily by issuing commercial paper and medium term notes and maintaining securitized obligations. Such financing is not classified based on contractual maturities, but rather is included in liabilities under management and mortgage programs rather than long-term debt since such debt corresponds directly with high quality related assets. Prior to the June 30, 1999 disposition of our fleet segment, fleet business operations were also funded using such financing arrangements. Upon the disposition, we received cash proceeds equivalent to the outstanding debt applicable to our fleet segment (see "Liquidity and Capital Resources -- Divestitures -- Disposition of Fleet Segment"). PHH continues to pursue opportunities to reduce its borrowing requirements by securitizing increasing amounts of its high quality assets. We currently have an agreement, expiring 2001 under which an unaffiliated buyer, Bishops Gate Residential Mortgage Trust, a special purpose entity, (the "Buyer") commits to purchase, at our option, mortgage loans originated by us on a daily basis, up to the Buyer's asset limit of $2.4 billion. Under the terms of this sale agreement, we retain the servicing rights on the mortgage loans sold to the Buyer and provide the Buyer with options to sell or securitize the mortgage loans into the secondary market. At September 30, 1999, we were servicing approximately $997.7 million of mortgage loans owned by the Buyer.

PHH debt is issued without recourse to the parent company. Our PHH subsidiary expects to continue to maximize its access to global capital markets by maintaining the quality of its assets under management. This is achieved by establishing credit standards to minimize credit risk and the potential for losses. PHH minimizes its exposure to interest rate and liquidity risk by effectively matching floating and fixed interest rate and maturity characteristics of funding to related assets, varying short and long-term domestic and international funding sources, and securing available credit under committed banking facilities. Depending upon asset growth and financial market conditions, our PHH subsidiary utilizes the United States and European commercial paper markets, as well as other cost-effective short-term instruments. In addition, our PHH subsidiary will continue to utilize the public and private debt markets as sources of financing. Augmenting these sources, our PHH subsidiary will continue to manage outstanding debt with the potential sale or transfer of managed assets to third parties while retaining fee-related servicing responsibility. PHH's aggregate borrowings at the underlying balance sheet dates were as follows:

(IN BILLIONS)	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Commercial paper.................	$0.6	$2.5
Medium-term notes................	1.3	2.3
Securitized obligations..........	0.8	1.9
Other............................	0.1	0.2
	$2.8	$6.9

PHH has an effective shelf registration statement on file with the SEC providing for the aggregate issuance of up to $3.0 billion of medium-term note debt securities. These securities may be offered from time to time, together or separately, based on terms to be determined at the time of sale. As of September 30, 1999, PHH had approximately $1.2 billion of medium-term notes outstanding under this shelf registration statement. Proceeds from future offerings will continue to be used to finance assets PHH manages for its clients and for general corporate purposes.

SECURITIZED OBLIGATIONS

Our PHH subsidiary maintains three separate financing facilities, the outstanding borrowings of which are securitized by corresponding assets under management and mortgage programs. Such securitized obligations are described below.

Mortgage Facility. Our PHH subsidiary maintains a 364-day financing agreement, expiring in December 1999, to sell mortgage loans under an agreement to repurchase such mortgages (the "Mortgage Agreement"). The Mortgage Agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the Mortgage Agreement. The total commitment under the Mortgage Agreement is $500.0 million and is renewable on an annual basis at the discretion of the Lender in accordance with the securitization agreement. Mortgage loans financed under the Mortgage Agreement at September 30, 1999 totaled $439.8 million.

Relocation Facilities. Our PHH subsidiary maintains a 364-day asset securitization agreement, expiring in December 1999 under which an unaffiliated buyer has committed to purchase an interest in the rights to payment related to certain relocation receivables of PHH. The revolving purchase commitment provides for funding up to a limit of $325.0 million and is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement. Under the terms of this agreement, our PHH subsidiary retains the servicing rights related to the relocation receivables. At September 30, 1999, our PHH subsidiary was servicing $248.3 million of assets which were funded under this agreement.

Our PHH subsidiary had maintained an asset securitization agreement, with a separate unaffiliated buyer, which had a purchase commitment up to a limit of $350.0 million. The terms of this agreement were similar to the aforementioned facility, with PHH retaining the servicing rights on the right of payment related to certain relocation receivables of PHH. At September 30, 1999, PHH was servicing $85.0 million of assets eligible for purchase under this agreement.

This facility matured and approximately $85.0 million was repaid on October 5, 1999. We are currently in the process of creating a new securitization facility to purchase interests in the rights to payment related to our relocation receivables, which will replace the existing securitizations.

OTHER CREDIT FACILITIES

To provide additional financial flexibility, PHH's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average outstanding commercial paper. This policy will be maintained subsequent to the divestiture of the fleet businesses. PHH maintains $2.65 billion of unsecured committed credit facilities, which are backed by a consortium of domestic and foreign banks. The facilities are comprised of $1.25 billion of syndicated lines of credit maturing in March 2000 and $1.25 billion of syndicated lines of credit maturing in the year 2002. In addition, PHH has a $150 million revolving credit facility, which matures in December 1999, and other uncommitted lines of credit with various financial institutions, which were unused at September 30, 1999. Our management closely evaluates not only the credit of the banks but also the terms of the various agreements to ensure ongoing availability. Our management believes that our current policy provides adequate protection should volatility in the financial markets limit PHH's access to commercial paper or medium-term notes funding. PHH continuously seeks additional sources of liquidity to accommodate PHH asset growth and to provide further protection from volatility in the financial markets.

In the event that the public debt market is unable to meet PHH's funding needs, we believe that PHH has appropriate alternative sources to provide adequate liquidity, including current and potential future securitized obligations and its $2.65 billion of revolving credit facilities.

Pursuant to a covenant in PHH's Indenture with the trustee relating to PHH's medium-term notes, PHH is restricted from paying dividends, making distributions or making loans to us to the extent that such payments are collectively in excess of 40% of PHH's consolidated net income (as defined in the covenant) for each fiscal year, provided however, that PHH can distribute to us 100% of any extraordinary gains from asset sales and capital contributions previously made to PHH by us. Notwithstanding the foregoing, PHH is prohibited under such covenant from paying dividends or making loans to us if upon giving effect to such dividends and/or loan, PHH's debt to equity ratio exceeds 8 to 1, at the time of the dividend or loan, as the case may be.

LITIGATION

Accounting Irregularities. Since the April 15, 1998 announcement of the discovery of potential accounting irregularities in the former business units of CUC, approximately 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and several individual lawsuits and arbitration proceedings have been commenced in various courts and other forums against us and other defendants by or on behalf of persons claiming to have purchased or otherwise acquired securities or options issued by CUC or us between May 1995 and August 1998. The Court has ordered consolidation of many of the actions.

In addition, in October 1998, an action claiming to be a class action was filed against us and four of our former officers and directors by persons claiming to have purchased American Bankers' stock between January and October 1998. The complaint claimed that we made false and misleading public announcements and filings with the SEC in connection with our proposed acquisition of American Bankers allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and that the plaintiff and the alleged class members purchased American Bankers' securities in reliance on these public announcements and filings at inflated prices. On April 26, 1999, the United States District Court for New Jersey found that the class action failed to state a claim upon which relief could be granted and, accordingly, dismissed the complaint. The plaintiff has appealed the District Court's findings to the U.S. Court of Appeals for the Third Circuit.

As previously disclosed, we reached an agreement with plaintiffs' counsel representing the class of holders of our PRIDES securities who purchased their securities on or prior to April 15, 1998 to settle their class action lawsuit against us through the issuance of a new "Right" for each PRIDES security held. See "Liquidity and Capital Resources -- FELINE PRIDES and Trust Preferred Securities" for a more detailed description of the settlement.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to the matters referenced above. The SEC advised us that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. As a result of the findings from the investigations, we made all adjustments considered necessary by us, which are reflected in our restated financial statements. Although we can provide no assurances, we do not expect that additional adjustments will be necessary.

On December 7, 1999, we announced that we reached a preliminary agreement to settle the principal securities class action pending against us in the U.S. District Court in Newark, New Jersey relating to the common stock class action lawsuits. Under the agreement, we would pay the class members $2.83 billion in cash. The settlement remains subject to execution of a definitive settlement agreement and approval by the U.S. District Court. If the preliminary settlement is not approved by the U.S. District Court, we can make no assurances that the final outcome or settlement of such proceedings will not be for an amount greater than that set forth in the preliminary agreement. Please see our Form 8-K, dated December 7, 1999, for a description of the preliminary agreement to settle the common stock class action litigation.

Our plan to finance the settlement reflects the existence of a range of financing alternatives which we have considered to be potentially available to us. At a minimum, these alternatives entail using various combinations of (i) available cash, (ii) debt securities and/or (iii) equity securities. The choice among alternatives will depend on numerous factors, including the timing of the actual settlement payment, the relative costs of various securities, our cash balance, our projected post-settlement cash flows and market conditions.

Other Pending Litigation. We and our subsidiaries are involved in pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

CREDIT RATINGS

Our long-term debt credit ratings by Duff & Phelps Credit Rating Co. ("DCR"), Standard & Poor's Corporation ("S&P") and Moody's Investors Service Inc. ("Moody's") remain A-, BBB and Baa1, respectively.

Following the execution of our agreement to dispose of our fleet segment, Fitch IBCA lowered PHH's long-term debt rating from A+ to A and affirmed PHH's short-term debt rating at F1, and S&P affirmed PHH's long-term and short-term debt ratings at A-/A2. Also in connection with the closing of the transaction, DCR lowered PHH's long-term debt rating from A+ to A and PHH's short-term debt rating was reaffirmed at D1. Moody's lowered PHH's long-term debt rating from A3 to Baa1 and affirmed PHH's short-term debt rating at P2. (A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time).

COMMON SHARE REPURCHASES

During 1999, our Board of Directors authorized an additional $1.8 billion of our common stock to be repurchased under a common share repurchase program, increasing the total authorized amount that can be repurchased under the program to $2.8 billion. We have executed this program through open-market purchases or privately negotiated transactions.

In July 21, 1999, pursuant to a Dutch Auction self-tender offer to our shareholders, we purchased 50 million shares of our common stock through our wholly owned subsidiary Cendant Stock Corporation at a price of $22.25 per share. We financed the purchase of shares costing $1.1 billion with proceeds received from our June 30, 1999 disposition of our fleet segment.

As of January 7, 2000, we repurchased a total of $3.3 billion (162.3 million shares) of our common stock inclusive of the program, the Dutch Auction, and the 7.1 million shares of our common stock received as partial consideration in connection with the sale of our Hebdo Mag subsidiary.

CASH FLOWS

We generated $2.0 billion of cash flows from operations during the nine months ended September 30, 1999 representing a $1.3 billion increase from the nine months ended September 30, 1998. The increase in cash flows from operations was primarily due to a $1.1 billion net reduction in mortgage loans held for sale which reflects larger loan sales to the secondary markets in proportion to loan originations.

We generated $1.2 billion in cash flows from investing activities during the nine months ended September 30, 1999 representing a $5.2 billion increase from the nine months ended September 30, 1998. The incremental cash flows from investing activities was primarily attributable to $2.8 billion of net cash proceeds received from the disposition of the net assets of our fleet segment as well as the disposition of other businesses during 1999. See "Liquidity and Capital Resources --Divestitures" for more detailed information concerning these dispositions. In addition, during 1998, we used net cash of $2.7 billion for the purchases of businesses and other acquisition related payments. Companies acquired in 1998 included NPC and Jackson Hewitt.

We used net cash of $3.6 billion in financing activities during the nine months ended September 30, 1999 compared to providing net cash of $5.1 billion from such activities in the comparable prior year period. Cash flows used in financing activities during 1999 included $2.6 billion in Company common stock repurchases pursuant to our share repurchase program partially offset by $2.8 billion related to the timing of debt repayments to third parties in connection with our fleet segment disposition. Cash flows provided by financing activities during 1998 principally consisted of $3.3 billion of proceeds from borrowings under a term loan facility and proceeds of $1.5 billion from the issuance of our FELINE PRIDES. During 1999, we had net repayments of $1.1 billion representing fundings of our investments in assets under management programs compared to net borrowings of $0.6 billion in 1998.

CAPITAL EXPENDITURES

During the nine months ended September 30, 1999, $212.8 million was invested in property and equipment to support operational growth and enhance marketing opportunities. In addition, technological improvements were made to improve operating efficiencies. Capital spending in 1999 has included the development of integrated business systems and other investments in information systems within several of our segments as well as additions to car park properties for our NPC subsidiary. We anticipate investing approximately $270 million in capital expenditures in 1999.

YEAR 2000 COMPLIANCE

The Year 2000 presents the risk that information systems will be unable to recognize and process date-sensitive information properly beginning and after January 1, 2000. To minimize or eliminate the effect of the Year 2000 risk on our business systems and applications, we are continually identifying, evaluating, implementing and testing changes to our computer systems, applications and software necessary to achieve Year 2000 compliance. As part of our Year 2000 initiative, we selected a team of managers (the "Project Managers") to identify, evaluate and implement a plan to bring all of our critical business systems and applications into Year 2000 compliance prior to December 31, 1999. The Year 2000 initiative consists of four phases: (i) identification of all critical business systems subject to Year 2000 risk (the "Identification Phase"); (ii) assessment of such business systems and applications to determine the method of correcting any Year 2000 problems (the "Assessment Phase"); (iii) implementing the corrective measures (the "Implementation Phase"); and (iv) testing and maintaining system compliance (the "Testing Phase"). As of November 30, 1999 we have substantially completed each of the above stated Phases and have identified and assessed five areas of risk: (i) internally developed business applications, of which 99% of the mission critical business applications have been corrected/replaced; (ii) third party vendor software, such as business applications, operating systems and special function software, of which 99% of the mission critical vendor software has been upgraded/replaced; (iii) computer hardware components, of which 98% of the mission critical hardware components have been upgraded/replaced; (iv) electronic data transfer systems between our customers, third party providers and us, of which 99% of the mission critical electronic interfaces have been corrected/replaced; and (v) embedded systems, such as phone switches, check writers and alarm systems, of which 99% of the mission critical embedded systems have been upgraded/replaced and nearly 100% of the mission critical telecommunications systems have been upgraded/replaced. In addition, as part of our assessment process we have developed contingency plans as considered necessary.

We rely on third party providers for services such as telecommunications, Internet service, utilities, components for our embedded and other systems and other key services. Interruption of those services due to Year 2000 issues could have a material adverse impact on our operations. However, we cannot directly control the Year 2000 compliance of third party provider systems. During the Identification Phase we sent written inquiries on Year 2000 readiness to third party providers requiring from them a formal written response. In the Assessment Phase we identified mission critical third party providers/suppliers and determined that approximately 35% of software vendors were mission critical, 28% of hardware vendors were mission critical, 77% of data interfaces were mission critical (this percentage includes Cendant data interfaces), 74% of telecommunications systems were mission critical, 5% of embedded systems were mission critical, and 20% of all suppliers were considered to be mission critical; percentages of readiness are cited in the first paragraph for all providers except suppliers, with respect to suppliers, 95% of the mission critical suppliers have provided readiness statements; to confirm readiness with key suppliers follow-up confirmation activities have been taken such as on-site visits and tests on a selected basis, in addition, we worked with other key third party providers to test and remediate such systems for Year 2000 compliance. For mission critical third party providers who did not supply readiness information, the Project Managers have taken actions such as follow up phone calls or communications, site visits or change in third party providers. Furthermore, we have also made significant progress toward joint contingency planning with regard to our third party providers. We are confident that the contingency planning phases will be completed prior to December 31, 1999.

The total cost of the Company's Year 2000 compliance plan is anticipated to be $55 million. Approximately $49 million of these costs were incurred through September 30, 1999, and the Company expects to incur the balance of such costs to complete the compliance plan. The Company has been expensing and capitalizing the costs to complete the compliance plan in accordance with appropriate accounting policies. Variations from anticipated expenditures and the effect on the Company's future results of operations are not anticipated to be material in any given year. However, if Year 2000 modifications and conversions are not made, or are not completed in time, the Year 2000 problem could have a material impact on the operations and financial condition of the Company.

The estimates and conclusions herein are forward-looking statements and are based on management's best estimates of future events. Risks of completing the plan include the availability of resources, the ability to discover and correct the potential Year 2000 sensitive problems which could have a serious impact on certain operations and the ability of the Company's service providers to bring their systems into Year 2000 compliance.

The above is a "Year 2000 Readiness Disclosure" as defined in, and in conformance with, the Year 2000 Information and Readiness Disclosure Act of 1998 (Pub. L. 105-271, 112 Stat. 2386).

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires us to record all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. If the derivative does not qualify as a hedging instrument, the change in the derivative fair values will be immediately recognized as gain or loss in earnings. If the derivative does qualify as a hedging instrument, the gain or loss on the change in the derivative fair values will either be recognized (i) in earnings as offsets to the changes in the fair value of the related item being hedged or (ii) be deferred and recorded as a component of other comprehensive income and reclassified to earnings in the same period during which the hedged transactions occur. We have not yet determined what impact the adoption of SFAS No. 133 will have on our financial statements. Implementation of this standard has recently been delayed by the FASB for a twelve month period. We will adopt SFAS No. 133 as required for our first quarterly filing of fiscal year 2001.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company uses various financial instruments, particularly interest rate and currency swaps, forward delivery commitments, futures and options contracts and currency forwards, to manage and reduce the interest rate risk related specifically to its committed mortgage pipeline, mortgage loan inventory, mortgage servicing rights, mortgage-backed securities, and debt. Such financial instruments are also used to manage and reduce the foreign currency exchange rate risk related to its foreign currency denominated translational and transactional exposures. The Company is exclusively an end user of these instruments, which are commonly referred to as derivatives. The Company does not engage in trading, market-making, or other speculative activities in the derivatives markets. The Company's derivative financial instruments are designated as hedges of underlying exposures, as those instruments demonstrate high correlation in relation to the asset or transaction being hedged. More detailed information about these financial instruments is provided in Notes 15 and 16 to the Consolidated Financial Statements.

Interest and currency rate risks are the principal market exposures of the Company.

- Interest rate movements in one country as well as relative interest rate movements between countries can materially impact the Company's profitability. The Company's primary interest rate exposure is to interest rate fluctuations in the United States, specifically long-term U.S. Treasury and mortgage interest rates due to their impact on mortgagor prepayments, mortgage loans held for sale, and anticipated mortgage production arising from commitments issued and LIBOR and commercial paper interest rates due to their impact on variable rate borrowings. The Company anticipates that such interest rates will remain a primary market exposure of the Company for the foreseeable future.

- The Company's primary foreign currency rate exposure is to exchange rate fluctuations of the British pound sterling. The Company anticipates that such foreign currency exchange rate will remain a primary market exposure of the Company for the foreseeable future.

The Company assesses its market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values, and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates.

The Company uses a discounted cash flow model in determining the fair market value of relocation receivable, equity advances on homes, mortgages, commitments to fund mortgages, mortgage servicing rights and mortgage-backed securities. The primary assumptions used in these models are prepayment speeds and discount rates. In determining the fair market value of mortgage servicing rights and mortgage-backed securities, the models also utilize as primary assumptions credit losses and mortgage servicing revenues and expenses. In addition, for commitments to fund mortgages, the borrowers propensity to close their mortgage loan under the commitment is used as a primary assumption. For mortgages and commitments to fund mortgages forward delivery contracts and options, the Company uses an option-adjusted spread ("OAS") model in determining the impact of interest rate shifts. The

Company also utilizes the OAS model to determine the impact of interest rate shifts on mortgage servicing rights and mortgage-backed securities. The primary assumption in an OAS model is the implied market volatility of interest rates and prepayment speeds and the same primary assumptions used in determining fair market value.

The Company uses a duration-based model in determining the impact of interest rate shifts on its debt portfolio and interest rate derivatives portfolios. The primary assumption used in these models is that a 10% increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

The Company uses a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated derivatives and monetary assets and liabilities. The primary assumption used in these models is that the U.S. dollar uniformly weakened or strengthened by a 10% change against all currency exposures of the Company at September 30, 1999.

The Company's total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis permitted, these "shock tests" are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

The Company used September 30, 1999 market rates on its instruments to perform the sensitivity analyses separately for each of the Company's market risk exposures -interest and currency rate instruments. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs above and assuming instantaneous, parallel shifts in interest rate yield curves and exchange rates.

The Company has determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on its earnings, fair values and cash flows would not be material.

While these results may be used as benchmarks, they should not be viewed as forecasts.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussions contained under the headings "Litigation Settlement" in Note 9 and "Litigation -- Accounting Irregularities" in Note 10 contained in PART I -- FINANCIAL INFORMATION, Item 1 -- Financial Statements, are incorporated herein by reference in their entirety.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

(a) Exhibits

27 Financial data schedule (electronic transmission only)

(b) Reports on Form 8-K

Form 8-K, dated July 9, 1999, reporting in Item 2 the disposition of our fleet business segment and reporting in Item 5 the resignation of three directors.

Form 8-K, dated July 16, 1999, reporting in Item 5 the preliminary results of our Dutch Auction self-tender offer.

Form 8-K, dated July 23, 1999, reporting on Item 5 our 1999 second quarter results.

Form 8-K, dated September 16, 1999, reporting in Item 5 the sale of our Entertainment Publications unit and the creation of the Netmarket Group.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENDANT CORPORATION

By: /s/ David M. Johnson

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

By: /s/ Jon F. Danski
Jon F. Danski Executive Vice President, Finance and
Chief Accounting Officer

Date: February 4, 2000

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME OF THE COMPANY AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY TO BE REFERENCED TO SUCH FINANCIAL STATEMENTS. AMOUNTS ARE IN MILLIONS.

1,000,000

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9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
624
0
1,302
0
0
3,489
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440
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2,506
3,344
1,476
0
9
3,840
14,913
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4,119
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2,978
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154
1,680
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174
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1,426
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