SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998
COMMISSION FILE NO. 1-10308

CENDANT CORPORATION

(Exact name of Registrant as specified in its charter)

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

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.01	New York Stock Exchange
Income PRIDES(SM)	New York Stock Exchange
Growth PRIDES(SM)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
6.45% Trust Originated Preferred Securities
7 1/2% Notes due 2000
7 3/4% Notes due 2003
3% Convertible Subordinated Notes Due 2002

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [ ]

The aggregate market value of the Common Stock issued and outstanding and held by nonaffiliates of the Registrant, based upon the closing price for the Common Stock on the New York Stock Exchange on September 30, 1999 was $12,592,847,053. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

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.

PART I

ITEM 1. BUSINESS

Except as expressly indicated or unless the context otherwise requires, the "Company", "Cendant", "we", "our", or "us" means Cendant Corporation, a Delaware Corporation, and its subsidiaries.

GENERAL

We are one of the foremost providers of real estate related, travel related and direct marketing consumer and business services in the world. We were created through the merger (the "Merger") of HFS Incorporated ("HFS") into CUC International, Inc. ("CUC") in December 1997 with the resultant corporation being renamed Cendant Corporation.

We operate in four principal divisions--travel related services, real estate related services, direct marketing services (formerly known as the alliance marketing division) and other consumer and business services. Our businesses provide a wide range of complementary consumer and business services, which together represent eight business segments. The travel related services businesses facilitate vacation timeshare exchanges, manage corporate and government vehicle fleets and franchise car rental and hotel businesses; the real estate related services businesses 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 parks and vehicle emergency support and rescue services in the United Kingdom, discount coupon books, credit information services, financial products and other consumer-related services.

As a franchisor of hotels, residential 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.

Travel Related Services

The travel division is comprised of the travel and fleet segments. In our travel segment, we franchise hotels primarily in the mid-priced and economy markets. We are the world's largest hotel franchisor, operating the Days Inn(Registered Trademark), Ramada(Registered Trademark) (in the United States), Howard Johnson(Registered Trademark), Super 8(Registered Trademark), Travelodge(Registered Trademark) (in North America), Villager Lodge(Registered Trademark), Knights Inn(Registered Trademark) and Wingate Inn(Registered Trademark) lodging franchise systems. We own the Avis(Registered Trademark) worldwide vehicle rental franchise system which, operated by its franchisees, is the second largest car rental system in the world (based on total revenues and volume of rental transactions). We currently own approximately 18% of the capital stock of the largest Avis franchisee, Avis Rent A Car, Inc. ("ARAC"). We also own Resort Condominiums International, LLC ("RCI"), the world's leading timeshare exchange organization.

Our fleet segment operations were conducted primarily by our PHH Vehicle Management Services Corporation subsidiary which operated the second largest fleet leasing company in North America and our former PHH Vehicle Management Services PLC subsidiary which provided fuel and fleet management services in the United Kingdom. We disposed of our fleet segment on June 30, 1999. See "Recent Developments -- Strategic Developments"

Real Estate Related Services

Our real estate division consists of the real estate franchise, relocation and mortgage segments. In the real estate franchise segment, we franchise real estate brokerage offices under the CENTURY 21(Registered Trademark), COLDWELL BANKER(Registered Trademark) and ERA(Registered Trademark) real estate brokerage franchise systems and are the world's largest real estate brokerage franchisor. In the relocation segment, our Cendant Mobility Services Corporation subsidiary is the largest provider of corporate relocation services in the world, offering relocation clients a variety of services in connection with the transfer of a client's employees. In the mortgage segment, our

Cendant Mortgage Corporation ("Cendant Mortgage") subsidiary originates, sells and services residential mortgage loans in the United States, marketing such services to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms and mortgage banks.

Direct Marketing Services

Our direct marketing division is divided into two segments: individual membership and insurance/ wholesale. The individual membership segment, with approximately 32 million memberships, provides customers with access to a variety of discounted products and services in such areas as retail shopping, travel, auto, dining, and home improvement. The insurance/wholesale segment, with nearly 31 million customers, markets and administers insurance products, primarily accidental death and dismemberment insurance and term life insurance, and also provides products and services such as checking account enhancement packages, financial products and discount programs to customers of various financial institutions. Our direct marketing activities are conducted principally through our Cendant Membership Services, Inc. subsidiary and certain of the Company's other wholly-owned subsidiaries, including FISI*Madison Financial Corporation ("FISI") and Benefit Consultants, Inc. ("BCI").

Other Consumer and Business Services

We also provide a variety of other consumer and business services. Our Jackson Hewitt Inc. ("Jackson Hewitt") subsidiary operates the second largest tax preparation service system in the United States with locations in 43 states and franchises a system of approximately 3,000 offices that specialize in computerized preparation of federal and state individual income tax returns. Our National Parking Corporation Limited ("NPC") subsidiary operates car parks throughout the United Kingdom. We also provide information technology services, credit information services, financial services and other consumer services.

Our former Global Refund subsidiary, which was sold in August 1999, operated value-added tax refund service for travelers. Our Entertainment Publications, Inc. ("EPub") subsidiary, which was sold in November 1999, provided customers with unique products and services that are designed to enhance a customer's purchasing power.

RECENT DEVELOPMENTS

Strategic Developments

General. In connection with our previously announced plan to focus on maximizing the opportunities and growth potential of our existing businesses, we have divested certain non-strategic businesses and assets and have completed or commenced certain other strategic initiatives related to the internet as stated below. The divestiture program has resulted in the disposition of 18 business units and, generated approximately $4.5 billion in proceeds. Proceeds have been partially utilized to repurchase our common stock and reduce our indebtedness.

Strategic Alliance

On December 15, 1999, we entered into a strategic alliance with Liberty Media Corporation ("Liberty Media"). Specifically, we have agreed to work together with Liberty Media to develop Internet and related opportunities associated with our travel, mortgage, real estate and direct marketing businesses. Such efforts may include the creation of joint ventures between Liberty Media and Cendant as well as additional equity investments in each others' businesses. However, we can make no assurances that any alliances or additional equity investments will be made or the timing thereof.

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 a two-year warrant to purchase approximately 29 million shares of our common stock at an exercise price of $23.00 per share. The common stock, together with the common stock underlying the warrant, represents approximately 6.3% of our outstanding shares. The transaction is subject to customary conditions, and is expected to close early in January 2000. We also announced that Liberty Media Chairman, Dr. John C. Malone, Ph.D., will join our board of directors.

Disposition of Businesses

In connection with the aforementioned program, we have completed the following dispositions:

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 United Kingdom, which provides a wide range of emergency support and rescue services.

Entertainment Publications, Inc. On November 30, 1999, we completed the disposition of 85% of our Entertainment Publications, Inc. ("EPub") business unit for approximately $281 million in cash, inclusive of certain adjustments. We retained approximately 15% of EPub's equity in connection with the transaction. In addition, we will have a designee on the EPub Board of Directors.

We 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.

North American Outdoor Group. On October 8, 1999, we completed the disposition of 94% of our North American Outdoor Group ("NAOG") business unit for approximately $140 million in cash and will retain approximately 6% of NAOG's equity in connection with the transaction. We will account for this investment in NAOG using the cost method of accounting.

Global Refund Group. On August 24, 1999, we completed the sale of our Global Refund Group subsidiary ("Global Refund") for approximately $160 million in cash. Global Refund, formerly known as Europe Tax Free Shopping, was a value-added tax refund services company.

Fleet. On June 30, 1999, we completed the disposition of the fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services Corporation, Wright Express Corporation, The Harpur Group, Ltd., and other subsidiaries pursuant to an agreement between our PHH Corporation ("PHH") subsidiary and Avis Rent A Car, Inc. ("ARAC"). Pursuant to the agreement, ARAC acquired net assets of the fleet businesses through the assumption and subsequent repayment of $1.44 billion of intercompany debt and the issuance of $360 million of convertible preferred stock of Avis Fleet Leasing and Management Corporation, a wholly-owned subsidiary of ARAC. We will account for the convertible preferred stock using the cost method of accounting.

Cendant Software Corporation. On January 12, 1999, we completed the sale of our consumer software division, Cendant Software Corporation ("Software") and its subsidiaries, to Paris-based Havas SA, a subsidiary of Vivendi SA, for approximately $800 million in cash.

Other Businesses. During 1999, we completed the dispositions of certain other businesses, including Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry and Essex Corporation. Aggregate consideration received on the dispositions of such businesses was comprised of $110.3 million in cash and 1,924,777 shares of common stock of Ticketmaster On-line -City Search, Inc., which we received in the sale of Match.com.

Hebdo Mag International, Inc. On December 15, 1998, we completed the sale of our Hebdo Mag International subsidiary ("Hebdo Mag") to a company organized by Hebdo Mag management, Tivana Holding B.V. and its affiliates, for approximately $450 million, including approximately $315 million in cash and 7.1 million shares of our common stock owned by Hebdo Mag management. Management believes that the terms of the sale of Hebdo Mag to Hebdo Mag management were made on an arms' length basis and were as favorable to us as could be obtained from an unrelated third party.

Internet Developments

As part of our focus on maximizing the opportunities and growth potential of our existing businesses, we have completed or have pending the following internet initiatives:

New Real Estate Portal -- Move.com Group. On September 30, 1999, we announced that our Board of Directors approved a plan to create a new class of common stock to track the performance of the Move.com Group, our new internet service portal. The plan to create a tracking stock, which is subject to shareholder approval, anticipates the initial public offering of the Move.com Group in the second quarter of 2000. The Move.com Group will encompass all aspects of the home experience including finding a home, buying or renting a home, moving and post closing home improvements. 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 will integrate and enhance the on-line efforts of our residential real estate brands (Century 21(Registered Trademark), Coldwell Banker(Registered Trademark) and ERA(Registered Trademark)) and those of our other real estate business units (Cendant Mobility and Cendant Mortgage) drawing on the success of our RentNet on-line apartment guide business model, an on-line residential real estate rental locator service.

Formation of Netmarket, 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, which collectively have 1.3 million on-line members. Prior to September 15, 1999, our ownership of NGI was restructured into common stock and preferred stock interests. On September 15, 1999, we 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 us to independent third parties, NGI's operating results will no longer be 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, after September 14, 2001, into 78% of NGI's fully 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.

Termination of American Bankers Acquisition and Settlement Agreement

On March 23, 1998, we announced that we had entered into a definitive agreement (the "ABI Merger Agreement") to acquire American Bankers Insurance Group Inc. ("American Bankers") for $67 per share in cash and stock, for an aggregate consideration of approximately $3.1 billion. Because of uncertainties concerning the eventual completion of this acquisition relating to conditions to the consummation of the tender offer imposed by insurance regulators, on October 13, 1998, we and American Bankers entered into a settlement agreement pursuant to which we and American Bankers terminated the ABI Merger Agreement and our then pending tender offer for American Bankers shares. Pursuant to the settlement agreement:

- we and American Bankers released each other from any claims relating to the proposed acquisition of American Bankers;
- we paid $400 million, pre-tax, in cash to American Bankers;
- we agreed to withdraw any applications we had pending with insurance regulatory authorities in order to obtain control of American Bankers and to withdraw from any proceedings or hearings in connection with these applications; and
- we agreed not to take any actions or make any statements intended to frustrate or delay any business combination between American Bankers and any other party.

In connection with the termination of the American Bankers transaction, we recorded a $281 million after-tax charge in the fourth quarter of 1998 in connection with our payment to American Bankers and transaction-related expenses.

Termination of Providian Acquisition

On December 10, 1997, we announced that we had entered into a definitive agreement to acquire Providian Auto and Home Insurance Company and its subsidiaries ("Providian") from a subsidiary of

Aegon N.V. for approximately $219 million in cash. On October 5, 1998, we announced that we terminated the agreement to acquire Providian because the acquisition agreement provided that the closing had to occur on or before September 30, 1998, and certain representations, covenants and conditions of closing in the acquisition agreement had not been fulfilled by that date. We did not pursue an extension of the termination date of the agreement because Providian no longer met our acquisition criteria.

National Parking Corporation Acquisition

On April 27, 1998, we acquired NPC for $1.6 billion in cash, which included our repayment of approximately $227 million of outstanding NPC debt. NPC is the largest private (non-municipally owned) car park operator in the United Kingdom, with a portfolio of approximately 500 owned, leased and managed car parks in over 100 towns and city centers and major airport locations. NPC has also developed a broad-based breakdown assistance group under the brand name of Green Flag. Green Flag offers a wide range of emergency support and rescue services to approximately 3.5 million members in the United Kingdom.

Termination of RAC Motoring Services Acquisition

On May 21, 1998, we announced that we reached definitive agreements with the Board of Directors of Royal Automobile Club ("RAC") to purchase RAC Motoring Services ("RACMS") for total consideration of pound sterling 450 million, or approximately $735 million in cash. On February 4, 1999, the U.K. Secretary of State for Trade and Industry cleared our proposed acquisition of RACMS on the condition that we divest our Green Flag breakdown assistance business. We did not regard this proposed condition as reasonably acceptable or commercially feasible and therefore we have determined not to proceed with the acquisition of RACMS.

The commercial infeasibility to divest Green Flag was determined in the context of Cendant's proposed purchase of the Royal Automobile Club's RAC Motor Services ("RAC"). One of the main purposes of acquiring the RAC was to achieve the synergies associated with operating two large motor vehicle roadside assistance companies in the United Kingdom. We did not regard the U.K. Monopolies and Mergers Commission's condition to sell Green Flag commercially feasible because without the benefit of both companies we could not achieve the synergies we considered necessary to make the transaction acceptable. Once the RAC transaction was terminated, we reexamined the strategic significance of Green Flag without the synergies associated with RAC and determined to divest Green Flag as part of our program to divest non-core businesses and assets.

MATTERS RELATING TO THE ACCOUNTING IRREGULARITIES AND ACCOUNTING POLICY CHANGE

Accounting Irregularities

On April 15, 1998, we announced that in the course of transferring responsibility for our accounting functions from Cendant personnel associated with CUC prior to the Merger to Cendant personnel associated with HFS before the Merger and preparing for the reporting of first quarter 1998 financial results, we discovered accounting irregularities in certain CUC business units. As a result, we, together with our counsel and assisted by auditors, immediately began an intensive investigation (the "Company Investigation"). In addition, our Audit Committee engaged Willkie Farr & Gallagher ("Willkie Farr") as special legal counsel and Willkie Farr engaged Arthur Andersen LLP to perform an independent investigation into these accounting irregularities (the "Audit Committee Investigation," and together with the Company Investigation, the "Investigations").

On July 14, 1998, we announced that the accounting irregularities were greater than those initially discovered in April and that the irregularities affected the accounting records of the majority of the CUC business units. On August 13, 1998, we announced that the Company Investigation was complete. On August 27, 1998, we announced that our Audit Committee had submitted its report (the "Report") to the Board of Directors on the Audit Committee Investigation into the accounting irregularities and its conclusions regarding responsibility for those actions. A copy of the Report has been filed as an exhibit to the Company's Current Report on Form 8-K dated August 28, 1998.

As a result of the findings of the Investigations, we restated our previously reported financial results for 1997, 1996 and 1995 and the six months ended June 30, 1998 and 1997. The 1997 restated amounts also included certain adjustments related to the former HFS businesses which are substantially comprised of $47.8 million in reductions to merger-related costs and other unusual charges ("Unusual Charges") and a $14.5 million decrease in pre-tax income excluding Unusual Charges, which on a net basis increased 1997 net income from continuing operations. The restatement to originally reported Unusual Charges, which resulted from our re-evaluation of accounting positions and supporting documentation, were made to ensure consistency with applicable accounting literature. The reductions primarily included costs associated with an anticipated termination of a contract with a competitor which was not formally committed to at the time it was originally accrued and costs representing the write-off of equipment which was reinstated and depreciated over a shortened useful life. The 1997 annual and six months results have also been restated for a change in accounting, effective January 1, 1997, related to revenue and expense recognition for memberships with a full refund offer (see Notes 2 and 18 to the Consolidated Financial Statements).

Class Action Litigation and Government Investigation

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, and prior to the date of this Annual Report on Form 10-K/A, 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 filed against us and, among others, our predecessor, HFS, and several current and former officers and directors of Cendant and HFS. These lawsuits assert, among other things, various claims under the federal securities laws including claims under sections 11, 12 and 15 of the Securities Act of 1933 and sections 10(b), 14(a) and 20(a) of and Rules 10b-5 and 14a-9 under the Securities Exchange Act of 1934 and state statutory and common laws, including claims that financial statements previously issued by us allegedly were false and misleading that these statements allegedly caused the price of our securities to be artificially inflated. SEE "ITEM 3. LEGAL PROCEEDINGS".

In addition, the staff of the Securities and Exchange Commission (the "SEC") and the United States Attorney for the District of New Jersey are conducting investigations relating to the accounting irregularities. The SEC staff has 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 which are reflected in our restated financial statements. Although we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, 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 aforementioned 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. We currently plan to fund the settlement through the use of available cash, the issuance of debt securities and/or the issuance of equity securities. We intend to finance the cost of the settlement so as to maintain our investment grade ratings. 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.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into a stipulation of settlement in the PRIDES action and the court subsequently granted the settlement its approval. Under the settlement stipulation, in return for the release of all claims arising from any purchase of current FELINE PRIDES on or before April 15, 1998, we are obligated to issue up to 29,161,474 Rights with a stated theoretical value of $11.71 each. Each class member who does not opt out and who submits a timely and valid proof of claim will be entitled to one Right for each current FELINE PRIDES held at the close of business on April 15, 1998. For example, if a person owned 100 FELINE PRIDES on April 15, 1998, such person would be entitled to 100 rights.

Under the settlement stipulation, until February 14, 2001 we will issue two new FELINE PRIDES to every person who delivers to us three Rights and two current FELINE PRIDES. For example, if a holder of rights exchanges three rights together with two current Income PRIDES, they will receive two new Income PRIDES. If a holder of rights exchanges three rights together with two Growth PRIDES, they will receive two New Growth PRIDES. The terms of the new FELINE PRIDES will be the same as the currently outstanding PRIDES, except that the conversion rate will be revised so that, at the time the Rights are distributed, each of the new PRIDES will have a value equal to $17.57 more than each original PRIDES, based upon a generally accepted valuation model. The settlement does not resolve claims based upon purchases of current FELINE PRIDES after April 16, 1998.

Based on the settlement, we recorded an after tax charge of approximately $228 million, or $0.26 per diluted share, which is $351 million pre-tax, in the fourth quarter of 1998. We recorded an increase in additional paid-in capital of $350 million offset by a decrease in retained earnings of $228 million, resulting in a net increase in stockholders' equity of $122 million as a result of the prospective issuance of the common stock. As a result, the settlement should not reduce net book value. In addition, the settlement is not expected to reduce 1999 earnings per share unless our common stock price materially appreciates. SEE "ITEM 3. LEGAL PROCEEDINGS" for a more detailed description of the settlement.

Management and Corporate Governance Changes

On July 28, 1998, Walter A. Forbes resigned as Chairman of the Company and as a member of the Board of Directors. Henry R. Silverman, Chief Executive Officer of the Company, was unanimously elected by the Board of Directors to be Chairman and continues to serve as our Chief Executive Officer and President. Since July 28, 1998, the following members of the Board formerly associated with CUC also resigned: Christopher K. McLeod, E. Kirk Skelton, Robert T. Tucker, Bartlett Burnap, T. Barnes Donnelly, Frederick Green, Stephen Greyser, Burton Perfit, Anthony G. Petrello, Stanley Rumbough, Jr., Robert P. Rittereiser and Craig R. Stapleton.

On July 28, 1998, the Board also approved the adoption of Amended and Restated By-Laws of the Company and voted to eliminate the governance plan adopted as part of the Merger, resulting in the elimination of the 80% super-majority vote requirement provisions of our By-Laws relating to the composition of the Board and the limitations on the removal of the Chairman and the Chief Executive Officer.

* * *

FINANCIAL INFORMATION

Financial information about our business segments may be found in Note 26 to our consolidated financial statements presented in Item 8 of this Annual Report on Form 10-K/A and incorporated herein by reference.

FORWARD LOOKING STATEMENTS

We make statements about our future results in this Annual Report on Form 10-K/A that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations and the current economic environment. We caution you that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause our 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 investigations relating to the previously announced accounting irregularities;
- uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses, including the merger that created Cendant and the NPC acquisition;

- our ability to successfully divest the remaining non-core businesses and assets and implement our plan to create a tracking stock for our new real estate portal (described in "Businesses and Recent Developments");

- our ability to develop and implement operational and financial systems to manage rapidly growing operations;

- competition in our existing and potential future lines of business;

- our ability to obtain financing on acceptable terms to finance our growth strategy and for us to operate within the limitations imposed by financing arrangements; and

- our ability and our vendors', franchisees' and customers' ability to complete the necessary actions to achieve a year 2000 conversion for computer systems and applications.

We derived the forward-looking statements in this Annual Report on Form 10-K/A (including the documents incorporated by reference in this Annual Report on Form 10-K/A) from the foregoing factors and from other factors and assumptions, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. We assume 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 we later become aware that they are not likely to be achieved.

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at 9 West 57th Street, New York, New York 10019 (telephone number: (212) 413-1800).

TRAVEL DIVISION

TRAVEL SEGMENT

The Travel Segment consists of our lodging franchise services, timeshare exchange, and Avis car rental franchise businesses and represented approximately 20.1%, 22.9% and 13.2% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively.

LODGING FRANCHISE BUSINESS

GENERAL. The lodging industry can be divided into three broad segments based on price and services: luxury or upscale, which typically charge room rates above $82 per night; middle market, with room rates generally between $55 and $81 per night; and economy, where room rates generally are less than $54 per night. Of our franchised brand names, Ramada, Howard Johnson and Wingate Inn compete principally in the middle market segment and Days Inn, Knights Inn, Super 8, Travelodge and Villager Lodge ("Villager") compete primarily in the economy segment, which is currently the fastest growing segment of the industry.

As franchisor of lodging facilities, we provide a number of services designed to directly or indirectly increase hotel occupancy rates, revenues and profitability, the most important of which is a centralized brand-specific national reservations system. Similarly, brand awareness derived from nationally recognized brand names, supported by national advertising and marketing campaigns, can increase the desirability of a hotel property to prospective guests. We believe that, in general, national franchise brands with a greater number of hotels enjoy greater brand awareness among potential hotel guests, and thus are perceived as more valuable by existing and prospective franchisees than brands with a lesser number of properties. Franchise brands can also increase franchisee property occupancy through national direct sales programs to businesses, associations and affinity groups.

In determining whether to affiliate with a national franchise brand, hotel operators compare the costs of affiliation (including the capital expenditures and operating costs required to meet a brand's quality and operating standards, plus the ongoing payment of franchise royalties and assessments for the reservations system and marketing programs) with the increase in gross room revenue anticipated to be derived from

brand membership. Other benefits to brand affiliation include group purchasing services, training programs, design and construction advice, and other franchisee support services, all of which provide the benefits of a national lodging services organization to operators of independently-owned hotels. We believe that, in general, franchise affiliations are viewed as enhancing the value of a hotel property by providing economic benefits to the property.

We entered the lodging franchise business in July 1990 with the acquisition of the Howard Johnson franchise system and the rights to operate the U.S. Ramada franchise system. We acquired the Days Inn franchise system in January 1992, the Super 8 franchise system in April 1993, the Villager Lodge franchise system in November 1994, the Knights Inn franchise system in August 1995 and the Travelodge franchise system in January 1996. Each of these acquisitions has increased our earnings per share. We continue to seek opportunities to acquire or license additional hotel franchise systems, including established brands in the upper end of the market, where we are not currently represented. See "Lodging Franchise Growth" below.

The fee and cost structure of our lodging business provides significant opportunities for us to increase earnings by increasing the number of franchised properties. Hotel franchisors, such as our Company, derive substantially all of their revenue from continuing franchise fees. Continuing franchise fees are comprised of two components, a royalty portion and a marketing and reservations portion, both of which are normally charged by the franchisor as a percentage of the franchisee's gross room revenue. The royalty portion of the franchise fee is intended to cover the operating expenses of the franchisor, such as expenses incurred in quality assurance, administrative support and other franchise services and to provide the franchisor with operating profits. The marketing/reservations portion of the franchise fee is intended to reimburse the franchisor for the expenses associated with providing such franchise services as a national reservations system, national media advertising and certain training programs.

Our franchisees are dispersed geographically which minimizes the exposure to any one hotel owner or geographic region. Of the more than 6,000 properties and 4,000 franchisees in our systems, no individual hotel owner accounts for more than 2% of our lodging revenue.

LODGING FRANCHISE GROWTH. Growth of the franchise systems through the sale of long-term franchise agreements to operators of existing and newly constructed hotels is the leading source of revenue and earnings growth in our lodging franchise business. Franchises are terminated primarily for not paying the required franchise fees and/or not maintaining compliance with brand quality assurance standards required pursuant to the applicable franchise agreement.

LODGING FRANCHISE SALES. We market franchises principally to independent hotel and motel owners, as well as to owners whose property affiliation with other hotel brands can be terminated. We believe that our existing franchisees also represent a significant potential market because many own, or may own in the future, other hotels, which can be converted to our brand names. Accordingly, a significant factor in our sales strategy is maintaining the satisfaction of our existing franchisees by providing quality services.

We employ a national franchise sales force consisting of approximately 80 salespeople and sales management personnel, which is divided into several brand specific sales groups, with regional offices around the country. The sales force is compensated primarily through commissions. In order to provide broad marketing of our brands, sales referrals are made among the sales groups and a referring salesperson is entitled to a commission for a referral which results in a franchise sale.

We seek to expand our franchise systems and provide marketing and other franchise services to franchisees on an international basis through a series of master license agreements with internationally based developers and franchisors. As of December 31, 1998, our franchising subsidiaries (other than Ramada) have entered into international master licensing agreements for part or all of 46 countries on six continents. The agreements typically include minimum development requirements and require payment of an initial development fee in connection with the execution of the license agreement as well as recurring franchise fees.

LODGING FRANCHISE SYSTEMS. The following is a summary description of our lodging franchise systems. Information reflects properties that are open and operating and is presented as of December 31, 1998.

BRAND	PRIMARY MARKET SERVED	AVG. ROOMS PER PROPERTY	# OF PROPERTIES	# OF ROOMS	DOMESTIC INTERNATIONAL*
Days Inn	Lower Economy	90	1,830	163,999	International(1)
Howard Johnson	Mid-market	106	489	51,807	International(2)
Knights Inn	Lower Economy	82	222	18,196	International
Ramada	Mid-market	131	1004	131,591	Domestic
Super 8	Economy	61	1759	108,111	International(3)
Travelodge	Upper Economy	82	521	42,857	Domestic(1)(5)
Villager Lodge	Lower Economy	74	99	7,284	International(4)
Wingate	Upper Mid-market	94	54	5,051	International(4)

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* Description of rights owned or licensed.
(1) Includes properties in Mexico, Canada, China, South Africa, India, Uruguay and the Philippines.
(2) Includes Mexico, Canada, Colombia, Israel, Venezuela, Malta, U.A.E. and the Dominican Republic.
(3) Includes properties in Canada and Singapore.
(4) No international properties currently open and operating.
(5) Rights include all of North America.

OPERATIONS -- LODGING. Our organization is designed to provide a high level of service to our franchisees while maintaining a controlled level of overhead expense. In the lodging segment, expenses related to marketing and reservations services are budgeted to match marketing and reservation fees each year.

NATIONAL RESERVATIONS SYSTEMS. Unlike many other franchise businesses (such as restaurants), the lodging business is characterized by remote purchasing through travel agencies and through use by consumers of toll-free telephone numbers. Each of our reservation systems is independently operated, focusing on its specific brand and franchise system, and is comprised of one or more nationally advertised toll-free telephone numbers, reservation agents who accept inbound calls, a computer operation that processes reservations, and automated links which accept reservations from travel agents and other travel providers, such as airlines, and which report reservations made through the system to each franchisee property. Each reservation agent handles reservation requests and inquiries for only one of our franchise systems and there is no "cross selling" of franchise systems to consumers. We maintain seven reservations centers that are located in Knoxville and Elizabethton, Tennessee; Phoenix, Arizona; Winner and Aberdeen, South Dakota; Orangeburg, South Carolina and Saint John, New Brunswick, Canada.

LODGING FRANCHISE AGREEMENTS. Our lodging franchise agreements grant the right to utilize one of the brand names associated our lodging franchise systems to lodging facility owners or operators under long-term franchise agreements. An annual average of 2.1% of our existing franchise agreements are scheduled to expire from January 1, 1999 through December 31, 2006, with no more than 2.8% (in 2002) scheduled to expire in any one of those years.

The current standard agreements generally are for 15-year terms for converted properties and 20-year terms for newly constructed properties and generally require, among other obligations, franchisees to pay a minimum initial fee based on property size and type, as well as continuing franchise fees comprised of royalty fees and marketing/reservation fees based on gross room revenues.

Under the terms of the standard franchise agreements in effect at December 31, 1998, franchisees are typically required to pay recurring fees comprised of a royalty portion and a reservation/marketing portion, calculated as a percentage of annual gross room revenue that range from 7.0% to 8.8%. We discount fees from the standard rates from time to time and under certain circumstances.

Our typical franchise agreement is terminable by us upon the franchisee's failure to maintain certain quality standards, to pay franchise fees or other charges or to meet other specified obligations. In the

event of such termination, we are typically entitled to be compensated for lost revenues in an amount equal to the franchise fees accrued during periods specified in the respective franchise agreements which are generally between one and five years. The lodging franchise agreements are terminable by the franchisee under certain limited circumstances. The franchisee may terminate under certain procedures if the hotel suffers a substantial casualty or condemnation. Some franchisees and the franchisors have negotiated certain mutual termination rights, which usually may be exercised only on specific anniversary dates of the hotel's opening, and only if certain conditions precedent are met. The Hotel Division also has a policy that allows a franchisee to terminate the franchise if its hotel fails to achieve 50% annual occupancy after certain conditions and waiting periods are satisfied.

LODGING SERVICE MARKS AND OTHER INTELLECTUAL PROPERTY. The service marks "Days Inn," "Ramada," "Howard Johnson," "Super 8," "Travelodge" and related logos are material to our business. We, through our franchisees, actively use these marks. All of the material marks in each franchise system are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the marks relating to the Days Inn system, the Howard Johnson system, the Knights Inn system, the Super 8 system, the Travelodge system (in North America), the Villager Lodge system and the Wingate Inn system through our subsidiaries.

We franchise the service mark "Ramada" and related marks, Ramada brands and logos (the "Ramada Marks") to lodging facility owners in the United States pursuant to two license agreements (the "Ramada License Agreements") between an indirect subsidiary of Marriott Corporation ("Licensor") and Ramada Franchise Systems, Inc. ("RFS"), our wholly-owned subsidiary.

The Ramada License Agreements limit RFS's use of the Ramada Marks to the U.S. market. The Ramada License Agreements have initial terms terminating on March 31, 2024. At the end of the initial terms, RFS has the right either (i) to extend the Ramada License Agreements, (ii) to purchase the Ramada Marks for their fair market value at the date of purchase, subject to certain minimums after the initial terms, or (iii) to terminate the Ramada License Agreements. The Ramada License Agreements require that RFS pay license fees to the Licensor calculated on the basis of percentages of annual gross room sales, subject to certain minimums and maximums as specified in each Ramada License Agreement. RFS received approximately $46 million in royalties from its Ramada franchisees in 1998 and paid the Licensor approximately $23 million in license fees.

The Ramada License Agreements are subject to certain termination events relating to, among other things, (i) the failure to maintain aggregate annual gross room sales minimum amounts stated in the Ramada License Agreements, (ii) the maintenance by us of a minimum net worth of $50 million (however, this minimum net worth requirement may be satisfied by a guaranty of an affiliate of ours with a net worth of at least $50 million or by an irrevocable letter of credit (or similar form of third-party credit support)), (iii) non-payment of royalties, (iv) failure to maintain registrations on the Ramada Marks and to take reasonable actions to stop infringements, (v) failure to pay certain liabilities specified by the Restructuring Agreement, dated July 15, 1991, by and among New World Development Co., Ltd. (a predecessor to Licensor), Ramada International Hotels and Resorts, Inc., Ramada Inc., Franchise System Holdings, Inc., the Company and RFS and (vi) failure to maintain appropriate hotel standards of service and quality. A termination of the Ramada License Agreements would result in the loss of the income stream from franchising the Ramada brand names and could result in the payment by us of liquidated damages equal to three years of license fees. We do not believe that it will have difficulty complying with all of the material terms of the Ramada License Agreements.

LODGING COMPETITION. Competition among the national lodging brand franchisors to grow their franchise systems is intense. Our primary national lodging brand competitors are the Holiday Inn(Registered Trademark) and Best Western(Registered Trademark) brands and Choice Hotels, which franchises seven brands, including the Comfort Inn(Registered Trademark), Quality Inn(Registered Trademark) and Econo Lodge(Registered Trademark) brands. Days Inn, Travelodge and Super 8 properties principally compete with Comfort Inn, Red Roof Inn(Registered Trademark), and Econo Lodge in the limited service economy sector of the market. The chief competitor of Ramada, Howard Johnson and Wingate Inn properties, which compete in the middle market segment of the hotel industry, is Holiday Inn(Registered Trademark) and Hampton Inn(Registered Trademark). Our Knights Inn and Travelodge brands compete with Motel 6(Registered Trademark) properties. In addition, a lodging facility owner may choose not to affiliate with a franchisor but to remain independent.

We believe that competition for the sale of franchises in the lodging industry is based principally upon the perceived value and quality of the brand and services offered to franchisees, as well as the nature of those services. We believe that prospective franchisees value a franchise based upon their view of the relationship of conversion costs and future charges to the potential for increased revenue and profitability. The reputation of the franchisor among existing franchisees is also a factor, which may lead a property owner to select a particular affiliation. We also believe that the perceived value of its brand names to prospective franchisees is, to some extent, a function of the success of its existing franchisees.

The ability of our lodging franchisees to compete in the lodging industry is important to our prospects for growth, although, because franchise fees are based on franchisee gross room revenue, our revenue is not directly dependent on franchisee profitability.

The ability of an individual franchisee to compete may be affected by the location and quality of its property, the number of competing properties in the vicinity, its affiliation with a recognized brand name, community reputation and other factors. A franchisee's success may also be affected by general, regional and local economic conditions. The effect of these conditions on our results of operations is substantially reduced by virtue of the diverse geographical locations of our franchises.

LODGING SEASONALITY. The principal source of lodging revenue for us is based upon the annual gross room revenue of franchised properties. As a result, our revenue from the lodging franchise business experiences seasonal lodging revenue patterns similar to those of the hotel industry wherein the summer months, because of increases in leisure travel, produce higher revenues than other periods during the year. Therefore, any occurrence that disrupts travel patterns during the summer period could have a material adverse effort on the franchisee's annual performance and effect our annual performance.

TIMESHARE EXCHANGE BUSINESS

GENERAL. We acquired Resort Condominiums International, Inc. (now Resort Condominiums International, LLC), on November 12, 1996. Our RCI subsidiary is the world's largest provider of timeshare vacation exchange opportunities and timeshare services for more than 2.5 million timeshare households from more than 200 nations and more than 3,400 resorts in more than 90 countries around the world. RCI's business consists primarily of the operation of an exchange program for owners of condominium timeshares or whole units at affiliated resorts, the publication of magazines and other periodicals related to the vacation and timeshare industry, travel related services, resort management, integrated software systems and service and consulting services. RCI has significant operations in North America, Europe, the Middle East, Latin America, Africa, Australia, and the Pacific Rim. RCI has more than 3,900 employees worldwide.

The resort component of the leisure industry is primarily serviced by two alternatives for overnight accommodations: commercial lodging establishments and timeshare resorts. Commercial lodging consists principally of: a) hotels and motels in which a room is rented on a nightly, weekly or monthly basis for the duration of the visit and b) rentals of privately-owned condominium units or homes. Oftentimes, this segment is designed to serve both the leisure and business traveler. Timeshare resorts present an economical and reliable alternative to commercial lodging for many vacationers who want to experience the added benefits associated with ownership. Timeshare resorts are purposely designed and operated for the needs and enjoyment of the leisure traveler.

Resort timesharing -also referred to as vacation ownership -is the shared ownership and/or periodic use of property by a number of users or owners for a defined period of years or in perpetuity. An example of a simple form of timeshare is a condominium unit that is owned by fifty-one persons, with each person having the right to use the unit for one week of every year and with one week set aside for maintenance. In the United States, industry sources estimate that the average price of such a timeshare is about $10,000, plus a yearly maintenance fee of approximately $350 per interval owned. Based upon information published about the industry, we believe that 1998 sales of timeshares exceeded $6 billion worldwide. Two principal segments make up the timeshare exchange industry: owners of timeshare interest (consumers) and resort properties (developers/operators). Industry sources have estimated that the total number of owner households of timeshare interests is nearly 4.5 million worldwide, while the

total number of timeshare resorts worldwide has been estimated to be nearly 5,000. The timeshare exchange industry derives revenue from annual subscribing membership fees paid by owners of timeshare interests, fees paid by such owners for each exchange and fees paid by members and resort affiliates for various other products and services.

The "RCI Network" provides RCI members who own timeshares at RCI-affiliated resorts the capability to exchange their timeshare vacation accommodations in any given year for comparable value accommodations at other RCI-affiliated resorts. Approximately 1.2 million members of the RCI Network, representing approximately 50% of the total members of the RCI Network reside outside of the United States. RCI's membership volume has grown at a compound annual rate for the last five years of approximately 8%, while exchange volumes have grown at a compound annual rate of approximately 8% for the same time period.

RCI provides members of the RCI Network with access to both domestic and international timeshare resorts, publications regarding timeshare exchange opportunities and other travel-related services, including discounted purchasing programs. In 1998, members in the United States paid an average annual subscribing membership fee of $66 as well as an average exchange fee of $120 for every exchange arranged by RCI. In 1998, membership and exchange fees totaled approximately $330 million and RCI arranged more than 1.8 million exchanges.

Developers of resorts affiliated with the RCI Network typically pay the first year subscribing membership fee for new owner/members upon the sale of the timeshare interest.

TIMESHARE EXCHANGE BUSINESS GROWTH. The timeshare exchange industry has experienced significant growth over the past decade. We believe that the factors driving this growth include the demographic trend toward older, more affluent Americans who travel more frequently; the entrance of major hospitality and entertainment companies into timeshare development; a worldwide acceptance of the timeshare concept; and an increasing focus on leisure activities, family travel and a desire for value, variety and flexibility in a vacation experience. We believe that future growth of the timeshare exchange industry will be determined by general economic conditions both in the U.S. and worldwide, the public image of the industry, improved approaches to marketing and sales, a greater variety of products and price points, the broadening of the timeshare market and a variety of other factors. Accordingly, we cannot predict if future growth trends will continue at rates comparable to those of the recent past.

OPERATIONS. Our timeshare exchange business is designed to provide high quality, leisure travel services to its members and cost-effective, single-source support services to its affiliated timeshare resorts. Most members are acquired from timeshare developers who purchase an initial RCI subscribing membership for each buyer at the time the timeshare interval is sold. A small percentage of members are acquired through direct solicitation activities of RCI.

MEMBER SERVICES. International Exchange System. Members are served through a network of call centers located in more than 20 countries throughout the world. These call centers are staffed by approximately 1,900 people. Major regional call and information support centers are located in Indianapolis, Saint John (Canada), Kettering (England), Cork (Ireland), Mexico City and Singapore. All members receive a directory that lists resorts available through the exchange system, a periodic magazine and other information related to the exchange system and available travel services. These materials are published in various languages.

TRAVEL SERVICES. In addition to exchange services, RCI's call centers also engage in telemarketing and cross selling of other ancillary travel and hospitality services. These services are offered to a majority of members depending on their location. RCI provides travel services to U.S. members of the RCI Network through its affiliate, RCI Travel, Inc. ("RCIT"). On a global basis, RCI provides travel services through entities operating in local jurisdictions (hereinafter, RCIT and its local entities are referred to as "Travel Agencies"). Travel Agencies provide airline reservations and airline ticket sales to members in conjunction with the arrangement of their timeshare exchanges, as well as providing other types of travel services, including hotel accommodations, car rentals, cruises and tours. Travel Agencies also from time to time offer travel packages utilizing resort developers' unsold inventory to generate both revenue and prospective timeshare purchasers to affiliated resorts.

RESORT SERVICES. Growth of the timeshare business is dependent on the sale of timeshare units by affiliated resorts. RCI affiliates international brand names and independent developers, owners' associations and vacation clubs. We believe that national lodging and hospitality companies are attracted to the timeshare concept because of the industry's relatively low product cost and high profit margins, and the recognition that timeshare resorts provide an attractive alternative to the traditional hotel-based vacation and allow the hotel companies to leverage their brands into additional resort markets where demand exists for accommodations beyond traditional rental-based lodging operations. Today, 7 of every 10 timeshare resorts worldwide are affiliated with RCI. We also believe that RCI's existing affiliates represent a significant potential market because many developers and resort managers may become involved in additional resorts in the future which can be affiliated with RCI. Accordingly, a significant factor in RCI's growth strategy is maintaining the satisfaction of its existing affiliates by providing quality support services.

TIMESHARE CONSULTING. RCI provides worldwide timeshare consulting services through its affiliate, RCI Consulting, Inc. ("RCIC"). These services include comprehensive market research, site selection, strategic planning, community economic impact studies, resort concept evaluation, financial feasibility assessments, on-site studies of existing resort developments, and tailored sales and marketing plans.

RESORT MANAGEMENT SOFTWARE. RCI provides computer software systems to timeshare resorts and developers through its affiliate, Resort Computer Corporation ("RCC"). RCC provides software that integrates resort functions such as sales, accounting, inventory, maintenance, dues and reservations. Management believes that our RCC Premier information software is the only commercially available technology that can fully support timeshare club operations and points based reservation systems.

PROPERTY MANAGEMENT. RCI provides resort property management services through its affiliate, RCI Management, Inc. ("RCIM"). RCIM is a single source for any and all resort management services, and offers a menu including hospitality services, a centralized reservations service center, advanced reservations technology, human resources expertise and owners' association administration.

TIMESHARE PROPERTY AFFILIATION AGREEMENTS. More than 3,400 timeshare resorts are affiliated with the RCI Network, of which more than 1,400 resorts are located in the United States and Canada, more than 1,260 in Europe and Africa, more than 475 in Mexico and Latin America, and more than 320 in the Asia-Pacific region. The terms of RCI's affiliation agreement with its affiliates generally require that the developer enroll each new timeshare purchaser at the resort as a subscribing member of RCI, license the affiliated resort to use the RCI name and trademarks for certain purposes, set forth the materials and services RCI will provide to the affiliate, and generally describe RCI's expectations of the resort's management. The affiliation agreement also includes stipulations for representation of the exchange program, minimum enrollment requirements and treatment of exchange guests. Affiliation agreements are typically for a term of five years, and automatically renew thereafter for terms of one to five years unless either party takes affirmative action to terminate the relationship. RCI makes available a wide variety of goods and services to its affiliated developers, including publications, advertising, sales and marketing materials, timeshare consulting services, resort management software, travel packaging and property management services.

RCI LICENSED MARKS AND INTELLECTUAL PROPERTY. The service marks "RCI", "Resort Condominiums International" and related trademarks and logos are material to RCI's business. RCI and its subsidiaries actively use the marks. All of the material marks used in RCI's business are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where RCI or its subsidiaries have significant operations. We own the marks used in RCI's business.

COMPETITION. The global timeshare exchange industry is comprised of a number of entities, including resort developers and owners. RCI's largest competitor is Interval International Inc. ("Interval"), formerly our wholly owned subsidiary, and a few other smaller firms. Based upon industry sources, we believe that 98% of the nearly 5,000 timeshare resorts in the world are affiliated with either RCI or Interval. Based upon 1997 published statistics and our information, RCI had over 2.5 million timeshare households that are members, while Interval had approximately 850,000 timeshare households that are

members. Also, in 1997, RCI confirmed more than 1.8 million exchange transactions while Interval confirmed approximately 480,000 transactions. As a result, based on 1997 business volume, RCI services approximately 73% of members and approximately 79% of exchange transactions. RCI is bound by the terms of a Consent Order issued by the Federal Trade Commission which restricts the right of RCI to solicit, induce, or attempt to induce clients of Interval International Inc. to either terminate or not to renew their existing Interval contracts. The proposed Consent Order contains certain other restrictions. The restrictions generally expire on or before December 17, 1999.

SEASONALITY. A principal source of timeshare revenue relates to exchange services to members. Since members have historically shown a tendency to plan their vacations in the first quarter of the year, revenues are generally slightly higher in the first quarter in comparison to other quarters of the year. The Company cannot predict whether this trend will continue in the future as the timeshare business expands outside of the United States and Europe, and as global travel patterns shift with the aging of the world population.

AVIS CAR RENTAL FRANCHISE BUSINESS

GENERAL. On October 17, 1996, we completed the acquisition of all of the outstanding capital stock of Avis, Inc. which together with its subsidiaries, licensees and affiliates, operated the Avis Worldwide Vehicle System (the "Avis System"). As part of its previously announced plan, on September 24, 1997, we completed the initial public offering ("IPO") of our subsidiary, Avis Rent A Car, Inc. ("ARAC"), which owned and operated the company-owned Avis car rental operations. We currently own approximately 18% of the outstanding Common Stock of ARAC. We no longer own or operate any car rental locations but own the Avis brand name and the Avis System, which we license to our franchisees, including ARAC, the largest Avis System franchisee.

The Avis System is comprised of approximately 4,200 rental locations, including locations at the largest airports and cities in the United States and approximately 160 other countries and territories and a fleet of approximately 404,000 vehicles during the peak season, all of which are operated by franchisees. Approximately 90% of the Avis System rental revenues in the United States are received from locations operated by ARAC directly or under agency arrangements, with the remainder being received from locations operated by independent licensees. The Avis System in Europe, Africa, part of Asia and the Middle East is operated under franchise by Avis Europe Ltd. ("Avis Europe").

INDUSTRY. The car rental industry provides vehicle rentals to business and individual customers worldwide. The industry has been composed of two principal segments: general use (mainly at airport and downtown locations) and local (mainly at downtown and suburban locations). The car rental industry rents primarily from on-airport, near-airport, downtown and suburban locations to business and leisure travelers and to individuals who have lost the use of their vehicles through accident, theft or breakdown. In addition to revenue from vehicle rentals, the industry derives significant revenue from the sale of rental related products such as insurance, refueling services and loss damage waivers (a waiver of the franchisee's right to make a renter pay for damage to the rented car).

Car renters generally are (i) business travelers renting under negotiated contractual arrangements between specified rental companies and the travelers' employers, (ii) business travelers who do not rent under negotiated contractual arrangements (but who may receive discounts through travel, professional or other organizations), (iii) leisure travelers and (iv) renters who have lost the use of their own vehicles through accident, theft or breakdown. Contractual arrangements normally are the result of negotiations between rental companies and large corporations, based upon rates, billing and service arrangements, and influenced by reliability and renter convenience. Business travelers who are not parties to negotiated contractual arrangements and leisure travelers generally are influenced by advertising, renter convenience and access to special rates because of membership in travel, professional and other organizations.

AVIS SYSTEM AND WIZARD SYSTEM SERVICES. The Avis System provides Avis System franchisees access to the benefits of a variety of services, including (i) comprehensive safety initiatives, including the "Avis Cares" Safe Driving Program, which offers vehicle safety information, directional assistance such as satellite guidance, regional maps, weather reports and specialized equipment for travelers with

disabilities; (ii) standardized system identity for rental location presentation and uniforms; (iii) training program and business policies, quality of service standards and data designed to monitor service commitment levels; (iv) marketing/advertising/public relations support for national consumer promotions including Frequent Flyer/Frequent Stay programs and the Avis System internet web site; and (v) brand awareness of the Avis System through the familiar "We try harder" service announcements.

Avis System franchisees are also provided with access to the Wizard System, a reservations, data processing and information management system for the vehicle rental business. The Wizard System is linked to all major travel networks on six continents through telephone lines and satellite communications. Direct access with other computerized reservations systems allows real-time processing for travel agents and corporate travel departments. Among the principal features of the Wizard System are:

- an advanced graphical interface reservation system;
- "Roving Rapid Return," which permits customers who are returning vehicles to obtain completed charge records from radio-connected "Roving Rapid Return" agents who complete and deliver the charge record at the vehicle as it is being returned;
- "Preferred Service," an expedited rental service that provides customers with a preferred service rental record printed prior to arrival, a pre-assigned vehicle and fast convenient check out;
- "Wizard on Wheels," which enables the Avis System locations to assign vehicles and complete rental agreements while customers are being transported to the vehicle;
- "Flight Arrival Notification," a flight arrival notification system that alerts the rental location when flights have arrived so that vehicles can be assigned and paperwork prepared automatically;
- "Avis Link," which automatically identifies the fact that a user of a major credit card is entitled to special rental rates and conditions, and therefore sharply reduces the number of instances in which the Company inadvertently fails to give renters the benefits of negotiated rate arrangements to which they are entitled;
- interactive interfaces through third-party computerized reservation systems; and
- sophisticated automated ready-line programs that, among other things, enable rental agents to ensure that a customer who rents a particular type of vehicle will receive the available vehicle of that type which has the lowest mileage.

The Wizard System processes incoming customer calls, during which customers inquire about locations, rates and availability and place or modify reservations. In addition, millions of inquiries and reservations come to franchisees through travel agents and travel industry partners, such as airlines. Regardless of where in the world a customer may be located, the Wizard System is designed to ensure that availability of vehicles, rates and personal profile information is accurately delivered at the proper time to the customer's rental destination.

AVIS LICENSED MARKS AND INTELLECTUAL PROPERTY. The service mark "Avis", related marks incorporating the word "Avis", and related logos are material to our business. Our subsidiaries, joint ventures and licensees, actively use these marks. All of the material marks used in Avis's business are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the marks used in Avis's business. The purposes for which we are authorized to use the marks include use in connection with businesses in addition to car rental and related businesses, including, but not limited to, equipment rental and leasing, hotels, insurance and information services.

LICENSEES AND LICENSE AGREEMENTS. We have 68 independent licensees that operate locations in the United States. The largest licensee, ARAC, accounts for approximately 89% of all United States licensees' rentals. Other than ARAC, certain licensees in the United States pay us a fee equal to 5% of their total time and mileage charges, less all customer discounts, of which we are required to pay 40% for corporate licensee-related programs, while 6 licensees pay 8% of their gross revenue. Licensees outside the United States normally pay higher fees. Other than ARAC, our United States licensees currently pay .54 cents per rental agreement for use of certain portions of the Wizard System, and they are charged for use of other aspects of the Wizard System.

ARAC has entered into a Master License Agreement with the Company, which grants ARAC the right to operate the Avis vehicle rental business in certain specified territories. Pursuant to the Master License Agreement, ARAC has agreed to pay us a monthly base royalty of 3.0% of ARAC's gross revenue. In addition, ARAC has agreed to pay a supplemental royalty of 1.1 % of gross revenue payable quarterly in arrears which will increase 0.1% per year in each of the following three years thereafter to a maximum of 1.5% (the "Supplemental Fee"). These fees have been paid by ARAC since January 1, 1997. Until the fifth anniversary of the effective date of the Master License Agreement, the Supplemental Fee or a portion thereof may be deferred by ARAC if ARAC does not attain certain financial targets.

In 1997, Avis Europe's previously paidup license for Europe, the Middle East and Africa was modified to provide for a paid-up license only as to Europe and the Middle East. Avis Europe will pay us annual royalties for Africa and a defined portion of Asia which covers the area between 60E longitude and 150E longitude, excluding Australia, New Zealand and Papua New Guinea. The Avis Europe license expires on November 30, 2036, unless earlier termination is effected in accordance with the license terms. Avis Europe also entered into a Preferred Alliance Agreement with us under which Avis Europe became a preferred alliance provider for car rentals to RCI customers in Europe, Asia and Africa, and for car rentals to PHH customers needing replacement vehicles for fleets managed by PHH in Europe, Asia and Africa.

COMPETITION. The vehicle rental industry is characterized by intense price and service competition. In any given location, franchisees may encounter competition from national, regional and local companies, many of which, particularly those owned by the major automobile manufacturers, have greater financial resources than Avis and us. However, because the Company's royalty fees are based upon the gross revenue of Avis and the other Avis System franchisees, our revenue is not directly dependent on franchisee profitability.

The franchisees' principal competitors for commercial accounts in the United States are the Hertz Corporation ("Hertz") and National Car Rental System, Inc. ("National"). Principal competitors for unaffiliated business and leisure travelers in the United States are Budget Rent A Car Corporation, Hertz and National, and, particularly with regard to leisure travelers, Alamo Rent-A-Car Inc. In addition, the franchisees compete with a variety of smaller vehicle rental companies throughout the country.

SEASONALITY. The car rental franchise business is subject to seasonal variations in customer demand, with the third quarter of the year, which covers the summer vacation period, representing the peak season for vehicle rentals. Therefore, any occurrence that disrupts travel patterns during the summer period could have a material adverse effect on the franchisee's annual performance and affect our annual financial performance. The fourth quarter is generally the weakest financial quarter for the Avis System because there is limited leisure travel and a greater potential for adverse weather conditions at such time.

FLEET SEGMENT

Pursuant to our program to divest non-strategic businesses and assets, on June 30, 1999, we completed the disposition of our Fleet Segment for aggregate consideration of $1.8 billion (see "Recent Developments -- Strategic Developments"). The following is a description of the Fleet Segment businesses for the year ended December 31, 1998:

GENERAL. Through our PHH Vehicle Management Services Corporation and PHH Management Services PLC subsidiaries, we offered a full range of fully integrated fleet management services to corporate clients and government agencies comprising over 780,000 vehicles under management on a worldwide basis. These services included vehicle leasing, advisory services and fleet management services for a broad range of vehicle fleets. Advisory services included fleet policy analysis and recommendations, benchmarking, and vehicle recommendations and specifications. In addition, we provided managerial services which included ordering and purchasing vehicles, arranging for their delivery through dealerships located throughout the United States, Canada, the United Kingdom, Germany and the Republic of Ireland, as well as capabilities throughout Europe, administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims with vehicle manufacturers and re-marketing used vehicles. We also offered various leasing plans for our vehicle leasing programs,

financed primarily through the issuance of commercial paper and medium-term notes and through unsecured borrowings under revolving credit agreements, securitization financing arrangements and bank lines of credit.

Through our PHH Vehicle Management Services and Wright Express subsidiaries in the United States and our Harper Group Limited subsidiary in the U.K., we also offered fuel and expense management programs to corporations and government agencies for the effective management and control of automotive business travel expenses. By utilizing our service cards issued under the fuel and expense management programs, a client's representatives were able to purchase various products and services such as gasoline, tires, batteries, glass and maintenance services at numerous outlets.

We also provided fuel and expense management programs and a centralized billing service for companies operating truck fleets in each of the United Kingdom, Republic of Ireland and Germany. Drivers of the clients' trucks were furnished with courtesy cards together with a directory listing the names of strategically located truck stops and service stations, which participated in this program. Service fees were earned for billing, collection and record keeping services and for assuming credit risk. These fees were paid by the truck stop or service stations and/or the fleet operator and were based upon the total dollar amount of fuel purchased or the number of transactions processed.

PRODUCTS. Our fleet management services were divided into two principal products: (1) Asset Based Products, and (2) Fee Based Products.

Asset Based Products represented the services our clients require to lease a vehicle that included vehicle acquisition, vehicle re-marketing, financing, and fleet management consulting. We leased in excess of 350,000 units on a worldwide basis through both open-end lease structures and closed end structures. Open-end leases were the prevalent structure in North America representing 96% of the total vehicles financed in North America and 86% of the total vehicles financed worldwide. The open-end leases were structured on either a fixed rate or floating rate basis (where the interest component of the lease payment changes month to month based upon an index) depending upon client preference. The open-end leases were typically structured with a 12-month minimum lease term, with month to month renewals thereafter. The typical unit remained under lease for approximately 34 months. A client received a full range of services in exchange for a monthly rental payment that included a management fee. The residual risk on the value of the vehicle at the end of the lease term remained with the lessee under an open-end lease, except for a small amount that was retained by the lessor.

Closed-end leases were structured with a fixed term with the lessor retaining the vehicle residual risk. The most prevalent lease terms were 24 months, 36 months, and 48 months. The closed end structure was preferred in Europe due to certain accounting regulations. The closed-end lease structure was utilized by approximately 71% of the vehicles leased in Europe, but only 14% of the vehicles leased on a worldwide basis. We utilized independent third party valuations and internal projections to set the residuals utilized for these leases.

The Fee Based Products were designed to effectively manage costs and enhance driver productivity. The three main Fee Based Products were Fuel Services, Maintenance Services and Accident Management. Fuel Services represented the utilization of our proprietary cards to access fuel through a network of franchised and independent fuel stations. The cards operated as a universal card with centralized billing designed to measure and manage costs. In the United States, Wright Express was the leading fleet fuel cards supplier with over 125,000 fuel facilities in its network and in excess of 1.6 million cards issued. Wright Express distributed its fuel cards and related offerings through three primary channels: (1) the WEX-branded Universal Card, which was issued directly to fleets by Wright Express, (2) the Private Label Card, under which Wright Express provided private label fuel cards and related services to commercial fleet customers of major petroleum companies, and (3) Co-Branded Marketing, under which Wright Express fuel cards were co-branded and issued in conjunction with products and services of partners such as commercial vehicle leasing companies. In the UK, our Harper Group Limited and Cendant Business Answers PLC subsidiaries, utilizing the All Star and Dial brands, maintained the largest independent fueling network with more than 12,000 fueling sites and more than 1.2 million cards in circulation.

We offered customer vehicle maintenance charge cards that were used to facilitate repairs and maintenance payments. The vehicle maintenance cards provided customers with benefits such as (1) negotiated discounts off full retail prices through our convenient supplier network, (2) access to our in-house team of certified maintenance experts that monitor each card transaction for policy compliance, reasonability, and cost effectiveness, and (3) inclusion of vehicle maintenance card transactions in a consolidated information and billing database that helps evaluate overall fleet performance and costs. We maintained an extensive network of service providers in the United States, Canada, and the United Kingdom to ensure ease of use by the client's drivers.

We also provided our clients with comprehensive accident management services such as (1) providing immediate assistance after receiving the initial accident report from the driver (i.e. facilitating emergency towing services and car rental assistance, etc.) (2) organizing the entire vehicle appraisal and repair process through a network of preferred repair and body shops, and (3) coordinating and negotiating potential accident claims. Customers received significant benefits from our accident management services such as (1) convenient coordinated 24-hour assistance from our call center, (2) access to our leverage with the repair and body shops included in our preferred supplier network (the largest in the industry), which typically provided customers with extremely favorable repair terms and (3) expertise of our damage specialists, who ensured that vehicle appraisals and repairs were appropriate, cost-efficient, and in accordance with each customer's specific repair policy.

COMPETITIVE CONDITIONS. The principal factors for competition in vehicle management services were service, quality and price. We were competitively positioned as a fully integrated provider of fleet management services with a broad range of product offerings. We ranked second in the United States in the number of vehicles under management and first in the number of proprietary fuel and maintenance cards for fleet use in circulation. There were four other major providers of fleet management service in the United States, hundreds of local and regional competitors, and numerous niche competitors who focused on only one or two products and did not offer the fully integrated range of products provided by us. In the United States, it is estimated that only 45% of fleets are leased by third party providers.

In the UK, we ranked first in both vehicles under management and proprietary fuel and maintenance cards. We competed against numerous local and regional competitors. The UK operation had been able to differentiate itself through its breadth of product offerings.

REAL ESTATE DIVISION

REAL ESTATE FRANCHISE SEGMENT

GENERAL. Our Real Estate Franchise Segment represented approximately 8.6%, 7.9% and 7.3% of our revenue for the year ended December 31, 1998, 1997 and 1996, respectively. In August 1995, we acquired Century 21 Real Estate Corporation ("CENTURY 21"). Century 21 is the world's largest franchisor of residential real estate brokerage offices with approximately 6,300 independently owned and operated franchised offices with approximately 102,000 active sales agents worldwide. In February 1996, we acquired the ERA franchise system. The ERA system is a leading residential real estate brokerage franchise system with over 2,600 independently owned and operated franchised offices and more than 29,000 sales agents worldwide. In May 1996, we acquired Coldwell Banker Corporation ("COLDWELL BANKER"), the owner of the world's premier brand for the sale of million-dollar-plus homes and now the third largest residential real estate brokerage franchise system with approximately 3,000 independently owned and operated franchised offices and approximately 72,000 sales agents worldwide.

We believe that application of our franchisee focused management strategies and techniques can significantly increase the revenues produced by our real estate brokerage franchise systems while also increasing the quality and quantity of services provided to franchisees. We believe that independent real estate brokerage offices currently affiliate with national real estate franchisors principally to gain the consumer recognition and credibility of a nationally known and promoted brand name. Brand recognition is especially important to real estate brokers since homebuyers are generally infrequent users of brokerage services and have often recently arrived in an area, resulting in little ability to benefit from word-of-mouth recommendations.

During 1996, we implemented a preferred alliance program which seeks to capitalize on the dollar volume of home sales brokered by CENTURY 21, COLDWELL BANKER and ERA agents and the valuable access point these brokerage offices provide for service providers who wish to reach these home buyers and sellers. Preferred alliance marketers include providers of property and casualty insurance, moving and storage services, mortgage and title insurance, environmental testing services, and sellers of furniture, fixtures and other household goods.

Our real estate brokerage franchisees are dispersed geographically, which minimizes the exposure to any one broker or geographic region. During 1997, we acquired a preferred equity interest in NRT Incorporated ("NRT"), a newly formed corporation created to acquire residential real estate brokerage firms. NRT acquired the assets of National Realty Trust, the largest franchisee of the COLDWELL BANKER system, in August 1997. NRT has also acquired other independent regional real estate brokerage businesses during 1998 and 1997 which NRT has converted to COLDWELL BANKER, CENTURY 21 and ERA franchises. As a result, NRT is the largest franchisee of our franchise systems, based on gross commissions, and represents 6% of the franchised offices. Of the nearly 12,000 franchised offices in our real estate brokerage franchise systems, no individual broker, other than NRT, accounts for more than 1% of our real estate brokerage revenues.

REAL ESTATE FRANCHISE SYSTEMS

CENTURY 21. CENTURY 21 is the world's largest residential real estate brokerage franchisor, with approximately 6,300 independently owned and operated franchise offices with more than 102,000 active sales agents located in 25 countries and territories.

The primary component of CENTURY 21's revenue is service fees on commissions from real estate transactions. Service fees are 6% of gross commission income. CENTURY 21 franchisees who meet certain levels of annual gross revenue (as defined in the franchise agreements) are eligible for the CENTURY 21 Incentive Bonus ("CIB") Program, which results in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement (up to 2% of gross commission income in current agreements) of such annual gross revenue. For 1998, approximately 15% of CENTURY 21 franchisees qualified for CIB payments and such payments aggregated less than 1% of gross commissions.

CENTURY 21 franchisees generally contribute 2% (subject to specified minimums and maximums) of their brokerage commissions each year to the CENTURY 21 National Advertising Fund (the "NAF") which in turn disburses them for local, regional and national advertising, marketing and public relations campaigns. In 1998, the NAF spent approximately $45 million on advertising and marketing campaigns.

COLDWELL BANKER. COLDWELL BANKER is the world's premier brand for the sale of million-dollar-plus homes and the third largest residential real estate brokerage franchisor, with approximately 3,000 independently owned and operated franchise offices in the United States, Canada and the Caribbean, with approximately 72,000 sales agents. The primary revenue from the COLDWELL BANKER system is derived from service and other fees paid by franchisees, including initial franchise fees and ongoing services. COLDWELL BANKER franchisees pay us annual fees consisting of ongoing service and advertising fees, which are generally 6.0% and 2.5%, respectively, of a franchisee's annual gross revenues (subject to annual rebates to franchisees who achieve certain threshold levels of gross commission income annually, and to minimums and maximums on advertising fees).

COLDWELL BANKER franchisees who meet certain levels of annual gross revenue (as defined in the franchise agreements) are eligible for the Performance Premium Award ("PPA") Program, which results in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement (up to 3% in current agreements) of such annual gross revenue. For 1998, approximately 28% of COLDWELL BANKER franchisees qualified for PPA payments and such payments aggregated approximately less than 1% of gross commissions.

Advertising fees collected from COLDWELL BANKER franchisees are generally expended on local, regional and national marketing activities, including media purchases and production, direct mail and promotional activities and other marketing efforts. In 1998, the COLDWELL BANKER National Advertising Fund expended approximately $21 million for such purposes.

ERA. The ERA franchise system is a leading residential real estate brokerage franchise system, with more than 2,600 independently owned and operated franchise offices, and more than 29,000 sales agents located in 20 countries. The primary revenue from the ERA franchise system results from (i) franchisees' payments of monthly membership fees ranging from $216 to $852 per month, based on volume, plus $196 per branch and a per transaction fee of approximately $121, and (ii) for franchise agreements entered into after July 1997, royalty fees equal to 6% of the franchisees' gross revenues (5.0% until December 31, 1999). For franchise agreements dated after January 1, 1998, the Volume Incentive Program may result in a rebate payment to qualifying franchisees determined in accordance with the applicable franchise agreement.

In addition to membership fees and transaction fees, franchisees of the ERA system pay (i) a fixed amount per month, which ranges from $233 to $933, based on volume, plus an additional $233 per month for each branch office, into the ERA National Marketing Fund (the "ERA NMF") and (ii) for franchise agreements entered into after July 1997, an NMF equal to 2% of the franchisees' gross revenues, subject to minimums and maximums. The funds in the ERA NMF are utilized for local, regional and national marketing activities, including media purchases and production, direct mail and promotional activities and other marketing efforts. In 1998, the ERA NMF spent approximately $10 million on marketing campaigns.

REAL ESTATE BROKERAGE FRANCHISE SALES. We market real estate brokerage franchises primarily to independent, unaffiliated owners of real estate brokerage companies as well as individuals who are interested in establishing real estate brokerage businesses. We believe that our existing franchisee base represents another source of potential growth, as franchisees seek to expand their existing business to additional markets. Therefore, our sales strategy focuses on maintaining satisfaction and enhancing the value of the relationship between the franchisor and the franchisee.

Our real estate brokerage franchise systems employ a national franchise sales force consisting of approximately 125 salespersons and sales management personnel, which is divided into separate sales organizations for the CENTURY 21, COLDWELL BANKER and ERA systems. These sales organizations are compensated primarily through commissions on sales concluded. Members of the sales forces are also encouraged to provide referrals to the other sales forces when appropriate.

OPERATIONS -- REAL ESTATE BROKERAGE. Our brand name marketing programs for the real estate brokerage business focus on increasing brand awareness generally, in order to increase the likelihood of potential homebuyers and home sellers engaging franchise brokers' services. Each brand has a dedicated marketing staff in order to develop the brand's marketing strategy while maintaining brand integrity. The corporate marketing services department provides services related to production and implementation of the marketing strategy developed by the brand marketing staffs.

Each brand provides its franchisees and their sales associates with training programs that have been developed by such brand. The training programs include mandatory programs instructing the franchisee and/or the sales associate on how to best utilize the methods of the particular system and additional optional training programs that expand upon such instruction. Each brand's training department is staffed with instructors experienced in both real estate practice and instruction. In addition, we have established regional support personnel who provide consulting services to the franchisees in their respective regions.

Each system provides a series of awards to brokers and their sales associates who are outstanding performers in each year. These awards signify the highest levels of achievement within each system and provide a significant incentive for franchisees to attract and retain sales associates.

Each system provides its franchisees with referrals of potential customers, which referrals are developed from sources both within and outside of the system.

Through our Cendant Supplier Services operations, we provide our franchisees with volume purchasing discounts for products, services, furnishings and equipment used in real estate brokerage operations. In addition to the preferred alliance programs described hereinafter, Cendant Supplier Services establishes relationships with vendors and negotiates discounts for purchases by its customers. We do not maintain inventory, directly supply any of the products or, generally, extend credit to franchisees for purchases. See "COMBINED OPERATIONS -- Preferred Alliance and CoMarketing Arrangements" below.

REAL ESTATE BROKERAGE FRANCHISE AGREEMENTS. Our real estate brokerage franchise agreements grant the franchises the right to utilize one of the brand names associated with our real estate brokerage franchise systems to real estate brokers under franchise agreements.

Our current form of franchise agreement for all real estate brokerage brands is terminable by us for the franchisee's failure to pay fees thereunder or other charges or for other material default under the franchise agreement. In the event of such termination, the Century 21 and ERA agreements generally provide that we are entitled to be compensated for lost revenues in an amount equal to the average monthly franchise fees calculated for the remaining term of the agreement. Pre-1996 agreements do not provide for liquidated damages of this sort. See "CENTURY 21," "COLDWELL BANKER" and "ERA" above for more information regarding the commissions and fees payable under our franchise agreements.

NRT is the largest franchisee, based on gross commission income, for our real estate franchise systems. NRT's status as a franchisee is governed by franchise agreements (the "Franchise Agreements") with our wholly owned subsidiaries (the "Real Estate Franchisors") pursuant to which NRT has the non-exclusive right to operate as part of the COLDWELL BANKER, ERA and CENTURY 21 real estate franchise systems at locations specified in the Franchise Agreements. In February 1999, NRT entered into new fifty year franchise agreements with the Real Estate Franchisors. These agreements require NRT to pay royalty fees and advertising fees of 6.0% and 2.0% (2.5% for its COLDWELL BANKER offices), respectively, on its annual gross revenues. Lower royalty fees apply in certain circumstances. The Franchise Agreements generally provide restrictions on NRT's ability to close offices beyond certain limits.

REAL ESTATE BROKERAGE SERVICE MARKS. The service marks "CENTURY 21," "COLDWELL BANKER," and "ERA" and related logos are material to our business. Through our franchisees, we actively use these marks. All of the material marks in each franchise system are registered (or have applications pending for registration) with the United States Patent and Trademark Office. The marks used in the real estate brokerage systems are owned by us through our subsidiaries.

COMPETITION. Competition among the national real estate brokerage brand franchisors to grow their franchise systems is intense. The chief competitors to our real estate brokerage franchise systems are the Prudential, Better Homes & Gardens and RE/MAX real estate brokerage brands. In addition, a real estate broker may choose to affiliate with a regional chain or not to affiliate with a franchisor but to remain independent.

We believe that competition for the sale of franchises in the real estate brokerage industry is based principally upon the perceived value and quality of the brand and services offered to franchisees, as well as the nature of those services. We also believe that the perceived value of its brand names to prospective franchisees is, to some extent, a function of the success of its existing franchisees.

The ability of our real estate brokerage franchisees to compete in the industry is important to our prospects for growth, although, because franchise fees are based on franchisee gross commissions or volume, our revenue is not directly dependent on franchisee profitability.

The ability of an individual franchisee to compete may be affected by the location and quality of its office, the number of competing offices in the vicinity, its affiliation with a recognized brand name, community reputation and other factors. A franchisee's success may also be affected by general, regional and local economic conditions. The effect of these conditions on our results of operations is substantially reduced by virtue of the diverse geographical locations of our franchises. At December 31, 1998, the combined real estate franchise systems had approximately 8,400 franchised brokerage offices in the United States and approximately 12,000 offices worldwide. The real estate franchise systems have offices in 31 countries and territories in North America, Europe, Asia, Africa and Australia.

SEASONALITY. The principal sources of our real estate segment revenue are based upon the timing of residential real estate sales, which are lower in the first calendar quarter each year, and relatively level the other three quarters of the year. As a result, our revenue from the real estate brokerage segment of its business is less in the first calendar quarter of each year.

RELOCATION SEGMENT

GENERAL. Our Relocation Segment represented approximately 8.4%, 9.5% and 10.7% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. Our Cendant Mobility Services Corporation ("Cendant Mobility") subsidiary is the largest provider of employee relocation services in the world. Our Cendant Mobility subsidiary assists more than 100,000 transferring employees annually, including approximately 15,000 employees internationally each year in 92 countries and 300 destination cities. At December 31, 1998, we employed approximately 2,400 people in our relocation business.

SERVICES. The employee relocation business offers a variety of services in connection with the transfer of our clients' employees. The relocation services provided to our customers include primarily evaluation, inspection and selling of transferees' homes or purchasing a transferee's home which is not sold for at least a price determined on the estimated value within a specified time period, equity advances (generally guaranteed by the corporate customer), certain home management services, assistance in locating a new home at the transferee's destination, consulting services and other related services.

Corporate clients pay a fee for the services performed. Another source of revenue is interest on the equity advances. Substantially, all costs associated with such services are reimbursed by the corporate client, including, if necessary, repayment of equity advances and reimbursement of losses on the sale of homes purchased in most cases (other than government clients and one corporate client). As a result of the obligations of most corporate clients to pay the losses and guarantee repayment of equity advances, our exposure on such items is limited to the credit risk of the corporate clients of our relocation businesses and not on the potential changes in value of residential real estate. We believe such risk is minimal, due to the credit quality of the corporate clients of our relocation subsidiaries. In transactions with government clients and one corporate client, which comprise approximately 5% of net revenue, we assume the risk for losses on the sale of homes, but we control all facets of the resale process, thereby limiting our exposure.

The homesale program service is the core service for many domestic and international programs. This program gives employees guaranteed offers for their homes and assists clients in the management of employees' productivity during their relocation. Cendant Mobility allows clients to outsource their relocation programs by providing clients with professional support for planning and administration of all elements of their relocation programs. The majority of new proposals involve outsourcing due to corporate downsizing, cost containment, and increased need for expense tracking.

Our relocation accounting services supports auditing, reporting, and disbursement of all relocation-related expense activity.

Our group move management services provides coordination for moves involving a number of employees. Services include planning, communications, analysis, and assessment of the move. Policy consulting provides customized consultation and policy review, as well as industry data, comparisons and recommendations. Cendant Mobility also has developed and/or customized numerous non-traditional services including outsourcing of all elements of relocation programs, moving services, and spouse counseling.

Our moving service, with nearly 70,000 shipments annually, provides support for all aspects of moving an employee's household goods. We also handle insurance and claim assistance, invoice auditing, and control the quality of van line, driver, and overall service.

Our marketing assistance service provides assistance to transferees in the marketing and sale of their own home. A Cendant Mobility professional assists in developing a custom marketing plan and monitors its implementation through the broker. The Cendant Mobility contact also acts as an advocate, with the local broker, for employees in negotiating offers which helps clients' employees benefit from the highest possible price for their homes.

Our affinity services provide value-added real estate and relocation services to organizations with established members and/or customers. Organizations, such as insurance and airline companies that have

established members offer our affinity services' to their members at no cost. This service helps the organizations attract new members and to retain current members. Affinity services provide home buying and selling assistance, as well as mortgage assistance and moving services to members of applicable organizations. Personal assistance is provided to over 40,000 individuals with approximately 17,500 real estate transactions annually.

Our international assignment service provides a full spectrum of services for international assignees. This group coordinates the services previously discussed; however, they also assist with immigration support, candidate assessment, intercultural training, language training, and repatriation coaching.

VENDOR NETWORKS. Cendant Mobility provides relocation services through various vendor networks that meet the superior service standards and quality deemed necessary by Cendant Mobility to maintain its leading position in the marketplace. We have a real estate broker network of approximately 340 principal brokers and 420 associate brokers. Our van line, insurance, appraisal and closing networks allow us to receive deep discounts while maintaining control over the quality of service provided to clients' transferees.

COMPETITIVE CONDITIONS. The principal methods of competition within relocation services are service, quality and price. In the United States, there are two major national providers of such services. We are the market leader in the United States and third in the United Kingdom.

SEASONALITY. Our principal sources of relocation service revenue are based upon the timing of transferee moves, which are lower in the first and last quarter each year, and at the highest levels in the second quarter.

MORTGAGE SEGMENT

GENERAL. Our Mortgage Segment represented approximately 6.7%, 4.2% and 3.9% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. Through our Cendant Mortgage Corporation ("Cendant Mortgage") subsidiary, we are the sixth largest originator of residential first mortgage loans in the United States, and, on a retail basis, we are the sixth largest originator in 1998. We offer services consisting of the origination, sale and servicing of residential first mortgage loans. A full line of first mortgage products are marketed to consumers through relationships with corporations, affinity groups, financial institutions, real estate brokerage firms, including CENTURY 21, COLDWELL BANKER and ERA franchisees, and other mortgage banks. Cendant Mortgage is a centralized mortgage lender conducting its business in all 50 states. At December 31, 1998, Cendant Mortgage had approximately 4,000 employees.

Cendant Mortgage 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 Corp., the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association. Cendant Mortgage also services mortgage loans. We earn revenue from the sale of the mortgage loans to investors, as well as from fees earned on the servicing of the loans for investors. 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 our mortgage loan servicing portfolio.

Cendant Mortgage offers mortgages through the following platforms:

- Teleservices. Mortgages are offered to consumers through an 800 number teleservices operation based in New Jersey under programs including Phone In-Move In(Registered Trademark) for real estate organizations, private label programs for financial institutions and for relocation clients in conjunction with the operations of Cendant Mobility. The teleservices operation provides us with retail mortgage volume that contributes to Cendant Mortgage ranking as the sixth largest retail originator (Inside Mortgage Finance) in 1998.

- Point of Sale. Mortgages are offered to consumers through 175 field sales professionals with all processing, underwriting and other origination activities based in New Jersey. These field sales professionals generally are located in real estate offices and are equipped with software to obtain

product information, quote interest rates and prepare a mortgage application with the consumer. Originations from these point of sale offices are generally more costly than teleservices originations.

- Wholesale/Correspondent. We purchase closed loans from financial institutions and mortgage banks after underwriting the loans. Financial institutions include banks, thrifts and credit unions. Such institutions are able to sell their closed loans to a large number of mortgage lenders and generally base their decision to sell to Cendant Mortgage on price, product menu and/or underwriting. We also have wholesale/correspondent originations with mortgage banks affiliated with real estate brokerage organizations. Originations from our wholesale/correspondent platform are more costly than point of sale or teleservices originations.

STRATEGY. Our strategy is to increase market share by expanding all of our sources of business with emphasis on the Phone In-Move In(Registered Trademark) program. Phone In-Move In(Registered Trademark) was developed for real estate firms approximately 21 months ago and is currently established in over 4,000 real estate offices at December 31, 1998. We are well positioned to expand our relocation and financial institutions business channels as it increases our linkage to Cendant Mobility clients and works with financial institutions which desire to outsource their mortgage originations operations to Cendant Mortgage. Each of these market share growth opportunities is driven by our low cost teleservices platform, which is centralized in Mt. Laurel, New Jersey. The competitive advantages of using a centralized, efficient and high quality teleservices platform allows us to capture a higher percentage of the highly fragmented mortgage market more cost effectively.

COMPETITIVE CONDITIONS. The principal methods of competition in mortgage banking services are service, quality and price. There are an estimated 20,000 national, regional or local providers of mortgage banking services across the United States. Cendant Mortgage has increased its mortgage origination market share in the United States to 1.8% in 1998 from 0.9% in 1996. The market share leader reported a 7.7% market share in the United States according to Insider Mortgage Finance for 1998.

SEASONALITY. The principal sources of mortgage services segment revenue are based principally on the timing of mortgage origination activity, which is based upon the timing of residential real estate sales. Real estate sales are lower in the first calendar quarter each year and relatively level the other three quarters of the year. As a result, our revenue from the mortgage services business is less in the first calendar quarter of each year.

DIRECT MARKETING DIVISION

Our direct marketing division is divided into two segments: individual membership and insurance/ wholesale. The individual membership segment, with approximately 32 million memberships, provides customers with access to a variety of discounted products and services in such areas as retail shopping, travel, auto and home improvement. The individual membership products and services are designed to enhance customer loyalty by delivering value to the customer. The insurance/wholesale segment, with nearly 31 million customers, markets and administers insurance products, primarily accidental death insurance, and also provides products and services such as checking account enhancement packages, financial products and discount programs to customers of various financial institutions. The direct marketing activities are conducted principally through our Cendant Membership Services, Inc. subsidiary and certain of our other wholly owned subsidiaries, including FISI and BCI.

We derive our direct marketing revenue principally from membership service fees, insurance premiums and product sales. We solicit members and customers for many of our programs by direct marketing and by using a direct sales force to call on financial institutions, schools, community groups, companies and associations. Some of the our individual memberships are available on-line to interactive computer users via major on-line services and the Internet's World Wide Web. See "--Distribution Channels".

INDIVIDUAL MEMBERSHIP SEGMENT

Our Individual Membership segment represented approximately 17.6%, 18.4% and 23% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. We affiliate with business

partners such as leading financial institutions, retailers, and oil companies to offer membership as an enhancement to their credit card customers. Participating institutions generally receive commissions on initial and renewal memberships, based on a percentage of the net membership fees. Individual memberships are marketed, primarily using direct marketing techniques, through participating institutions with the Company generally paying for the marketing costs to solicit the prospective members. The member pays our business partners directly for the service and, in most instances, is billed via a credit card. Membership fees vary depending upon the particular membership program, and annual fees generally range from $49 to $79 per year. Most of our memberships are for one-year renewable terms, and members are generally entitled to unlimited use during the membership period of the service for which the members have subscribed. Members generally may cancel their memberships and obtain a full refund at any point during the membership term. As of November 1998, all new on-line individual memberships are refundable on a pro-rata basis over the term of the membership. The services may be accessed either through the Internet (on-line) or through the mail or by telephone (off-line).

OFF-LINE PRODUCTS

Individual membership programs offer consumers discounts on over 500,000 products and services by providing shop at home convenience in areas such as retail shopping, travel, automotive, dining and home improvement. Membership programs include among others Shoppers Advantage(Registered Trademark), Travelers Advantage(Registered Trademark), AutoVantage(Registered Trademark), Credit Card Guardian(Registered Trademark), and PrivacyGuard(Registered Trademark), and other membership programs. A brief description of the different types of membership programs is as follows:

Shopping. Shoppers Advantage(Registered Trademark) is a discount shopping program whereby we provide product price information and home shopping services to our members. Our merchandise database contains information on over 100,000 brand name products, including a written description of the product, the manufacturer's suggested retail price, the vendor's price, features and availability. All of these products may be purchased through our independent vendor network. Vendors include manufacturers, distributors and retailers nationwide. Individual members are entitled to an unlimited number of toll free calls seven days a week to our shopping consultants, who access the merchandise database to obtain the lowest available fully delivered cost from participating vendors for the product requested and accept any orders that the member may place. We inform the vendor providing the lowest price of the member's order and that vendor then delivers the requested product directly to the member. We act as a conduit between our members and the vendors; accordingly, we do not maintain an inventory of products.

As part of our individual member Shoppers Advantage(Registered Trademark) program, we distribute catalogs four to ten times per year to certain members. In addition, we automatically extend the manufacturer's warranty on all products purchased through the Shoppers Advantage(Registered Trademark) program and offer a low price guarantee. Generally, the length of time in which a particular membership service extends the manufacturer's warranty on products purchased is for a period of up to two years (i.e., the length of the existing manufacturer's warranty is extended, if it in fact covers less than 2 years, so that it covers a total period of 2 years from the original date of purchase). For instance, with the Shoppers Advantage(Registered Trademark) membership program, there is a product feature whereby a member receives an automatic 2-year extended warranty protection on any product purchased through the Shoppers Advantage(Registered Trademark) service (which means that this membership service will automatically extend the manufacturer's U.S. warranty to 2 years from the date of purchase of the particular product in question). There is an identical feature for the CompleteHome(Registered Trademark) membership service (now being renamed as the Homeowner Savings Network) and for members of the Family Funsaver Club(Registered Trademark).

Travel. Travelers Advantage(Registered Trademark) is a discount travel service program whereby our Cendant Travel, Inc. ("Cendant Travel") subsidiary (one of the ten largest full service travel agencies in the U.S.), obtains information on schedules and rates for major scheduled airlines, hotel chains and car rental agencies from the American Airlines Sabre(Registered Trademark) Reservation System. In addition, we maintain our own database containing information on tours, travel packages and short notice travel arrangements. Members book their reservations through Cendant Travel, which earns commissions (ranging from 5%-25%) on all travel sales from the providers of the travel services. Certain Travelers Advantage(Registered Trademark) members can earn cash awards from the Company equal to a specified percentage (generally 5%) of the price of travel arrangements

purchased by the member through Cendant Travel. Travel members may book their reservations by making toll-free telephone calls seven days a week, generally twenty-four hours a day to agents at Cendant Travel. Cendant Travel provides its members with special negotiated rates on many air, car and hotel bookings. Cendant Travel's agents reserve the lowest air, hotel and car rental fares available for the members' travel requests and offer a low price guarantee on such fares.

Auto. Our auto service, AutoVantage(Registered Trademark), offers members comprehensive new car summaries and preferred prices on new domestic and foreign cars purchased through our independent dealer network (which includes over 1,800 dealer franchises); discounts on maintenance, tires and parts at more than 25,000 locations, including over 35 chains, including nationally known names, such as Goodyear"and Firestone(Registered Trademark), plus regional chains and independent locations; and used car valuations. AutoVantage Gold(Registered Trademark) offers members additional services including road and tow emergency assistance 24 hours a day in the United States and trip routing.

Credit Card Registration. Our Credit Card Guardian(Registered Trademark) and "Hot-Line" services enable consumers to register their credit and debit cards with us so that the account numbers of these cards may be kept securely in one place. If the member notifies us that any of these credit or debit cards are lost or stolen, we will notify the issuers of these cards, arrange for them to be replaced and reimburse the member for any amount for which the card issuer may hold the member liable.

PrivacyGuard Service. The PrivacyGuard(Registered Trademark) and Credentials(Registered Trademark) services provide members with a comprehensive and understandable means of monitoring key personal information. The service offers a member access to information in certain key areas including: credit history and monitoring, driving records maintained by state motor vehicle authorities, and medical files maintained by third parties. This service is designed to assist members in obtaining and monitoring information concerning themselves that is used by third parties in making decisions such as granting or denying credit or setting insurance rates.

Buyers Advantage. The Buyers Advantage(Registered Trademark) service extends the manufacturer's warranty on products purchased by the member. This service also rebates 20% of repair costs and offers members price protection by refunding any difference between the price the member paid for an item and its reduced price, should the item be sold at a lower price within sixty days after purchase. In addition, the service offers return guarantee protection by refunding the purchase price of an item that the member wishes to return.

CompleteHome. The CompleteHome(Registered Trademark) service is designed to save members time and money in maintaining and improving their homes. Members can order do-it-yourself "How-To Guides" or call the service for a tradesperson referral. Tradespersons are available in all 50 states through a toll-free phone line. Members also receive discounts ranging from 10% to 50% off on a full range of home-related products and services.

Family FunSaver Club. The Family FunSaver Club(Registered Trademark) provides its members with a variety of benefits, including the opportunity to inquire about and purchase family travel services and family related products, the opportunity to buy new cars at a discount, a discounted family dining program and a Family Values Guide offering coupon savings on family related products such as movie tickets, casual restaurants, and theme parks.

The Family Software Club. The Family Software Club (Service Mark) has no membership fee and offers members a way to purchase educational and entertainment CD-ROM titles, often at an introductory price with a small commitment to buy titles at regular club prices over a specified time period. Approximately every six to eight weeks, members receive information on CD-ROM titles and other related products and have the opportunity to purchase their featured selection, alternate titles or no selections at that time. The club also provides its members with special offers and discounts on software and other related products from time to time.

Health Services. The HealthSaver (Service Mark) membership provides discounts ranging from 10% to 60% off retail prices on prescription drugs, eyewear, eye care, dental care, selected health-related services and fitness equipment, including sporting goods. Members may also purchase prescription and over-the-counter drugs through the mail.

Other Clubs. Our North American Outdoor Group, Inc. subsidiary ("NAOG") owns and operates the North American Hunting Club(Registered Trademark), the North American Fishing Club(Registered Trademark), the Handyman Club of America(Registered Trademark), the National Home Gardening Club(Registered Trademark) and the PGA Tour Partners Club(Registered Trademark), among others. Members of these clubs receive fulfillment kits, discounts on related goods and services, magazines and other benefits. In September 1999, we entered into a definitive agreement to sell 94% of NAOG for approximately $140 million. In connection with the transaction, we will retain an equity interest in NAOG of approximately 6%. (see "Recent Developments").

ON-LINE PRODUCTS

We operate Netmarket (www.netmarket.com), our flagship on-line, membership-based, value-oriented consumer site which offers discounts on over 800,000 products and services. Netmarket offers discounted shopping and other benefits to both members and non-members, with members receiving preferred pricing, access to specials, cash back benefits, low price guarantees and extended warranties on certain items. In addition, we also offer the following on-line products and services: AutoVantage(Registered Trademark), Travelers Advantage(Registered Trademark) and PrivacyGuard(Registered Trademark) membership programs and Haggle Zone(Trademark) and Fair Agent(Registered Trademark) consumer services. As part of our internet strategy, on September 15, 1999, we donated Netmarket, Inc.'s (the owner of our on-line membership businesses) outstanding common stock to a charitable trust, and Netmarket issued additional shares of its common stock to certain of its marketing partners. Accordingly, as a result of the change in ownership Netmarket common stock from us to an independent third party, Netmarket's operating results will no longer be included in our consolidated financial statements. We retained the opportunity to participate in Netmarket's value through the ownership of the convertible preferred stock of Netmarket, which is ultimately exchangeable, at our option, into 78% of Netmarket's diluted common shares. (See "Recent Developments -- Internet Developments").

We also currently operate other on-line consumer offerings such as Books.com (www.books.com), one of the largest on-line booksellers in the world with more than four million titles available in its database with discounts of up to 20 to 40 percent below retail prices; Musicspot (www.musicspot.com) an on-line music store with more than 145,000 titles discounted up to 20 percent below retail prices; and GoodMovies (www.goodmovies.com) an on-line movie store offering more than 30,000 movie titles up to 20 to 40 percent below retail cost. Prior to its sale in 1999, we operated Match.com, Inc. ("Match"), the leading matchmaking service on the Internet, servicing over 100,000 consumers. Subscriptions to the Match service range from approximately $10 per month to just under $60 for one year.

Through our Rent Net operation (www.rent.net) subsidiary, we are the leading apartment information and rental service on the Internet, with listings in more than 2,000 North American cities. Rent Net's clients include many of the top 50 property management companies across North America, and its apartment and relocation information has been seen by more than one million users monthly. The RentNet operation principally derives revenues from advertising or listing fees of products and service providers.

As part of our internet strategy, on September 30, 1999, we announced that our board of directors approved a plan to create a new class of common stock to track the performance of our new real estate portal to be named Move.com, which will include the operations of RentNet. Move.com will integrate and enhance the on-line efforts of our residential real estate brands (CENTURY 21(Registered Trademark), COLDWELL BANKER(Registered Trademark), and ERA(Registered Trademark)) and those of its real-estate business units (Cendant Mobility and Cendant Mortgage), drawing on the success of the RentNet on-line apartment guide business model. RentNet's operations are currently being expanded as the technology fulcrum for Move.com. See "Recent Developments -- Strategic Developments".

INSURANCE/WHOLESALE SEGMENT

Our Insurance/Wholesale segment represented approximately 10.3%, 11.4% and 13.8% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively. We affiliate with financial institutions, including credit unions and banks, to offer their respective customer base competitively priced insurance products, primarily accidental death and dismemberment insurance and term life insurance, as well as an array of services associated with the Individual Membership division segment.

ENHANCEMENT PACKAGE SERVICE. Primarily through our FISI subsidiary, we sell enhancement packages for financial institution consumer and business checking and deposit account holders. FISI's financial institution clients select a customized package of our products and services and then usually adds its own services (such as unlimited check writing privileges, personalized checks, cashiers' or travelers' checks without issue charge, or discounts on safe deposit box charges or installment loan interest rates). With our marketing and promotional assistance, the financial institution then offers the complete package of account enhancements to its checking account holders as a special program for a monthly fee. Most of these financial institutions choose a standard enhancement package, which generally includes $10,000 of accidental death insurance, travel discounts and a nationwide check cashing service. Others may our shopping and credit card registration services, a financial newsletter or pharmacy, eyewear or entertainment discounts as enhancements. The accidental death coverage is underwritten under group insurance policies with independent insurers. We continuously seek to develop new enhancement features, which may be added to any package at an additional cost to the financial institution. We generally charge a financial institution client an initial fee to implement this program and monthly fees thereafter based on the number of customer accounts participating in that financial institution's program. Our enhancement packages are designed to enable a financial institution to generate additional fee income, because the institution should be able to charge participating accounts more than the combined costs of the services it provides and the payments it makes to us.

Primarily through our National Card Control Inc. ("NCCI") subsidiary, we also sell enhancement services to credit card issuers who make these services available to their credit card holders to foster increased product usage and loyalty. NCCI's clients create a customized package of our products and services. These enhancements include loyalty products, such as frequent flyer/buyer programs, as well as shopping, travel, concierge, insurance and credit card registration services. Like FISI, NCCI generally charges its credit card issuer clients an initial fee to implement the program and monthly fees thereafter, based on the number of accounts participating in that institution's program.

INSURANCE PRODUCTS. Through our BCI subsidiary, we serve as a third party administrator for marketing accidental death insurance throughout the country to the customers of BCI's financial institution clients. This accidental death insurance is often combined with our other services to enhance their value. These products are generally marketed through direct mail solicitations, which generally offer $1,000 of accidental death insurance at no cost to the customers and the opportunity to choose additional coverage of up to $300,000. The annual premium generally ranges from $10 to $250. BCI also acts as an administrator for term life, graded term life and hospital accident insurance. BCI's insurance products and other services are offered through banks and credit unions to their account holders.

DIRECT MARKETING DISTRIBUTION CHANNELS

We market our Individual Membership and Insurance/Wholesale products through a variety of distribution channels. The consumer is ultimately reached in the following ways: 1) at financial institutions or other associations through direct marketing; 2) at financial institutions or other associations through a direct sales force, participating merchants or general advertising; and 3) through schools, community groups and companies. Some of our individual memberships, such as shopping, travel, privacy guard and auto services, are available to computer users via on-line services and the Internet's World Wide Web. These users are solicited primarily through major on-line services such as America Online, traditional off-line direct marketing channels, major destination sites on the World Wide Web, such as portals, and through our affinity partners. We believe that our interactive members account for approximately 4% of our total Individual Membership Segment members. Strategic alliances have been formed with on-line services and various other companies, including the major Internet portals.

DIRECT MARKETING INTERNATIONAL OPERATIONS

Individual Membership and Insurance/Wholesale. Our Cendant International Membership Services subsidiary has developed the international distribution of Enhancement Package Service and Insurance Products together with certain Individual Memberships including Shopping, Auto and Payment Card Protection.

As of December 31, 1998, Cendant International Membership Services had expanded its international membership and customer base to almost four million individuals. This base is driven by retail and wholesale membership through over 35 major banks in Europe and Asia, as well as through other distribution channels. We also have exclusive licensing agreements covering the use of our merchandising systems in Canada, Australia, Japan and certain other Asian countries under which licensees paid initial license fees and agree to pay royalties to us on membership fees, access fees and merchandise service fees paid to them. Royalties to us from these licenses were less than 1% of our direct marketing revenues and profits in the years ended December 31, 1998, 1997 and 1996, respectively.

The economic impact of currency exchange rate movements on the Company is complex because it is linked to variability in real growth, inflation, interest rates and other factors. Because we operate in a mix of services and numerous countries, management believes currency exposures are fairly well diversified. See Item 7A: "Quantitative and Qualitative Disclosure About Market Risk".

DIRECT MARKETING SEASONALITY

Our direct marketing businesses are not seasonal.

DIRECT MARKETING COMPETITION

Individual Membership. We believe that there are competitors, which offer membership programs similar to ours, and some of these entities, which include large retailers, travel agencies, insurance companies and financial service institutions, have financial resources, product availability, technological capabilities or customer bases greater than ours. To date, we have been able to compete effectively with such competitors. However, there can be no assurances that we will continue to be able to do so. In addition, we compete with traditional methods of merchandising that enjoy widespread consumer acceptance, such as catalog and in-store retail shopping and shopping clubs (with respect to its discount shopping service), and travel agents (with respect to its discount travel service). Our systems are, for the most part, not protected by patent.

Insurance/Wholesale. Each of our account enhancement services competes with similar services offered by other companies, including insurance companies. Many of the competitors are large and more established, with greater resources and financial capabilities than ours. Finally, in attempting to attract any relatively large financial institution as a client, we also compete with that institution's in-house marketing staff and the institution's perception that it could establish programs with comparable features and customer appeal without paying for the services of an outside provider.

OTHER CONSUMER AND BUSINESS SERVICES DIVISION

Our Other Consumer and Business Services Division represented approximately 20.9%, 18.1% and 18.9% of our revenues for the year ended December 31, 1998, 1997 and 1996, respectively.

TAX PREPARATION BUSINESS. In January 1998, we acquired Jackson Hewitt, the second largest tax preparation service in the United States. The Jackson Hewitt franchise system is comprised of a 43-state network (plus the District of Columbia) with approximately 3,000 offices operating under the trade name "Jackson Hewitt Tax Service". We believe that the application of our focused management strategies and techniques for franchise systems to the Jackson Hewitt network can significantly increase revenues produced by the Jackson Hewitt franchise system while also increasing the quality and quantity of services provided to franchisees.

Office locations range from stand-alone store front offices to offices within Wal-Mart Stores, Inc. and Montgomery Ward & Co., Inc. locations. Through the use of proprietary interactive tax preparation software, we are engaged in the preparation and electronic filing of federal and state individual income tax returns (collectively referred to as "tax returns"). During 1998, Jackson Hewitt prepared approximately 1.2 million tax returns, which represented an increase of 37% from the approximately 875,000 tax returns it prepared during 1997. To complement our tax preparation services, we also offer accelerated check refunds and refund anticipation loans to our tax preparation customers.

NATIONAL CAR PARKS. Our National Car Parks ("NCP") subsidiary operates commercial car parks in the UK and Europe, with over 60 years experience of owning and/or managing a portfolio of nearly 500 car parks, mostly located in city and town centers and at airports.

NCP owns or operates nearly 500 car parks across the UK and has approximately 2,800 full and part-time employees. NCP provides a high-quality, professional service, developing a total solution for its customers and for organizations such as town and city administrations that wish to develop modern and professionally managed parking and traffic management facilities, tailored towards local business.

NCP owns and operates car parks in over 100 city and town centers throughout the UK, most of which are regularly patrolled and many of which have closed-circuit television surveillance. NCP is the only car park manager that can provide the motorist with such a comprehensive geographical coverage and such levels of investment in security facilities. In addition, NCP is a leader in on-airport car parking at UK airports, with over 35,000 car parking spaces in facilities close to passenger terminals at ten airports across the UK. Booking facilities are available through NCP's telesales service for convenient car parking reservation at these airports, with free courtesy coach transfers to and from airport terminals at most locations.

The brand names of NCP and Flightpath (NCP's airport brand) are registered in the UK as trademarks. Furthermore, the NCP trademark is in the process of being registered in the rest of the European Community.

NCP's business has a distinct seasonal trend with revenue from parking in city and town centers being closely associated with levels of retail business. Therefore, peaks in revenue are experienced particularly around the Christmas period. In respect of the airport parking side of the business, seasonal peaks are experienced in line with summer vacations.

NCP's main competition is from non-commercial, local government authorities who usually choose to operate car parking facilities themselves in their respective cities and towns.

There is increasing government regulation over all aspects of transport within the UK. Therefore, an objective of NCP is to work together with its customers, local and national government and other service organizations in order to maintain the mutually beneficial partnership between motorists and city center environment.

ENTERTAINMENT PUBLICATIONS BUSINESS. In November 1999, we completed the disposition of approximately 85% of EPub for approximately $281 million in cash, inclusive of certain adjustments. In connection with the transaction, we will retain an equity interest in EPub of approximately 15% (see "Recent Developments"). In addition, we will have a designee on the EPub Board of Directors.

Through our EPub subsidiary, we offered discount programs in specific markets throughout North America and certain international markets and enhance other of our Individual and Insurance/Wholesale segment products. We believe that EPub is the largest marketer of discount program books of this type in the United States. EPub has a sales force of approximately 1,100 people with approximately 800 people soliciting schools and approximately 300 people soliciting merchants.

EPub solicits restaurants, hotels, theaters, sporting events, retailers and other businesses which agree to offer services and/or merchandise at discount prices (primarily on a two-for-the-price-of-one or 50% discount basis). EPub sells discount programs under its Entertainment(Registered Trademark), Entertainment(Registered Trademark) Values, Gold C(Registered Trademark) and other trademarks, which typically provide discount offers to individuals in the form of local discount coupon books. These books typically contain coupons and/or a card entitling individuals to hundreds of discount offers from participating establishments. Targeting middle to upper income consumers, many of EPub's products also contain selected discount travel offers, including offers for hotels, car rentals, airfare, cruises and tourist attractions. More than 70,000 merchants with over 275,000 locations participate in these programs. EPub also uses this national base of merchants to develop other products, most notably, customized discount programs for major corporations. These programs also may contain additional discount offers, specifically designed for customized discount programs.

EPub's discount coupon books are sold annually by geographic area. Customers are solicited primarily through schools and community groups that distribute the discount coupon books and retain a portion of the proceeds for their nonprofit causes. To a lesser extent, distribution occurs through corporations as an employee benefit or customer incentive, as well as through retailers and directly to the public. The discount coupon books are generally provided to schools and community groups on a consignment basis. Customized discount programs are distributed primarily by major corporations as loyalty incentives for their current customers and/or as premiums to attract new customers.

While prices of local discount coupon books vary, the customary price for Entertainment(Registered Trademark), Entertainment(Registered Trademark) Values and Gold C(Registered Trademark) coupon books range between $10 and $45. Customized discount programs are generally sold at significantly lower prices. In 1998, over nine million for Entertainment(Registered Trademark), Entertainment(Registered Trademark) Values and Gold C(Registered Trademark) and other trademarked local coupon books were published in North America.

Sally Foster, Inc., a subsidiary of EPub, provides elementary and middle schools and selected youth community groups with gift-wrap and other seasonal products for sale in their fund-raising efforts. EPub uses the same sales force that sells the discount coupon books to schools, attempting to combine the sale of gift-wrap and the sale of discount coupon books. In addition, EPub has a specialized Sally Foster sales force.

GREEN FLAG. In November 1999, we completed the disposition of our Green Flag business unit for approximately $410 million in cash.

Green Flag is an assistance group in the UK providing a wide range of emergency, support and rescue services to millions of drivers and home owners in the UK through its Green Flag Motor, Green Flag Truck and Green Flag Home services. Green Flag has approximately 900 full and part-time employees.

Using a well established network of 6,000 mechanics and 1,500 fully equipped garages, Green Flag Motor provides roadside recovery and assistance services to over 3.5 million members who can choose from five levels of cover. A distinctive feature of the Green Flag Motor service is its partnership with independent operators who provide emergency assistance to motorists throughout the UK and Europe. Using a network of specialists allows Green Flag to offer its customers a fast service in emergency situations. Through regular inspections and strictly enforced performance measures, Green Flag's teams of operators are able to delivery reassurance to the customer, as well as a highly reliable service.

In the truck assistance sector, the Green Flag Truck service has developed to include pay-on-use services in the UK and Europe and a service in the UK suited to operators who run local delivery businesses. Service is provided using the same network of independent operators that provide fast and efficient expertise for businesses who cannot afford to be off the road.

A network of specialists is also available to provide Green Flag's Emergency Home Assistance and Property Repair Services. Reassurance is key for homeowners who take an insured assistance service or choose a pay-on-use option. Two levels of coverage are available to insure against a wide range of problems, including central heating, roofing, gas and electrical appliances. Through its specially selected network of operators, 75% of Green Flag's calls for assistance are completed within one hour, 90% within two hours.

Green Flag operates in a number of principal markets. Direct services to the consumer is one route to market, but also through insurance companies, car manufacturers and dealers and a large number of businesses that sell on Green Flag assistance services as an optional or a mandatory product linked to their own service, i.e. with car insurance or via a bank or building society account.

The brand name of 'Green Flag' (together with the LOGO) is registered in the United Kingdom. There is also a pending registration for a European Union Community Mark. In addition, we have registered or pending marks for other key brands used within the business. These include names such as: Fleetcall/Truckcall/Dialassist/React/ Locator/Home-call and Home Assistance Services. Also registered is the CHEQUERED SIDE STRIPE used in connection with the MOTOR Roadside Assistance and Recovery service. (This is a safety device for use on vehicles, which attend at the roadside.)

Green Flag's operations are seasonally influenced in that the purchase of motoring assistance follows holiday patterns and used car purchase, as well as by weather conditions. This has a great impact on call volumes especially in the winter.

INFORMATION TECHNOLOGY SERVICES. Our WizCom International, Ltd. ("WizCom") subsidiary owns and operates the Wizard System more fully described under "TRAVEL SERVICES -- Avis Car Rental Franchise Business -- Avis System and Wizard System" above. In 1995, Budget Rent A Car Corporation ("Budget") entered into a computer services agreement with WizCom that provides Budget with certain reservation system computer services that are substantially similar to computer services provided to the Avis System. WizCom has also entered into agreements with hotel and other rental car companies to provide travel related reservation and distribution system services.

CREDIT INFORMATION BUSINESS. Our former Central Credit Inc. ("CCI") subsidiary (sold in August 1999) was a gambling patron credit information business. CCI maintained a database of information provided by casinos regarding the credit records of casino gaming patrons, and provided, for a fee, such information and related services to its customers, which primarily consisted of casinos. See "Recent Developments".

FINANCIAL PRODUCTS. Our former Essex Corporation ("Essex") subsidiary (sold in January 1999) was a third-party marketer of financial products for banks, primarily marketing annuities, mutual funds and insurance products through financial institutions. Essex generally marketed annuities issued by insurance companies or their affiliates, mutual funds issued by mutual fund companies or their affiliates, and proprietary mutual funds of banks. Essex's contracts with the insurance companies whose financial products it distributed generally entitled Essex to a commission of slightly less than 1% on the premiums generated through Essex's sale of annuities for these insurance companies. See "Recent Developments".

MUTUAL FUNDS. In August 1997, we formed an alliance with Frederick R. Kobrick, a longtime mutual fund manager, to form a mutual fund company known as Kobrick-Cendant Funds, Inc. (Kobrick which was subsequently renamed the Kobrick Funds). Kobrick currently offers three no-load funds, Kobrick Capital Fund, Kobrick Emerging Growth Fund and Kobrick Growth Fund. Our interest in Kobrick was sold to ARAC in connection with the disposition of the fleet segment.

TAX REFUND BUSINESS. Through our former Global Refund subsidiary (sold in August 1999), we assisted travelers to receive valued added tax ("VAT") refunds in 22 European countries, Canada and Singapore. Global Refund was the world's leading VAT refund service, with over 125,000 affiliated retailers and seven million transactions per year. Global Refund operated over 400 cash refund offices at international airports and other major points of departure and arrival worldwide. See "Recent Developments".

OTHER SERVICES. Our former Spark Services, Inc. ("Spark") subsidiary (sold in August 1999) provided database-driven dating services to over 300 radio stations throughout the United States and Canada. Spark was the leading provider of dating and personals services to the radio industry. Spark had also begun to test television distribution of its services through infomercials, as well as through short form advertising and affiliation deals with various programs. Consumers paid for Spark's services on a per minute of usage transaction basis. See "Recent Developments".

Our Numa Corporation ("NUMA") subsidiary publishes personalized heritage publications, including publications under the Halbert's name, and markets and sells personalized merchandise. We terminated the operations of NUMA effective September 30, 1999.

Operating under the trade name "Welcome Wagon", we distribute complimentary welcoming packages which provide new homeowners and other consumers throughout the United States and Canada with discounts for local merchants. These activities are conducted through our Welcome Wagon International Inc. and Getko Group, Inc. subsidiaries. We are exploring opportunities to leverage the assets and the distribution channels of such subsidiaries.

COMBINED OPERATIONS

PREFERRED ALLIANCE AND CO-MARKETING ARRANGEMENTS. We believe that there are significant opportunities to capitalize on the significant and increasing amount of aggregate purchasing power and

marketing outlets represented by the businesses in our business units. We initially tapped the potential of these synergies within the lodging franchise systems in 1993 when we launched our Preferred Alliance Program, under which hotel industry vendors provide significant discounts, commissions and co-marketing revenue to hotel franchisees plus preferred alliance fees to us in exchange for being designated as the preferred provider of goods or services to the owners of our franchised hotels or the preferred marketer of goods and services to the millions of hotel guests who stay in the hotels and customers of our real estate brokerage franchisees each year.

We currently participate in preferred alliance relationships with more than 95 companies, including some of the largest corporations in the United States. The operating profit generated by most new preferred alliance arrangements closely approximates the incremental revenue produced by such arrangements since the costs of the existing infrastructure required to negotiate and operate these programs are largely fixed.

DISCONTINUED OPERATIONS

On August 12, 1998, we announced that our Executive Committee of the Board of Directors committed to discontinue our consumer software and classified advertising businesses by disposing of our wholly owned subsidiaries Cendant Software and Hebdo Mag, respectively. On December 15, 1998, we completed the sale of Hebdo Mag to a company organized by Hebdo Mag management for approximately $450 million, including approximately $315 million in cash and 7.1 million shares of our common stock. On January 12, 1999, we completed the sale of Software to Paris based Havas SA, a subsidiary of Vivendi SA, for $800 million in cash plus future potential cash payments.

SOFTWARE. Our Software subsidiary offered consumer software in various multimedia forms, predominately on CD-ROM for personal computers. The Software unit was one of the largest personal computer consumer software groups in the world, and a leader in entertainment, educational and personal productivity software. It included Sierra On-Line, Inc., Blizzard Entertainment and Knowledge Adventure, Inc., and offered such titles as Diablo, Starcraft, You Don't Know Jack, King's Quest, JumpStart, Math Blaster, Reading Blaster and many others. These products were offered through a variety of distribution channels, including specialty retailers, mass merchandisers, discounters and schools.

The entertainment, education and productivity software industry is competitive. Software competed primarily with other developers of multimedia PC based software. Products in the market compete primarily on the basis of subjective factors such as entertainment value and objective factors such as price, graphics and sound quality. Large diversified entertainment, cable and telecommunications companies, in addition to large software companies, are increasing their focus on the interactive entertainment and education software market, which will result in greater competition.

The software segment had seasonal elements. Revenues were typically highest during the third and fourth quarters and lowest during the first and second quarters. This seasonal pattern was due primarily to the increased demand for software products during the holiday season.

CLASSIFIED ADVERTISING. Hebdo Mag was our international publisher of over 180 titles and distributor of classified advertising information with operations in fifteen countries including Canada, France, Sweden, Hungary, Taiwan, the United States, Italy, Russia, the Netherlands, Australia, Argentina and Spain. Hebdo Mag was involved in the publication, printing and distribution, via print and electronic media, of branded classified advertising information products. Hebdo Mag had also expanded into other related business activities, including the distribution of third-party services and classified advertising web sites.

Hebdo Mag published over 11 million advertisements per year in over 180 publications. With a total annual circulation of over 85 million, management estimated Hebdo Mag publications were read by over 200 million people. Unlike newspapers, which contain significant editorial content, Hebdo Mag publications contained primarily classified and display advertisements. These advertisements targeted buyers and sellers of goods and services in the markets for used and new cars, trucks, boats, real estate, computers, second-hand general merchandise and employment as well as personals.

Hebdo Mag owned leading local classified advertising publishing franchises in most of the regional markets where it had a presence. In addition to its print titles, Hebdo Mag generated revenues by distributing third-party services related to its classified business such as vehicle financing, vehicle and life insurance and warranty protection.

The classified advertising information industry is highly fragmented, with a large number of small, independent companies publishing local or regional titles. Hebdo Mag was the only major company focused exclusively on this industry on an international basis. In most of its major markets, Hebdo Mag owned leading classified advertising franchises that have long standing, recognized reputations with readers and advertisers. Among Hebdo Mag's leading titles, many of which have been in existence for over 15 years, were: La Centrale des Particuliers (France), Expressz (Hungary), The Trader (Indianapolis), Traders Post (Nashville), Car News (Taiwan), Secondamano (Italy), Auto Trader, Renters News, The Computer Paper (Canada), Iz Ruk v Ruki (Russia), Gula Tidningen (Sweden), Segundamano (Argentina) and The Melbourne Trading Post (Australia).

REGULATION

DIRECT MARKETING REGULATION. We market our products and services through a number of distribution channels including telemarketing, direct mail and on-line. These channels are regulated on the state and federal level and we believe that these activities will increasingly be subject to such regulation. Such regulation may limit our ability to solicit new members or to offer one or more products or services to existing members.

A number of our products and services (such as Travelers Advantage(Registered Trademark) and certain insurance products) are also subject to state and local regulations. We believe that such regulations do not have a material impact on our business or revenues.

FRANCHISE REGULATION. The sale of franchises is regulated by various state laws, as well as by the Federal Trade Commission (the "FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration or disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" or "business opportunity laws" that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our franchising operations have not been materially adversely affected by such existing regulation, we cannot predict the effect of any future legislation or regulation.

REAL ESTATE REGULATION. The federal Real Estate Settlement Procedures Act and state real estate brokerage laws restrict payments which real estate brokers and mortgage brokers and other parties may receive or pay in connection with the sales of residences and referral of settlement services (e.g., mortgages, homeowners insurance, title insurance). Such laws may to some extent restrict preferred alliance arrangements involving our real estate brokerage franchisees, mortgage business and relocation business. Our mortgage banking services business is also subject to numerous federal, state and local laws and regulations, including those relating to real estate settlement procedures, fair lending, fair credit reporting, truth in lending, federal and state disclosure, and licensing.

TIMESHARE EXCHANGE REGULATION. Our timeshare exchange business is subject to foreign, federal, state and local laws and regulations including those relating to taxes, consumer credit, environmental protection and labor matters. In addition, we are subject to state statutes in those states regulating timeshare exchange services, and must prepare and file annually, with regulators in states that require it, the "RCI Disclosure Guide to Vacation Exchange". We are not subject to those state statutes governing the development of timeshare condominium units and the sale of timeshare interests, but such statutes directly affect the members and resorts that participate in the RCI Network. Therefore, the statutes indirectly impact our timeshare exchange business.

EMPLOYEES

As of December 31, 1998, we employed approximately 35,000 persons fulltime. Management considers our employee relations to be satisfactory.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased space and located at 9 West 57th Street, New York, NY 10019. Many of our general corporate functions are conducted at a building owned by us and located at 6 Sylvan Way, Parsippany, New Jersey 07054 and at a building leased by us and located at 1 Sylvan Way, Parsippany, New Jersey 07054 with a lease term expiring in 2008.

Our Travel Division has two properties which we own, a 166,000 square foot facility in Virginia Beach, Virginia which serves as a satellite administrative and reservations facility for Wizcom and ARAC, and a property located in Kettering, UK which is the European office for RCI. The Travel Division also leases space for its reservations centers and data warehouse in Winner and Aberdeen, South Dakota; Phoenix, Arizona; Knoxville and Elizabethtown, Tennessee; Tulsa and Drumright, Oklahoma; Indianapolis, Indiana; Orangeburg, South Carolina and St. John, New Brunswick, Canada pursuant to leases that expire in 2000, 2003, 2007, 2004, 1999, 2001, 2000, 2001, 2008, 2001 and 2008, respectively. The Tulsa and Drumright, Oklahoma location serves as an Avis car rental reservations center. In addition, the Travel Division has 18 leased offices spaces located within the United States and an additional 30 leased spaces in various countries outside the United States.

The Real Estate Division shares approximately six leases with the Travel Division in various locations that function as sales offices.

The Individual Membership Segment has its principal offices located in Stamford and Trumbull, Connecticut. The Individual Membership Segment leases space for several of its call centers in Aurora, Colorado; Westerville, Ohio; Brentwood, Tennessee; Houston and Arlington, Texas; Woburn, Massachusetts and Great Falls, Montana pursuant to leases that expire in 2000, 2005, 2002, 2000, 2000, 2001 and 1999, respectively. We also own one building located in Cheyenne, Wyoming which serves as a call center. In addition, the Individual Membership Segment has leased smaller space in various locations for business unit and ancillary needs. Internationally, the Individual Membership Segment has approximately seven leased offices spaces located in various countries.

The Relocation Segment has their main corporate operations located in a leased building in Danbury, Connecticut with a lease term expiring in 2008. There are also five regional offices located in Walnut Creek, California; Oakbrook and Schaumburg, Illinois; Irving, Texas and Mission Viejo, California which provide operation support services for the region pursuant to leases that expire in 2004, 2003, 2001 and 2003, respectively. We own the office in Mission Viejo.

The Mortgage Segment has centralized its operations to one main area occupying various leased offices in Mt. Laurel, New Jersey for a total of approximately 600,000 square feet. The lease terms expire over the next ten years.

The Insurance/Wholesale Segment leases domestic space in Nashville, Tennessee; San Carlos, California; and Crozier, Virginia with lease terms ending in 2002, 2003 and 1999, respectively. In addition, there are 11 leased locations internationally that function as sales and administrative offices for international membership with the main office located in Portsmouth, UK.

We own properties in Virginia Beach, Virginia and Westbury, New York and lease space in Garden City, New York and Troy, Michigan that supports the Other Consumer and Business Services Segment. The Garden City and Troy locations are the main operation and administrative centers for Wizcom and EPub, respectively. In addition, there are approximately six leased office locations in the United States. Internationally, we lease office space in London, UK (18,000 square feet) and own two buildings in Leeds, UK (86,000 square feet) and one building in Bradford, England (25,000 square feet) to support this segment.

We believe that such properties are sufficient to meet our present needs and we do not anticipate any difficulty in securing additional space, as needed, on acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

A. CLASS ACTION AND OTHER LITIGATION AND GOVERNMENT INVESTIGATIONS

Since our April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, and prior to the date of this Annual Report on Form 10-K/A, 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on our behalf and several other lawsuits and arbitration proceedings have been filed in various courts against us and other defendants.

In re: Cendant Corporation Litigation, Master File No. 98-1664 (WHW) (D.N.J.) (the "Securities Action"), is a consolidated action consisting of over sixty constituent class action lawsuits, that were originally filed in the United States District Court for the District of New Jersey, the District of Connecticut, and the Eastern District of Pennsylvania. The Securities Action is brought on behalf of all persons who acquired securities of the Company and CUC, except our PRIDES securities, between May 31, 1995 and August 28, 1998. The Court granted the lead plaintiffs' unopposed motion for class certification on January 27, 1999. Named as defendants are the Company; twenty-eight current and former officers and directors of the Company, CUC and HFS; and Ernst & Young LLP, CUC's former independent accounting firm.

The Amended and Consolidated Class Action Complaint in the Securities Action alleges that, among other things, the lead plaintiffs and members of the class were damaged when they acquired securities of the Company and CUC because, as a result of accounting irregularities, the Company's and CUC's previously issued financial statements were materially false and misleading, and the allegedly false and misleading financial statements caused the prices of the Company's and CUC's securities to be inflated artificially. The Amended and Consolidated Complaint alleges violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the "Securities Act") and Sections 10(b), 14(a), 20(a), and 20A of the Securities Exchange Act of 1934 (the "Exchange Act"). Lead plaintiffs in the Securities Action seek damages for themselves in unspecified amounts.

On December 14, 1998, the lead plaintiffs in the Securities Action moved for partial summary judgment, on liability only, against the Company on the claims under Section 11 of the Securities Act. The lead plaintiffs adjourned this motion, however, without prejudice to their right to re-notice the motion at a subsequent time.

On January 25, 1999, the Company answered the Amended Consolidated Complaint and asserted Cross-Claims against Ernst & Young LLP ("Ernst & Young"). The Company's Cross-Claims allege that Ernst & Young failed to follow professional standards to discover, and recklessly disregarded, the accounting irregularities, and is therefore liable to the Company for damages in unspecified amounts. The Cross-Claims assert claims for breaches of Ernst & Young's audit agreements with the Company, negligence, breaches of fiduciary duty, fraud, and contribution.

On March 26, 1999, Ernst & Young filed Cross-Claims against the Company and certain of the Company's present and former officers and directors, alleging that any failure to discover the accounting irregularities was caused by misrepresentations and omissions made to Ernst & Young in the course of its audits and other reviews of the Company's financial statements. Ernst & Young's Cross-Claims assert claims for breach of contract, fraud, fraudulent inducement, negligent misrepresentation and contribution. Damages in unspecified amounts are sought for the costs to Ernst & Young associated with defending the various shareholder lawsuits and for harm to Ernst & Young's reputation.

Welch & Forbes, Inc. v. Cendant Corp., et al., No. 98-2819 (WHW) (the "PRIDES Action") is a class action filed on June 15, 1998 and brought on behalf of purchasers of the Company's PRIDES securities between February 24 and July 15, 1998. The PRIDES Action is a consolidation of Welch & Forbes, Inc. v. Cendant Corp., et. al. with seven other class action lawsuits filed on behalf of purchasers of PRIDES. Named as defendants are the Company; Cendant Capital I, a statutory business trust formed by the Company to participate in the offering of PRIDES securities; seventeen current and former officers and directors of the Company, CUC and HFS; Ernst & Young; and the underwriters for the PRIDES offering, Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Chase Securities Inc.

The allegations in the Amended Consolidated Complaint in the PRIDES Action are substantially similar to those in the Securities Action, and violations of Sections 11, 12(a)(2) and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act are asserted. Damages in unspecified amounts are sought.

On November 11, 1998, the plaintiffs in the PRIDES Action brought motions for (i) certification of a proposed class of PRIDES purchasers; (ii) summary judgment against the Company on liability under Section 11 of the Securities Act; and (iii) an injunction requiring the Company to place $300 million in a trust account for the benefit of the PRIDES investors pending final resolution of their claims. These motions were withdrawn in connection with a partial settlement of the PRIDES Action (see Litigation Settlement below and Note 6).

Semerenko v. Cendant Corp., et al., Civ. Action No. 98-5384 (D.N.J.) and P. Schoenfield Asset ManagementLLC v. Cendant Corp., et al., (Civ. Action No. 98-4734) (D.N.J.) (the "ABI Actions") were initially commenced in October and November of 1998, respectively, on behalf of a putative class of persons who purchased securities of American Bankers Insurance Group, Inc. ("ABI") between January 1998 and October 13, 1998. Named as defendants are the Company, four former CUC officers and directors, and Ernst & Young. The complaints in the ABI actions, as amended on February 8, 1999, assert violations of Sections 10(b), 14(e) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. Plaintiffs allege that they purchased shares of ABI common stock at artificially inflated prices due to the accounting irregularities after we announced a cash tender offer for 51% of ABI's outstanding shares of common stock in January 1998. Plaintiffs also allege that after the disclosure of the accounting irregularities, we misstated our intention to complete the tender offer and a second step merger pursuant to which the remaining shares of ABI stock were to be acquired by us. Plaintiffs seek, among other things, unspecified compensatory damages. The Company and the other defendants filed motions to dismiss the ABI Actions on March 10, 1999. The United States District Court for the District of New Jersey found that the complaints failed to state a claim upon which relief could be granted and, accordingly, dismissed the complaints by order dated April 30, 1999. Plaintiffs' appeal from the District Court's decision is pending before the United States Court of Appeals for the Third Circuit.

B. OTHER LITIGATION

Prior to April 15, 1999, actions making substantially similar allegations to the allegations in the Securities Action were filed by various plaintiffs on their own behalf in the United States District Courts for the District of New Jersey, the Eastern and Central Districts of California, the Southern District of Florida, the Eastern District of Louisiana, the District of Connecticut and the Eastern District of Wisconsin. The Company filed motions before the Judicial Panel on Multidistrict Litigation (the "JPML") to transfer to the District of New Jersey, for consolidation with the Securities Action, the actions filed in judicial districts other than the District of New Jersey. The motions to transfer were granted in August and September, 1999. The Company has filed Cross-Claims against Ernst & Young in two of these transferred actions, Yeager v. Cendant Corp., originally filed on the Central District of California, and Wyatt v. Cendant Corp., originally filed in the Southern District of Florida.

Among the actions transferred is Reliant Trading and Shepherd Trading Lmt. v. Cendant Corp., originally filed in the Eastern District of Wisconsin. The plaintiffs in Reliant allegedly purchased certain 43/4% Senior Notes originally issued by HFS and claim to have converted these notes to shares of Cendant common stock in April 1998, before our April 15, 1998 announcement concerning the accounting irregularities. Plaintiffs seek, among other things, rescission of the conversion of the notes, unspecified compensatory damages resulting form the conversion, and additional unspecified damages resulting from the original purchase of the notes at allegedly artificially inflated prices.

Another action transferred to the District of New Jersey is Daystar Special Situations Fund, L.P. and Dayster LLC v. Cendant Corp., originally filed in the Southern District of New York in July 1999 to the District of New Jersey. Plaintiffs, in Daystar, allege that after disclosure of the accounting irregularities by us in April 1998, Cendant's Chief Executive Officer, and another Cendant director, made material

misstatements in face-to-face meetings with plant representation of plaintiffs regarding the full extent of the accounting irregularities. Plaintiffs allege that they relied on such statements in purchasing over 3 million shares of Cendant stock in April, May and June 1998. Plaintiffs seek, among other things, damages in excess of $35 million.

Kennilworth Partners, L.P. et al., v. Cendant Corp., et al., 98 Civ. 8939 (DC) (the "Kennilworth Action") was filed on December 18, 1998 on behalf of three investment companies. Named as defendants are the Company; thirty of its present and former officers and directors; HFS; and Ernst & Young. The complaint in the Kennilworth Action, as amended on January 26, 1999, alleges that the plaintiffs purchased convertible notes issued by HFS pursuant to an indenture dated February 28, 1996 and were damaged when they converted their notes into shares of common stock in the Company shortly prior to the Company's April 15, 1998 announcement. The amended complaint asserts violations of Sections 11, 12 and 15 of the Securities Act and Sections 10(b) and 20 of the Exchange Act; a common-law breach of contract claim is also asserted. Damages are sought in an amount estimated to be in excess of $13.6 million. On April 29, 1999, the Company moved to dismiss the Securities Act claims brought against it. On August 10, 1999, the District Court dismissed plaintiffs' claims under Sections 11 and 12(2) of the Securities Act against us and all of the other defendants and dismissed the claims under Section 10(b) of the Exchange Act against the individual officers and directors and Ernst & Young. On August 23, 1999, the Company filed an Answer and Affirmative Defenses, in which it denied all material allegations in the amended complaint.

Kevlin, et al v. Cendant Corp., No. C-98-12602-B (the "Kevlin Action"), was commenced in December 1998 in the County Court of Dallas County, Texas. According to the complaint, plaintiffs are former shareholders of an entity known as Kevlin Services, Inc. In 1996, a subsidiary of Cendant acquired all of the assets of Kevlin Services, Inc. in exchange for approximately 1,155,733 shares of common stock of CUC International Inc. According to the complaint, plaintiffs were to receive CUC shares worth $26,370,000 and instead received shares worth substantially less than that amount due to the impact of the accounting irregularities on the market price for CUC common stock. Plaintiffs have asserted claims against Cendant, its subsidiary and Ernst & Young for fraud, negligent misrepresentation, breach of duty of good faith and fair dealing, breach of contract, conspiracy, negligence and gross negligence. Plaintiffs seek compensatory and exemplary damages in unspecified amounts. Cendant and its subsidiary have filed a general denial to the allegations in the complaint.

Raymond H. Stanton II and Raymond H. Stanton III v. Cendant Corp. is in arbitration proceeding filed by Raymond H. Stanton II and Raymond H. Stanton III, former owners of Dine-A-Mate, Inc. The Demand for Arbitration alleges that the Stantons sold Dine-A-Mate stock to CUC in September 1996 in exchange for 929,930 shares of CUC common stock. The Demand alleges that due to the accounting irregularities the price of CUC stock was artificially inflated at the time and asserts claims for fraud, fraudulent inducement, breach of warranty, and violation of Sections 18(a) and 10(b) of the Exchange Act. The Stantons seek, among other things, damages equal to the differences between $33,314,736 (the alleged value of the transaction) and the actual value of the CUC stock they received in the sale, and punitive damages on their claims for fraud and fraudulent inducement.

Janice G. Davidson and Robert M. Davidson v. Cendant Corp. (JAMS/Endispute - -Los Angeles No. 122002145) is an arbitration proceeding filed on December 17, 1998, by Janice G. and Robert M. Davidson, former majority shareholders of a California-based computer software firm acquired by the Company in a July 1996 stock merger (the "Davidson Merger"). The Davidsons' Demand for Arbitration purported to assert claims against Cendant in connection with the Davidson Merger and a May 1997 settlement agreement settling all disputes arising out of the Davidson Merger (the "Davidson Settlement"). The Demand asserts claims for: (i) securities fraud under federal, state and common law theories relating to the Davidson Merger, through which the Davidsons received approximately 21,670,000 common shares of CUC stock and options on CUC stock in exchange for all of their Davidson & Associates, Inc. common shares, based upon CUC's accounting irregularities and alleged misrepresentations concerning the Davidsons' employment as CUC executives; (ii) wrongful taking of trust property based on fraud in connection with the Davidson Merger; (iii) unjust enrichment, in connection with the Davidson Merger; (iv) rescission of the Davidson Settlement for fraud under the federal securities laws,

California Corporations Code, and common law, and on grounds of unilateral mistake, failure of consideration, and prejudice to the public interest; and (v) damages under the Settlement Agreement for fraud in connection with the grant of CUC stock options to the Davisdons under that Agreement. The Demand seeks unspecified compensatory and punitive damages and a declaratory judgment that the Davidsons are entitled to rescind the Davidson Settlement and that the claims in the Demand are arbitrable.

Cendant answered the Demand on January 12, 1999, denying all of the material allegations in the Demand, and also filed a Complaint for Injunctive and Declaratory Relief against the Davidsons in the United States District Court for the Central District of California (the "Cendant Complaint"), seeking to enjoin the arbitration on the grounds that the parties to the Davidson Settlement agreed therein not to arbitrate ten of the eleven claims contained in the Demand, and that the arbitration clauses under which the Davidsons bring their claims are inapplicable to the dispute. In February 1999, Cendant filed a Motion for Preliminary Injunction seeking to enjoin the arbitration proceedings pending the court's final resolution of the dispute on the merits. The Davidsons filed a motion to dismiss the Cendant Complaint or for summary judgment. On April 14, 1999, the court entered an order granting summary judgment in favor of the Davidsons, denying Cendant's Motion for Preliminary Injunction and dismissing the Cendant Complaint. The Company's appeal from this order is pending before the United States Court of Appeals for the Ninth Circuit. The arbitration has been stayed by agreement of the parties until the Ninth Circuit issues a mandate on the appeal, except discovery is proceeding on whether the Davidson Settlement should be rescinded.

On April 14, 1999, the Davidsons filed a complaint in the United States District Court for the Central District of California against Cendant alleging essentially the same claims asserted in the Demand. The complaint seeks unspecified compensatory and punitive damages, and was filed purportedly to toll the statue of limitations pending arbitration of the claims in the Demand. Cendant's motion to transfer this case to the District Court of New Jersey was granted by JPML on August 12, 1999.

Deutch v. Silverman, et al., No. 98-1998 (WHW) (the "Deutch Action"), is a purported shareholder derivative action, purportedly filed on behalf of, and for the benefit of the Company. The Deutch Action was commenced on April 27, 1998 in the District of New Jersey against certain of the Company's current and former directors and officers; The Bear Stearns Companies, Inc.; Bear Stearns & Co., Inc.; and, as a nominal party, the Company. The complaint in the Deutch Action, as amended on December 7, 1998, alleges that certain individual officers and directors of the Company breached their fiduciary duties by selling shares of the Company's stock while in possession of non-public material information concerning the accounting irregularities. The complaint also alleges that the individual officers and directors breached their fiduciary duties and committed acts of gross negligence by, among other things, causing and/or allowing the Company to make a series of false and misleading statements regarding the Company's financial condition, earnings and growth, entering into an agreement to acquire ABI and later paying $400 million to ABI in connection with termination of that agreement re-pricing certain stock options previously granted to certain Company executives; and entering into certain severance and other agreements with Walter Forbes, the Company's former Chairman, last summer under which Mr. Forbes received approximately $47.5 million from the Company pursuant to an employment agreement we had entered into with him in connection with the Cendant Merger. Damages are sought on behalf of Cendant in unspecified amounts. The Company and the other defendants each moved to dismiss the Deutch Action. On August 8, 1999, the Court dismissed certain claims against some of the individual officers and directors and all claims against the Bear Stearns defendants. The Court denied the Company's motion to dismiss. On August 23, 1999, the Company filed its Answer and Affirmative Defenses to the Complaint, in which it denied all of the material allegations in the Complaint.

Corwin v. Silverman et al., No. 16347-NC (the "Corwin Action"), was filed on April 28, 1998 in the Court of Chancery for the State of Delaware. The Corwin Action is purportedly brought derivatively, on behalf of the Company, and as a class action, on behalf of all shareholders of HFS who exchanged their HFS shares for CUC shares in connection with the Merger. The Corwin Action names as defendants HFS and twenty-eight individuals who are or were directors of the Company and HFS. The complaint in the Corwin Action, as amended on July 28, 1998, alleges that HFS and its directors breached their fiduciary

duties of loyalty, good faith, care and candor in connection with the Cendant Merger, in that they failed to properly investigate the operations and financial statements of CUC before approving the Merger at an allegedly inadequate price. The amended complaint also alleges that the Company's directors breached their fiduciary duties by entering into an employment agreement with our former Chairman, Walter A. Forbes, in connection with the Merger that purportedly amounted to corporate waste. The Corwin Action seeks, among other things, rescission of the Merger and compensation for all losses and damages allegedly suffered in connection therewith. On October 7, 1998, Cendant filed a motion to dismiss the Corwin Action or, in the alternative, for a stay of the Corwin Action pending determination of the Deutch Action. On June 30, 1999, the Court of Chancery for the State of Delaware stayed the Corwin Action pending a determination of the Deutch Action.

The SEC and the United States Attorney for the District of New Jersey are conducting investigations relating to accounting irregularities. The SEC staff has 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 which are reflected in our restated financial statements. Although we can provide no assurances that additional adjustments will not be necessary as a result of these government investigations, we do not expect that additional adjustments will be necessary.

C. LITIGATION SETTLEMENTS.

Settlement of Common Stock Class Action Litigation

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 aforementioned 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. We currently plan to fund the settlement through the use of available cash, the issuance of debt securities and/or the issuance of equity securities. We intend to finance the cost of the settlement so as to maintain our investment grade ratings. 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.

Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into a stipulation of settlement with the plaintiff's counsel representing the class of holders of our PRIDES securities who purchased their securities on or prior to April 15, 1998 ("eligible persons") to settle their class action lawsuit against us. Under the stipulation of settlement, eligible persons will receive a new security - -a Right -for each PRIDES security held on April 15, 1998. For example, if a person held 100 PRIDES on April 15, 1998, they would receive 100 Rights. Current holders of PRIDES will not receive any Rights (unless they also held PRIDES on April 15, 1998). We had originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement.

Based on the settlement agreement, we recorded an after tax charge of approximately $228 million, or $0.26 per share ($351 million pre-tax), in the fourth quarter of 1998 associated with the settlement agreement in principle to settle the PRIDES securities class action. We recorded an increase in additional paid-in capital of $350 million offset by a decrease in retained earnings of $228 million resulting in a net increase in stockholders' equity of $122 million as a result of the prospective issuance of the Rights. As a result, the settlement should not reduce net book value. In addition the settlement is not expected to reduce 1999 earnings per share unless our common stock price materially appreciates.

At any time during the life of the Rights, holders of Rights may (a) sell them or (b) exercise them by delivering to us three Rights together with two PRIDES in exchange for two new PRIDES (the "New

PRIDES"). For example, if a holder of Rights exchanges three rights together with two current Income PRIDES, they will receive two New Income PRIDES. If a holder of Rights exchanges three Rights together with two Growth PRDIDES, they will receive two New Growth PRIDES. The terms of the New PRIDES will be the same as the currently outstanding PRIDES, except that the conversion rate will be revised so that, at the time the Rights are distributed, each of the New PRIDES will have a value equal to $17.57 more than each original PRIDES, based upon a generally accepted valuation model. Based upon the closing price per share of $17.53 of our Common Stock on September 30, 1999, the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February of 2001. This represents approximately 2% more shares of common stock than are currently outstanding.

The settlement agreement also requires us to offer to sell 4 million additional PRIDES (having identical terms to currently outstanding PRIDES) (the "Additional PRIDES") at "theoretical value" to holders of Rights for cash. Theoretical value will be based on the same valuation model 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 to repurchase our 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 6 million Rights from circulation 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 have also agreed to file a shelf registration statement for an additional 15 million 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 the theoretical value of the additional PRIDES as of a specified date. The PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights.

On June 15, 1999, the United States District Court for the District of New Jersey entered an order and judgment approving the settlement and awarding fees to counsel to the class. Cendant presently intends to distribute the Rights in or about October 1999.

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 sought by counsel to the class, has filed an appeal to the U.S. Court of Appeals for the Third Circuit from the order and judgement approving the settlement. Cendant believes this appeal is without merit. Counsel for the plaintiff class has moved to dismiss this appeal. This motion is pending before the Third Circuit.

On September 7, 1999, Cendant moved the District Court for an order disallowing claims by purported class members seeking a total of approximately 4 million Rights pursuant to the settlement, on the grounds that such claims were filed untimely and/or not supported by appropriate documentation. On October 6, 1999, the District Court of New Jersey heard oral argument on the Company's motion. A definitive written decision is expected shortly.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held an annual meeting of our shareholders on October 30, 1998, pursuant to a Notice of Annual Meeting and Proxy Statement dated September 28, 1998, a copy of which has been filed previously with the Securities and Exchange Commission, at which our shareholders considered and approved the election of six directors for a term of three years, the Company's 1998 Employee Stock Purchase Plan, and ratification of Deloitte & Touche LLP as auditors. The results of such matters are as follows:

Proposal 1: To elect six directors for a three-year term and until their successors are duly elected and qualified.

Results:	For	Withheld
	729,374,048	21,047,428

Proposal 2: To approve the Company's 1998 Employee Stock Purchase Plan

Results:	For	Against	Abstain
	714,345,354	33,516,760	1,938,144

Proposal 3: To ratify and approve the appointment of Deloitte & Touche LLP as the Company's Independent Auditors for the year ending December 31, 1998.

Results:	For	Against	Abstain
	744,191,719	5,471,312	758,445

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS

MARKET PRICE ON COMMON STOCK

Our Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol "CD". At March 22, 1999 the number of stockholders of record was approximately 10,841. The following table sets forth the quarterly high and low sales prices per share as reported by the NYSE for 1998 and 1997 based on a year ended December 31.

1997	HIGH	LOW
First Quarter	26 7/8	22 1/2
Second Quarter	26 3/4	20
Third Quarter	31 3/4	23 11/16
Fourth Quarter	31 3/8	26 15/16

1998	High	Low
First Quarter	41	32 7/16
Second Quarter	41 3/8	18 9/16
Third Quarter	22 7/16	10 7/16
Fourth Quarter	20 5/8	7 1/2

On March 22, 1999, the last sale price of our Common Stock on the NYSE was $16 5/16 per share.

All stock price information has been restated to reflect a three-for-two stock split effected in the form of a dividend to stockholders of record on October 7, 1996, payable on October 21, 1996.

DIVIDEND POLICY

We expect to retain our earnings for the development and expansion of its business and the repayment of indebtedness and do not anticipate paying dividends on Common Stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA (1) (2)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	AT OR FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996	1995
OPERATIONS				
NET REVENUES	$ 5,283.8	$ 4,240.0	$ 3,237.7	$ 2,616.1
Operating expense	1,869.1(3)	1,322.3	1,183.2	1,024.9
Marketing and reservation expense	1,158.5	1,031.8	910.8	743.6
General and administrative expense	666.3	636.2	341.0	283.3
Depreciation and amortization expense	322.7	237.7	145.5	100.4
Other charges	838.3(4)	704.1(5)	109.4(6)	97.0(7)
Interest expense, net	113.9	50.6	14.3	16.6
Provision for income taxes	104.5	191.0	220.2	143.2
Minority interest, net	50.6	--	--	--
INCOME FROM CONTINUING OPERATIONS	$ 159.9	$ 66.3	$ 313.3	$ 207.1
INCOME FROM CONTINUING OPERATIONS PER SHARE:				
Basic	$ 0.19	$ 0.08	$ 0.41	$ 0.30
Diluted	0.18	0.08	0.39	0.28
FINANCIAL POSITION				
Total assets	$ 20,216.5	$14,073.4	$12,762.5	$ 8,519.5
Long-term debt	3,362.9	1,246.0	780.8	336.0
Assets under management and mortgage programs	7,511.9	6,443.7	5,729.2	4,955.6
Debt under management and mortgage programs	6,896.8	5,602.6	5,089.9	4,427.9
Mandatorily redeemable securities issued by subsidiary	1,472.1	--	--	--
Shareholders' equity	4,835.6	3,921.4	3,955.7	1,898.2
OTHER INFORMATION (8)				
Cash flows provided by (used in):				
Operating activities	808.0	1,213.0	1,493.4	1,144.3
Investing activities	(4,351.8)	(2,328.6)	(3,090.8)	(1,789.0)
Financing activities	4,689.6	900.1	1,780.8	661.2

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(1) Selected financial data is presented for four years. Financial data subsequent to December 31, 1994 had been restated as a result of findings from investigations into accounting irregularities discovered at the former business units of CUC International, Inc. ("CUC"). Financial data for periods prior to December 31, 1994 was not restated and therefore should not be relied on (see Note 18 to the consolidated financial statements).

(2) Selected financial data includes the operating results of acquisitions accounted for under the purchase method of accounting since the respective dates of acquisition, including: (i) National Parking Corporation in April 1998; (ii) Harpur Group in January 1998; (iii) Jackson Hewitt, Inc. in January 1998; (iv) Resort Condominiums International, Inc. in November 1996; (v) Avis, Inc. in October 1996; (vi) Coldwell Banker Corporation in May 1996; and (vii) Century 21 Real Estate Corporation in August 1995.

(3) Includes a non-cash charge of $50.0 million ($32.2 million, after tax or $0.04 per diluted share) related to the write off of certain equity investments in interactive membership businesses and impaired goodwill associated with the National Library of Poetry, a Company subsidiary.

(4) Represents charges of: (i) $433.5 million ($281.7 million, after tax or $0.32 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers Insurance Group, Inc. and Providian Auto and Home Insurance Company; (ii) $351.0 million ($228.2 million, after tax or $0.26 per diluted share) associated with the final agreement to settle the PRIDES securities class action suit; and (iii) $121.0 million ($78.7 million, after tax or $0.09 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments, principally to the Company's former chairman. The aforementioned charges were partially offset by a credit of $67.2 million ($43.7 million, after tax or $0.05 per diluted share) associated with changes in the original estimate of 1997 merger-related costs and other unusual charges.

(5) Represents merger-related costs and other unusual charges related to continuing operations of $704.1 million ($504.7 million, after tax or $0.58 per diluted share) primarily associated with the Cendant merger in December 1997 and merger with PHH Corporation ("PHH") in April 1997.
(6) Represents merger-related costs and other unusual charges related to continuing operations of $109.4 million ($70.0 million, after tax or $0.09 per diluted share) substantially related to the Company's August 1996 merger with Ideon Group, Inc. ("Ideon").
(7) Represents a provision for costs related to the abandonment of certain Ideon development efforts and the restructuring of certain Ideon operations. The charges aggregated $97.0 million ($62.1 million, after tax or $0.08 per diluted share).
(8) There were no dividends declared during the periods presented above except for PHH and Ideon, which declared and paid dividends to their shareholders prior to their respective mergers with the Company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are one of the foremost providers of real estate related, travel related and direct marketing consumer and business services companies in the world. We were created through the December 1997 merger (the "Cendant Merger") of HFS Incorporated ("HFS") and CUC International Inc. ("CUC"). 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.

We operate in four principal divisions -travel related services, real estate related services, direct marketing services and other consumer and business services. Our businesses provide a wide range of complementary consumer and business services, which together represent eight business segments. The travel related services businesses facilitate vacation timeshare exchanges, manage corporate and government vehicle fleets and franchise car rental and hotel businesses; the real estate related services businesses 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, 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 (except for certain company-owned Jackson Hewitt offices, which we intend to franchise). 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 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, Essex Corporation, Cendant Software Corporation, Hebdo Mag International, Inc., the Green Flag Group ("Green Flag") and Entertainment Publications, Inc. ("EPub"). The divestiture program generated approximately $4.5 billion in proceeds. (see "Liquidity and Capital Resources - -- Divestitures"). As a result of the divestitures program, we divested former CUC businesses representing approximately 45% of CUC's revenues in 1997, the year in which CUC merged with HFS.

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

On September 30, 1999, we anounced 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 of 1999, coincident with our Board of Directors approval to create a new class of common stock, we have provided separate footnote disclosure of the Move.com Group's separate financial information within our consolidated financial statements. We have filed a proxy with the Securities and Exchange Commission, 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 drawing on the success of our RentNet on-line apartment guide business model. The Move.com Group encompasses all aspects of the home experience including finding a home, buying or renting a home, moving and after close 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. In addition to the Move.com site itself, the Move.com Group assets include RentNet, a company we orginally acquired during January 1996, National Home Connections LLC, a company we acquired in May 1999, and the assets of MetroRent which we acquired in the fourth quarter of 1999.

On September 15, 1999, we donated Netmarket, Inc., ("NGI") outstanding common stock to a charitable trust (the "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. The structure would allow NGI to use its equity to attract, retain and incent employees, 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. NGI will own, operate, develop and expand the on-line membership businesses. We donated NGI's outstanding common stock to the Trust and retained an ownership of a convertible preferred stock of NGI, which is ultimately exchangeable, at our option, until after September 14, 2001, into 78% of NGI's diluted common shares which has a $5 million annual preferred dividend. Accordingly, as a result of the change in ownership, NGI's operating results will no longer be included in our consolidated financial statements. 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.

Prior to the Cendant Merger, both HFS and CUC had grown significantly through mergers and acquisitions accounted for under both the pooling of interests method, the most significant being the merger of HFS with PHH Corporation ("PHH") in April 1997 (the "PHH Merger"), and purchase method of accounting. The underlying Results of Operations discussions are presented as if all businesses acquired in mergers and acquisitions accounted for as poolings of interests have operated as one entity since inception.

RESULTS OF OPERATIONS

This discussion should be read in conjunction with the information contained in our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein.

Our operating results and the operating results of certain of our underlying business segments are comprised of business combinations accounted for under the purchase method of accounting.

Accordingly, the results of operations of such acquired companies have been included in our consolidated operating results and our applicable business segments from the respective dates of acquisition. See "Liquidity and Capital Resources" for a discussion of our purchase method acquisitions.

CONSOLIDATED RESULTS -- 1998 VS. 1997

	YEAR ENDED DECEMBER 31,		
(DOLLARS IN MILLIONS)	1998	1997	% CHANGE
Net revenues	$5,283.8	$4,240.0	25%
Expenses			
Operating	1,869.1	1,322.3	41%
Marketing and reservation	1,158.5	1,031.8	12%
General and administrative	666.3	636.2	5%
	3,693.9	2,990.3	24%
Depreciation and amortization expense	322.7	237.7	36%
Other charges			
Litigation settlement	351.0	--	*
Termination of proposed acquisitions	433.5	--	*
Executive terminations	52.5	--	*
Investigation-related costs	33.4	--	*
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	*
Financing costs	35.1	--	*
Interest expense, net	113.9	50.6	125%
Pre-tax income from continuing operations before minority interest, extraordinary gain and cumulative effect of accounting change	315.0	257.3	22%
Provision for income taxes	104.5	191.0	(45%)
Minority interest, net of tax	50.6	--	*
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	159.9	66.3	141%
Loss from discontinued operations, net of tax	(25.0)	(26.8)	*
Gain on sale of discontinued operations, net of tax	404.7	--	*
Extraordinary gain, net of tax	--	26.4	*
Cumulative effect of accounting change, net of tax	--	(283.1)	*
Net income (loss)	$ 539.6	$ (217.2)	*

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* Not meaningful.

REVENUES

Revenues increased $1.0 billion (25%) in 1998 over 1997, which reflected growth in substantially all of our reportable operating segments. Significant contributing factors which gave rise to such increases included substantial growth in the volume of mortgage services provided and an increase in the amount of royalty fees received from our franchised brands, principally within the real estate franchise segment. In addition, revenues in 1998 included the operating results of 1998 acquisitions, including National Parking Corporation Limited ("NPC") and Jackson Hewitt Inc. ("Jackson Hewitt"). A detailed discussion of revenues trends from 1997 to 1998 is included in the section entitled "Results of Reportable Operating Segments -- 1998 vs. 1997."

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased $85.0 million (36%) in 1998 over 1997 as a result of incremental amortization of goodwill and other intangible assets from 1998 acquisitions and increased capital spending primarily to accommodate growth in our businesses.

1998 OTHER CHARGES

LITIGATION SETTLEMENT. We recorded a non-cash charge of $351.0 million in the fourth quarter of 1998 in connection with an agreement to settle a class action lawsuit that was brought on behalf of the holders of our Income or Growth FELINE PRIDES securities who purchased their securities on or prior to April 15, 1998, the date on which we announced the discovery of accounting irregularities in the former business units of CUC (see "Liquidity and Capital Resources --FELINE PRIDES and Trust Preferred Securities").

TERMINATION OF PROPOSED ACQUISITIONS. We incurred $433.5 million of costs, which included a $400.0 million cash payment to American Bankers Insurance Group, Inc. ("American Bankers"), in connection with terminating the proposed acquisitions of American Bankers and Providian Auto and Home Insurance Company ("Providian") (see "Liquidity and Capital Resources -- Termination of Proposed Acquisitions").

EXECUTIVE TERMINATIONS. We incurred $52.5 million of costs in 1998 related to the termination of certain of our former executives, principally Walter A. Forbes, who resigned as our Chairman and as a member of our Board of Directors on July 28, 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 $50.9 million comprised of $38.4 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. We incurred $33.4 million of professional fees, public relations costs and other miscellaneous expenses in connection with our discovery of accounting irregularities in the former business units of CUC and the resulting investigations into such matters.

FINANCING COSTS. In connection with our discovery and announcement of accounting irregularities and the corresponding lack of audited financial statements, we were temporarily disrupted in accessing public debt markets. As a result, we paid $27.9 million in fees associated with waivers and various financing arrangements. Additionally, during 1998, we exercised our option to redeem our 4 3/4% Convertible Senior Notes (the "4 3/4% Notes"). At such time, we anticipated that all holders of the 4 3/4% Notes would elect to convert the 4 3/4% Notes to our common stock. However, at the time of redemption, holders of the 4 3/4% Notes elected not to convert the 4 3/4% Notes to our common stock and as a result, we redeemed such notes at a premium. Accordingly, we recorded a $7.2 million loss on early extinguishment of debt.

1997 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

We incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger (the "Fourth Quarter 1997 Charge") and the PHH Merger (the "Second Quarter 1997 Charge").

(IN MILLIONS)	NET UNUSUAL CHARGES	REDUCTIONS 1997	REDUCTIONS 1998	BALANCE AT DECEMBER 31, 1998
Fourth Quarter 1997 Charge	$454.9	$(257.5)	$(130.2)	$67.2
Second Quarter 1997 Charge	283.1	(207.0)	(59.7)	16.4
Total	738.0	(464.5)	(189.9)	83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--
Total Unusual Charges related to continuing operations	$704.1	$(430.6)	$(189.9)	$83.6

FOURTH QUARTER 1997 CHARGE. We incurred Unusual Charges in the fourth quarter of 1997 totaling $454.9 million substantially associated with the Cendant Merger and our merger in October 1997 with Hebdo Mag International, Inc. ("Hebdo Mag"), a classified advertising business. Reorganization plans were formulated prior to and implemented as a result of the mergers. We determined to streamline our corporate organization functions and eliminate several office locations in overlapping markets. Our management's plan included the consolidation of European call centers in Cork, Ireland and terminations of franchised hotel properties.

Unusual Charges included $93.0 million of professional fees primarily consisting of investment banking, legal and accounting fees incurred in connection with the aforementioned mergers. We also incurred $170.7 million of personnel-related costs including $73.3 million of retirement and employee benefit plan costs, $23.7 million of restricted stock compensation, $61.4 million of severance resulting from consolidations of European call centers and certain corporate functions and $12.3 million of other personnel-related costs. Unusual Charges included $78.3 million of business termination costs which consisted of a $48.3 million non-cash impairment write-down of hotel franchise agreement assets associated with a quality upgrade program and $30.0 million of costs incurred to terminate a contract which may have restricted us from maximizing opportunities afforded by the Cendant Merger. We also provided for facility-related and other costs of $112.9 million including $70.0 million of irrevocable contributions made to independent technology trusts for the direct benefit of lodging and real estate franchisees, $16.4 million of building lease termination costs and a $22.0 million reduction in intangible assets associated with our wholesale annuity business for which impairment was determined in 1997. During the year ended December 31, 1998, we recorded a net credit of $28.1 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. We made cash payments of $102.6 million and $152.2 million during 1998 and 1997, respectively, related to the Fourth Quarter 1997 Charge. Liabilities of $67.2 million remained at December 31, 1998 which were primarily attributable to future severance costs and executive termination benefits, which we anticipate that such liabilities will be settled upon resolution of the related contingencies.

SECOND QUARTER 1997 CHARGE. We incurred $295.4 million of Unusual Charges in the second quarter of 1997 primarily associated with the PHH Merger. During the fourth quarter of 1997, as a result of changes in estimate, we adjusted certain merger-related liabilities, which resulted in a $12.3 million credit to Unusual Charges. Reorganization plans were formulated in connection with the PHH Merger and were implemented upon consummation. The PHH Merger afforded us, at such time, an opportunity to rationalize our combined corporate, real estate and travel-related businesses, and enabled our corresponding support and service functions to gain organizational efficiencies and maximize profits. We initiated a plan just prior to the PHH Merger to close hotel reservation call centers, combine travel agency operations and continue the downsizing of fleet operations by reducing headcount and eliminating unprofitable products. In addition, we initiated plans to integrate our relocation, real estate franchise and mortgage origination businesses to capture additional revenues through the referral of one business unit's customers to another. We also formalized a plan to centralize the management and headquarters functions of our corporate relocation business unit subsidiaries. Such initiatives resulted in write-offs of abandoned systems and leasehold assets commencing in the second quarter of 1997. The aforementioned reorganization plans included the elimination of PHH corporate functions and facilities in Hunt Valley, Maryland.

Unusual Charges included $154.1 million of personnel-related costs associated with employee reductions necessitated by the planned and announced consolidation of our corporate relocation service businesses worldwide as well as the consolidation of our corporate activities. Personnel-related charges also included termination benefits such as severance, medical and other benefits and provided for retirement benefits pursuant to pre-existing contracts resulting from a change in control. Unusual Charges also included professional fees of $30.3 million, primarily comprised of investment banking, accounting and legal fees incurred in connection with the PHH Merger. We incurred business termination charges of $55.6 million, which were comprised of $38.8 million of costs to exit certain activities primarily within our fleet business (including $35.7 million of asset write-offs associated with discontinued activities), a $7.3 million termination fee associated with a joint venture that competed with our PHH Mortgage Services business (now known as Cendant Mortgage Corporation) and $9.6 million of costs to terminate a marketing agreement with a third party in order to replace the function with internal resources. We also incurred facility-related and other charges totaling $43.1 million including costs associated with contract and lease terminations, asset disposals and other expenses related to the consolidation and closure of excess office space. During the year ended December 31, 1998, we recorded a net credit of $39.6 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. We made cash payments of $27.8 million and $150.2 million during 1998 and 1997, respectively, related to the Second Quarter 1997 Charge. Liabilities of $16.4 million remained at December 31, 1998, which were attributable to future severance and lease termination payments. We anticipate that severance will be paid in installments through April 2003 and lease terminations will be paid in installments through August 2002.

INTEREST EXPENSE AND MINORITY INTEREST, NET

Interest expense, net, increased $63.3 million (125%) in 1998 over 1997 primarily as a result of incremental average borrowings during 1998 and a nominal increase in the cost of funds. We primarily used debt to finance $2.9 billion of acquisitions and investments during 1998, which resulted in an increase in the average debt balance outstanding as compared to 1997. The weighted average interest rate on long-term debt increased from 6.0% in 1997 to 6.2% in 1998. In addition to interest expense on long-term debt, we also incurred $50.6 million of minority interest, net of tax, primarily related to the preferred dividends payable in cash on our FELINE PRIDES and 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").

PROVISION FOR INCOME TAXES

Our effective tax rate was reduced from 74.3% in 1997 to 33.2% in 1998 due to the non-deductibility of a significant amount of Unusual Charges recorded during 1997 and the favorable impact in 1998 of reduced rates in international tax jurisdictions in which we commenced business operations during 1998. The 1997 effective income tax rate included a tax benefit on 1997 Unusual Charges, which were deductible at an effective rate of only 29.1%. Excluding Unusual Charges, the effective income tax rate on income from continuing operations in 1997 was 40.6%.

DISCONTINUED OPERATIONS

Pursuant to our program to divest non-strategic businesses and assets, we committed to discontinue our consumer software and classified advertising businesses in August 1998 (the "Measurement Date") and subsequently sold such businesses in January 1999 and December 1998, respectively. We recorded a $404.7 million gain, net of tax, on the sale of discontinued operations in 1998, related to the dispositions of our classified advertising and consumer software businesses.

Loss from discontinued operations, net of tax, was $25.0 million in 1998 compared to $26.8 million in 1997. Loss from discontinued operations in 1998 includes the operating results of our former classified advertising and consumer software businesses through the Measurement Date. The operating results of discontinued operations in 1997 included $24.4 million of Unusual Charges, net of tax and a $15.2 million extraordinary loss, net of tax. Unusual Charges, net of tax, in 1997 primarily consisted of $19.4 million of

severance associated with terminated consumer software company executives and $5.0 million of compensation related to a stock appreciation rights plan which was paid in connection with our merger with Hebdo Mag in October 1997. Such merger also resulted in a $15.2 million extraordinary loss, net of tax, associated with the early extinguishment of debt.

EXTRAORDINARY GAIN, NET

In 1997, we recorded a $26.4 million extraordinary gain, after tax, on the sale of Interval International, Inc. ("Interval") in December 1997. The Federal Trade Commission requested that we sell Interval in connection with the Cendant Merger as a result of their anti-trust concerns within the timeshare industry.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET

In 1997, we recorded a non-cash after-tax charge of $283.1 million to account for the cumulative effect of an accounting change. In August 1998, we changed our accounting policies with respect to revenue and expense recognition for our membership businesses, effective January 1, 1997.

RESULTS OF REPORTABLE OPERATING SEGMENTS -- 1998 VS. 1997

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 for other charges, which are of a non-recurring or unusual nature and are not included 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 have determined that we have eight 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. For additional information, including a description of the services provided in each of our reportable operating segments, see Note 26 to the Consolidated Financial Statements.

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
(DOLLARS IN MILLIONS)	1998	1997	% CHANGE	1998(1)	1997(2)	% CHANGE	1998	1997
Travel	$1,063.3	$ 971.6	9%	$ 542.5	$ 467.3	16%	51%	48%
Individual Membership	929.1	778.7	19%	(57.8)	5.3	*	(6%)	1%
Insurance/Wholesale ..	544.0	482.7	13%	137.8	111.0	24%	25%	23%
Real Estate Franchise	455.8	334.6	36%	348.6	226.9	54%	76%	68%
Relocation	444.0	401.6	11%	124.5	92.6	34%	28%	23%
Fleet	387.4	324.1	20%	173.8	120.5	44%	45%	37%
Mortgage	353.4	179.2	97%	187.6	74.8	151%	53%	42%
Other	1,106.8	767.5	44%	132.9(3)	151.3	(12%)	12%	20%
Total	$5,283.8	$4,240.0	25%	$1,589.9	$1,249.7	27%	30%	29%

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(1) Excludes the following Other charges or credits: (i) $433.5 million for the costs of terminating the proposed acquisitions of American Bankers and Providian; (ii) $351.0 million of costs associated with an agreement to settle the PRIDES securities class action suit; (iii) $121.0 million comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments, principally to our former chairman; and (iv) $67.2 million of net adjustments associated with changes to the original estimate of costs to be incurred as follows: $28.1 million of adjustments reversing liabilities established in connection with the Fourth Quarter 1997 Charge

primarily consisting of lease termination and professional fees and $39.1 million of adjustments reversing liabilities established in connection with the Second Quarter 1997 Charge primarily consisting of severance payments and lease terminations. Such adjustments to original estimates were recorded in the periods in which events occurred or information became available requiring accounting recognition.

(2) Excludes Unusual Charges of $704.1 million primarily associated with the Cendant Merger and the PHH Merger.

(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 subsidiary.

* Not meaningful.

TRAVEL

Revenues and Adjusted EBITDA increased $91.7 million (9%) and $75.2 million (16%), respectively, in 1998 over 1997. Contributing to the revenue and Adjusted EBITDA increase was a $35.4 million (7%) increase in franchise fees, consisting of increases of $23.5 million (6%) and $11.9 million (8%) in lodging and car rental franchise fees, respectively. Our franchise businesses experienced increases during 1998 in worldwide available rooms (29,800 incremental rooms, domestically), revenue per available room, car rental days and average car rental rates per day. Timeshare subscription and exchange revenue increased $27.1 million (9%) as a result of a 7% increase in average membership volume and a 4% increase in the number of exchanges. Also contributing to the revenue and Adjusted EBITDA increase was $16.4 million of incremental fees received from preferred alliance partners seeking access to our franchisees and their customers, $12.7 million of fees generated from the execution of international master license agreements and a $17.7 million gain on our sale of one million shares of Avis common stock in 1998. The aforementioned drivers supporting increases in revenues and Adjusted EBITDA were partially offset by a $37.8 million reduction in the equity in earnings of our investment in the car rental operations of Avis, Inc. ("ARAC") as a result of reductions in our ownership percentage in such investment during 1997 and 1998 (see "Liquidity and Capital Resources -- 1996 Purchase Acquisitions and Investments -- Avis"). A $16.7 million (7%) increase in marketing and reservation costs resulted in a $16.5 million increase in total expenses while other operating expenses were relatively flat due to leveraging our corporate infrastructure among more businesses, which contributed to an improvement in the Adjusted EBITDA margin from 48% in 1997 to 51% in 1998.

INDIVIDUAL MEMBERSHIP

Revenues increased $150.4 million (19%) in 1998 over 1997 while Adjusted EBITDA and Adjusted EBITDA margin decreased $63.1 million and 7 percentage points, respectively, for the same period. The revenue growth was primarily attributable to an incremental $27.9 million associated with an increase in the average price of a membership, $25.8 million of increased billings as a result of incremental marketing arrangements, primarily with telephone and mortgage companies, and $35.9 million from the acquisition of a company in April 1998 that, among other services, provides members access to their personal credit information. Also contributing to the revenue growth are increased product sales and service fees, which are offered and provided to individual members. The reduction in Adjusted EBITDA and Adjusted EBITDA margin is a direct result of a $104.3 million (25%) increase in membership solicitation costs. We increased our marketing efforts during 1998 to solicit new members and as a result increased our gross average annual membership base by approximately 3.3 million members (11%) at December 31, 1998, compared to the prior year. The growth in members during 1998 resulted in increased servicing costs during 1998 of approximately $33.2 million (13%). While the costs of soliciting and acquiring new members were expensed in 1998, the revenue associated with these new members will not begin to be recognized until 1999, upon expiration of the membership period.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $61.3 million (13%) and $26.8 million (24%), respectively, in 1998 over 1997, primarily due to customer growth. This growth generally resulted from increases in affiliations with financial institutions. Domestic operations, which comprised 77% of segment revenues in 1998, generated higher Adjusted EBITDA margins than the international businesses as a result of continued expansion costs incurred internationally to penetrate new markets.

Domestic revenues and Adjusted EBITDA increased $25.4 million (6%) and $23.6 million (22%), respectively. Revenue growth, which resulted from an increase in customers, also contributed to an improvement in the overall Adjusted EBITDA margin from 23% in 1997 to 25% in 1998, as a result of the absorption of such increased volume by the existing domestic infrastructure. International revenues and Adjusted EBITDA increased $35.9 million (41%) and $3.2 million (54%), respectively, due primarily to a 42% increase in customers while the Adjusted EBITDA margin remained relatively flat at 7%.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $121.2 million (36%) and $121.7 million (54%), respectively, in 1998 over 1997. Royalty fees collectively increased for our CENTURY 21, COLDWELL BANKER and ERA franchise brands by $102.0 million (35%) as a result of a 20% increase in home sales by franchisees and a 13% increase in the average price of homes sold. Home sales by franchisees benefited from existing home sales in the United States reaching a record 4.8 million units in 1998, according to data from the National Association of Realtors, as well as from expansion of our franchise systems. Because many costs associated with the real estate franchise business, such as franchise support and information technology, do not vary directly with home sales volumes or royalty revenues, the increase in royalty revenues contributed to an improvement in the Adjusted EBITDA margin from 68% to 76%.

RELOCATION

Revenues and Adjusted EBITDA increased $42.4 million (11%) and $31.9 million (34%), respectively, in 1998 over 1997. The Adjusted EBITDA margin improved from 23% to 28%. The primary source of revenue growth was a $29.3 million increase in revenues from the relocation of government employees. We also experienced growth in the number of relocation-related services provided to client corporations and in the number of household goods moves handled, partially offset by lower home sale volumes. The divestiture of certain niche-market property management operations accounted for other revenue of $8.2 million. Expenses associated with government relocations increased in conjunction with the volume and revenue growth, but economies of scale and a reduction in overhead and administrative expenses permitted the reported improvement in Adjusted EBITDA margin.

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 --Fleet"). Fleet Segment revenues and Adjusted EBITDA increased $63.3 million (20%) and $53.3 million (44%), respectively, in 1998 over 1997, contributing to an improvement in the Adjusted EBITDA margin from 37% to 45%. We acquired The Harpur Group Ltd. ("Harpur"), a leading fuel card and vehicle management company in the United Kingdom ("UK"), on January 20, 1998. Harpur contributed incremental revenues and Adjusted EBITDA in 1998 of $31.8 million and $20.8 million, respectively. The revenue increase is further attributable to a 12% increase in fleet leasing fees and a 31% increase in service fee revenue. The fleet leasing revenue increase is due to a 5% increase in pricing and a 7% increase in the number of vehicles leased, while the service fee revenue increase is the result of a 40% increase in number of fuel cards and vehicle maintenance cards partially offset by a 7% decline in pricing. The Adjusted EBITDA margin improvement reflects streamlining of costs at newly acquired Harpur and a leveraging of our corporate infrastructure among more businesses.

MORTGAGE

Revenues and Adjusted EBITDA increased $174.2 million (97%) and $112.8 million (151%), respectively, in 1998 over 1997, primarily due to strong mortgage origination growth and average fee improvement. The Adjusted EBITDA margin improved from 42% to 53%. Mortgage origination grew across all lines of business, including increased refinancing activity and a shift to more profitable sale and processing channels and was responsible for substantially all of the segment's revenue growth. Mortgage closings increased $14.3 billion (122%) to $26.0 billion and average origination fees increased 12 basis points, resulting in a $180.3 million increase in origination revenues. Although the servicing portfolio grew

$9.6 billion (36%), net servicing revenue was negatively impacted by average servicing fees declining 7 basis points due to the increased refinancing levels in the 1998 mortgage market, which shortened the servicing asset life and increased amortization charges. Consequently, net servicing revenues decreased $9.1 million, partially offset by a $5.7 million increase in the sale of servicing rights. Operating expenses increased in all areas, reflecting increased hiring and expansion of capacity in order to support continued growth; however, revenue growth marginally exceeded such infrastructure enhancements.

OTHER SERVICES

Revenues increased $339.3 million (44%), while Adjusted EBITDA decreased $18.4 million (12%). Revenues increased primarily from acquired NPC and Jackson Hewitt operations, which contributed $409.8 million and $53.7 million to 1998 revenues, respectively. The revenue increase attributable to 1998 acquisitions was partially offset by a $140.0 million reduction in revenues associated with the operations of certain of our ancillary businesses which were sold during 1997, including Interval, which contributed $121.0 million to 1997 revenues. We sold Interval in December 1997 coincident to the proposed Cendant Merger, in consideration of Federal Trade Commission anti-trust concerns within the timeshare industry.

The revenue increase did not translate into increases in Adjusted EBITDA primarily due to asset write-offs, dispositions of certain ancillary business operations and approximately $8.0 million of incremental operating costs associated with establishing a consolidated worldwide data center. We wrote-off $37.0 million of impaired goodwill associated with our National Library of Poetry subsidiary, and $13.0 million of certain of our equity investments in interactive membership businesses. Adjusted EBITDA in 1997 associated with aforementioned disposed ancillary operations included $27.2 million from Interval and $18.0 million related to services formerly provided to the casino industry. Our NPC and Jackson Hewitt subsidiaries contributed $92.7 million and $27.0 million to 1998 Adjusted EBITDA, respectively.

CONSOLIDATED RESULTS -- 1997 VS. 1996

	YEAR ENDED DECEMBER 31,		
(DOLLARS IN MILLIONS)	1997	1996	% CHANGE
Net revenues	$4,240.0	$3,237.7	31%
Expenses			
Operating	1,322.3	1,183.2	12%
Marketing and reservation	1,031.8	910.8	13%
General and administrative	636.2	341.0	87%
	2,990.3	2,435.0	23%
Depreciation and amortization expense	237.7	145.5	63%
Merger-related costs and other unusual charges	704.1	109.4	*
Interest expense, net	0.6	14.3	254%
Pre-tax income from continuing operations before extraordinary gain and cumulative effect of accounting change	257.3	533.5	(52%)
Provision for income taxes	191.0	220.2	(13%)
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	66.3	313.3	(79%)
Income (loss) from discontinued operations, net of tax	(26.8)	16.7	*
Extraordinary gain, net of tax	26.4	--	*
Cumulative effect of accounting change, net of tax	(283.1)	--	*
Net income (loss)	$ (217.2)	$ 330.0	*

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* Not meaningful.

REVENUES

Revenues increased $1.0 billion (31%) in 1997 over 1996, and were supported by growth in substantially all of our reportable operating segments. Revenues in 1997 included a full year of operations from companies acquired during 1996, including Coldwell Banker Corporation ("Coldwell Banker") in May 1996, Avis, Inc. ("Avis") in October 1996 and Resort Condominiums International, Inc. ("RCI") in November 1996 (see "Liquidity and Capital Resources -- 1996 Purchase Acquisitions and Investments"). A detailed discussion of fluctuations in revenues from 1996 to 1997 is included in the section entitled "Results of Reportable Operating Segments -- 1997 vs. 1996."

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense increased $92.2 million (63%) in 1997 over 1996, primarily as a result of incremental amortization of goodwill and other intangible assets from 1996 acquisitions and increased capital spending.

MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

1997. We incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger and the PHH Merger. See "Results of Operations -- Consolidated Results 1998 vs. 1997 -- Merger-Related Costs and Other Unusual Charges" for a detailed discussion of such charges.

1996. We incurred Unusual Charges in 1996 related to continuing operations of $109.4 million substantially related to our merger with Ideon Group, Inc. ("Ideon"). Unusual Charges primarily included $80.4 million of litigation-related liabilities associated with our determination to settle acquired Ideon litigation, which existed at the August 1996 merger date. We have since settled all outstanding litigation matters pursuant to which the primary resulting obligation consisted of a settlement made in June 1997 with the cofounder of SafeCard Services, Inc. which was acquired by Ideon in 1995. The settlement required us to make $70.5 million of payments in annual installments through 2003. We made cash payments of $27.8 million and $56.3 million in 1998 and 1997, respectively, associated with 1996 Unusual Charges.

INTEREST EXPENSE, NET

Interest expense, net, increased $36.3 million in 1997 over 1996 primarily as a result of the February 1997 issuance of $550.0 million 3% Convertible Subordinated Notes and interest income earned in 1996 on approximately $420.0 million of excess proceeds generated from the $1.2 billion public offering of 46.6 million shares of our common stock in May 1996. The increase in interest, net, was partially offset by a reduction in the weighted average interest rate from 7.5% in 1996 to 6.0% in 1997 as a result of a greater proportion of fixed rate debt, carrying lower interest rates, to total debt.

PROVISION FOR INCOME TAXES

Our effective tax rate increased from 41.2% in 1996 to 74.3% in 1997. The 1997 effective income tax rate included a 29.1% effective tax rate on the tax benefit related to Unusual Charges due to the significant non-deductibility of such costs. The effective income tax rate on 1997 income from continuing operations excluding Unusual Charges was 40.6%.

DISCONTINUED OPERATIONS

We recorded a $26.8 million net loss from discontinued operations in 1997 compared to net income of $16.7 million in 1996. The operating results of discontinued operations included a $15.2 million extraordinary loss, net of tax, in 1997 and $24.4 million and $24.9 million of Unusual Charges, net of tax, in 1997 and 1996, respectively. The extraordinary loss and Unusual Charges incurred in 1997 have been previously discussed in the section entitled "Results of Operations --Consolidated Results -- 1998 vs. 1997." Unusual Charges in 1996 consisted primarily of professional fees incurred in connection with our

mergers with certain software businesses acquired in 1996. Excluding Unusual Charges and extraordinary items, income from discontinued operations decreased $28.8 million (69%) from $41.6 million in 1996 to $12.8 million in 1997. Net income from the classified advertising business remained relatively unchanged from 1996 while net income from the consumer software businesses decreased $28.5 million (72%) to $11.1 million in 1997. In 1997 revenues increased $49.2 million (13%) which were offset by increased operating expenses of $93.2 million (29%). The disproportionate increase in operating expenses resulted from accelerating development and marketing costs incurred on titles without a corresponding revenue increase because titles were not released to the marketplace as planned in December 1997.

RESULTS OF REPORTABLE OPERATING SEGMENTS -- 1997 VS. 1996

	YEAR ENDED DECEMBER 31,							
	REVENUES			ADJUSTED EBITDA			ADJUSTED EBITDA MARGIN	
	1997	1996	% CHANGE	1997(1)	1996(2)	% CHANGE	1997	996
Travel	$ 971.6	$ 429.2	126%	$ 467.3	$189.5	147%	48%	44%
Individual Membership	778.7	745.9	4%	5.3	43.2	(88%)	1%	6%
Insurance/Wholesale ..	482.7	448.0	8%	111.0	99.0	12%	23%	22%
Real Estate Franchise	334.6	236.3	42%	226.9	137.8	65%	68%	58%
Relocation	401.6	344.9	16%	92.6	65.5	41%	23%	19%
Fleet	324.1	293.5	10%	120.5	99.0	22%	37%	34%
Mortgage	179.2	127.7	40%	74.8	45.7	64%	42%	36%
Other	767.5	612.2	25%	151.3	123.0	23%	20%	20%
Total	$4,240.0	$3,237.7	31%	$1,249.7	$802.7	56%	29%	25%

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(1) Excludes Unusual Charges of $704.1 million primarily associated with the Cendant Merger and the PHH Merger.

(2) Excludes Unusual Charges of $109.4 million incurred in connection with the Ideon merger.

TRAVEL

Revenues and Adjusted EBITDA increased $542.4 million (126%) and $277.8 million (147%), respectively, while the Adjusted EBITDA margin improved from 44% to 48%. The acquisitions of Avis and RCI in October 1996 and November 1996, respectively, contributed incremental revenues and Adjusted EBITDA of $503.9 million and $248.2 million, respectively. Excluding the 1996 acquisitions, revenues and Adjusted EBITDA increased $38.5 million (9%) and $29.6 million (16%), respectively, primarily as a result of an increase in lodging franchise fees which was driven by a 4% increase in franchised rooms and a 2% increase in revenue per available room. Expense increases were minimized due to the significant operating leverage associated with mature franchise operations and a leveraging of the corporate infrastructure among more businesses.

INDIVIDUAL MEMBERSHIP

Revenues increased $32.8 million (4%) while Adjusted EBITDA and Adjusted EBITDA margin decreased $37.9 million (88%) and 5 percentage points, respectively. The revenue increase in 1997 was primarily due to $25.4 million of increased product sales and service fees, which are offered and provided to individual members. The increase in revenues also included $7.1 million of incremental monthly billings from new marketing arrangements made during 1996 with telephone and mortgage companies. The reduction in Adjusted EBITDA and Adjusted EBITDA margin from 1996 to 1997 was principally due to increased membership solicitation costs incurred during 1997, higher call center and servicing expenses and start-up costs incurred to introduce new membership clubs. The accounting policies for membership revenue and expense recognition were changed effective January 1, 1997. Therefore, results of operations for 1997 and 1996 were accounted for using different accounting policies. The pro forma effect of the accounting change, as if such a change had been applied retroactively to 1996, would have resulted in a reduction in 1996 revenues and Adjusted EBITDA of $16.6 million and $11.3 million, respectively.

INSURANCE/WHOLESALE

Revenues and Adjusted EBITDA increased $34.7 million (8%) and $12.0 million (12%), respectively, primarily due to an overall growth in customer base during 1997. Domestic operations, which comprised 82% and 84% of segment revenues in 1997 and 1996, respectively, generated higher Adjusted EBITDA margins than the international businesses as a result of expansion costs incurred internationally to penetrate new markets. Domestic revenues and Adjusted EBITDA increased $18.7 million (5%) and $10.2 million (11%), respectively, in 1997 over 1996 while international revenues and Adjusted EBITDA increased $16.0 million (22%) and $1.8 million (45%), respectively, for the comparable periods.

REAL ESTATE FRANCHISE

Revenues and Adjusted EBITDA increased $98.3 million (42%) and $89.1 million (65%), respectively, in 1997 over 1996 while the Adjusted EBITDA margin improved from 58% to 68%. The acquisitions of ERA and Coldwell Banker franchised brands in February 1996 and May 1996, respectively, contributed incremental revenues and Adjusted EBITDA of $73.8 million and $74.6 million, respectively, in 1997. Excluding the 1996 acquisitions, revenues and Adjusted EBITDA increased $24.5 million (17%) and $14.5 million (17%) which was principally driven by increased royalty fees generated from the Century 21 franchised brand. Royalty fees from Century 21 franchisees increased as a result of a 5% increase in home sales by franchisees and an 11% increase in the average price of homes sold. Existing home sales in the United States increased 3% from 1996 to 1997 according to data from the National Association of Realtors. Operating expenses, which did not change proportionately with home sale volume, increased a minimal $9.3 million (9%) to support the significant growth of the business. In addition, the corporate infrastructure was leveraged among more businesses.

RELOCATION

Revenues and Adjusted EBITDA increased $56.7 million (16%) and $27.1 million (41%), respectively, primarily as a result of the acquisition of Coldwell Banker in May 1996. Coldwell Banker was a leading provider of corporate relocation services and contributed incremental revenues and Adjusted EBITDA of $47.2 million and $18.6 million, respectively. The Adjusted EBITDA margin improved from 19% to 23% as a result of economic efficiencies realized from the consolidation of our relocation businesses.

FLEET

Revenues and Adjusted EBITDA increased $30.6 million (10%) and $21.5 million (22%), respectively, in 1997 over 1996. The Adjusted EBITDA margin improved from 34% to 37%. Revenue and Adjusted EBITDA growth in 1997 was primarily attributable to a 24% increase in service fee revenues, supported by a 20% increase in number of cards and an 8% increase in fleet leasing revenues, principally resulting from a 5% increase in pricing. The Adjusted EBITDA margin improvement reflected a leveraging of the corporate infrastructure among more businesses.

MORTGAGE

Revenues and Adjusted EBITDA increased $51.5 million (40%) and $29.1 million (64%), respectively, which was primarily driven by mortgage origination growth and gain on sale of servicing rights. The Adjusted EBITDA margin improved from 36% to 42%. Mortgage originations increased 40% to $11.7 billion contributing $35.3 million additional revenue while servicing revenue was relatively flat. The loan servicing portfolio grew 18% to $26.7 billion while gain on sale of servicing rights increased $12.6 million to $14.1 million. Operating expenses increased to support volume growth and to prepare for continued expansion as the annual loan origination run rate approached $18.0 billion. However, revenue growth marginally exceeded increases in operating expenses.

OTHER SERVICES

Revenues and Adjusted EBITDA increased $155.3 million (25%) and $28.3 million (23%), respectively, in 1997 over 1996. Such increases were primarily supported by the operating results of an

information technology business ("WizCom") which was acquired in October 1996 as part of the Avis acquisition. Our WizCom subsidiary operates the telecommunications and computer system that facilitates reservations and agreement processing for lodging and car rental operations. The acquisition of WizCom accounted for incremental revenues and Adjusted EBITDA in 1997 of $90.3 million and $30.6 million, respectively.

Our other ancillary businesses collectively contributed to the additional revenue growth, although Adjusted EBITDA margins declined, primarily within certain business units, which were sold during 1997.

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 additional 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.

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 (see "Overview"). Pursuant to such program, we have completed or have pending the following dispositions through December, 1999:

Green Flag. On November 26, 1999, we completed the disposition of our 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.

Entertainment Publications, Inc. On November 30, 1999, we completed the disposition of 85% of our EPub business unit for approximately $281.0 million in cash, inclusive of certain adjustments. We retained 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. We have determined that the size and nature of our retained equity stake in EPub, including the retention of board representation, will require us to account for our ongoing investment in EPub using the equity method of accounting. 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.

North American Outdoor Group. On October 8, 1999, we disposed of 94% of our 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.

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.

Fleet Segment. On June 30, 1999, we completed the disposition of our fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services Corporation, 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"). The remaining proceeds from the transaction were used to repay outstanding corporate debt as it matured (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 June 30, 1999, we beneficially owned approximately 19% 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 34% of ARAC's outstanding common equity (although the voting interest would be limited, in most instances, to 20%). At October 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. 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 1999, we completed the dispositions of certain businesses, including Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry and Essex Corporation. Aggregate consideration received on the dispositions of such businesses was comprised of $110.3 million in cash and $43.3 million of common stock. We realized a net gain of $47.5 million ($27.2 million, after tax) on the dispositions of such businesses.

Discontinued Operations. On August 12, 1998, we announced that our Board of Directors committed to discontinue our classified advertising and consumer software businesses by disposing of Hebdo Mag and Cendant Software Corporation ("CDS"), respectively. On December 15, 1998, we completed the sale of Hebdo Mag to its former 50% owners for $449.7 million. We received $314.8 million in cash and 7.1 million shares of our common stock valued at $134.9 million (approximately $19.00 per share market value) on the date of sale. We recognized a $206.9 million gain on the sale of Hebdo Mag, which included a tax benefit of $52.1 million. On November 20, 1998, we announced the execution of a definitive agreement to sell CDS for approximately $800.0 million in cash. The sale was completed on January 12, 1999. We realized a gain of approximately $371.9 million in connection with the transaction. We recognized $197.8 million of such gain in 1998 substantially in the form of a tax benefit and corresponding deferred tax asset.

INVESTMENT IN NETMARKET GROUP, INC.

On September 15, 1999, NGI began operations as an independent company that will pursue the development of 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, we 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. The fair market value of the NGI common stock on the date of donation was approximately $20 million. Accordingly, as a result of the change in ownership of NGI's common stock from us to independent third parties, NGI's operating results will no longer be 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, after September 14, 2001, into 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 $85.0 million ($48.0 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.

TERMINATION OF PROPOSED ACQUISITIONS

RAC Motoring Services. On February 4, 1999, we announced our intention to not 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 not commercially feasible and, therefore, unacceptable. We originally announced on May 21, 1998 a definitive agreement with the Board of Directors of Royal Automobile Club Limited to acquire RACMS for approximately $735.0 million in cash. 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.

American Bankers Insurance Group, Inc. On October 13, 1998, we and American Bankers entered into a settlement agreement (the "ABI Settlement Agreement"), pursuant to which we and American Bankers terminated a definitive agreement dated March 23, 1998, which provided for our acquisition of American Bankers for $3.1 billion. Accordingly, our pending tender offer for American Bankers shares was also terminated. Pursuant to the ABI Settlement Agreement and in connection with the termination of our proposed acquisition of American Bankers, we made a $400.0 million cash payment to American Bankers and wrote off $32.3 million of costs, primarily professional fees. In addition, we terminated a bank commitment to provide a $650.0 million, 364-day revolving credit facility, which was made available to partially fund the acquisition.

Providian Auto and Home Insurance Company. On October 5, 1998, we announced the termination of an agreement to acquire Providian, for $219.0 million in cash. Certain representations and covenants in such agreement had not been fulfilled and the conditions to closing had not been met. We did not pursue an extension of the termination date of the agreement because Providian no longer met our acquisition criteria. In connection with the termination of our proposed acquisition of Providian, we wrote off $1.2 million of costs.

1998 PURCHASE ACQUISITIONS

National Parking Corporation. On April 27, 1998, we acquired NPC for $1.6 billion, substantially in cash, which included the repayment of approximately $227.0 million of outstanding NPC debt. NPC was

substantially comprised of two operating subsidiaries: National Car Parks and Green Flag. National Car Parks operates car parks in the UK and Green Flag operates a roadside assistance group in the UK and offers a wide-range of emergency support and rescue services. We funded the NPC acquisition with borrowings under our revolving credit facilities.

Harpur Group. On January 20, 1998, we completed the acquisition of Harpur, a fuel card and vehicle management company in the UK, for $206.1 million in cash plus contingent payments of up to $20.0 million over two years.

Jackson Hewitt. On January 7, 1998, we completed the acquisition of Jackson Hewitt for approximately $476.3 million in cash. Jackson Hewitt operates a tax preparation service franchise system in the United States. The Jackson Hewitt franchise system specializes in computerized preparation of federal and state individual income tax returns.

Other 1998 Acquisitions and Acquisition-Related Payments. We acquired certain other entities for an aggregate purchase price of approximately $463.9 million in cash during 1998. Additionally, we made a $100.0 million cash payment to the seller of RCI in satisfaction of a contingent purchase liability.

1997 PURCHASE ACQUISITIONS AND INVESTMENTS

Investment in NRT. In 1997, we executed agreements with NRT Incorporated ("NRT"), a corporation created to acquire residential real estate brokerage firms. Under these agreements, we acquired $182.0 million of NRT preferred stock (and may be required to acquire up to an additional $81.3 million of NRT preferred stock). We received preferred dividend payments of $15.4 million and $5.2 million during the years ended 1998 and 1997, respectively. On February 9, 1999, we executed new agreements with NRT, which among other things, increased the term of each of the three franchise agreements under which NRT operates from 40 years to 50 years.

In connection with the aforementioned agreements, at our election, we will participate in NRT's acquisitions by acquiring up to an aggregate $946.3 million (plus an additional $500.0 million if certain conditions are met) of intangible assets, and in some cases mortgage operations, of real estate brokerage firms acquired by NRT. Through December 31, 1998, we acquired $445.7 million of such mortgage operations and intangible assets, (primarily franchise agreements) associated with real estate brokerage companies acquired by NRT, which brokerage companies will become subject to the NRT 50-year franchise agreements. In February 1999, NRT entered into an agreement with us whereby we made an upfront payment of $30.0 million to NRT for services to be provided by NRT to us related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. Such fee is refundable in the event the services are not provided.

Other. We acquired six entities in 1997 for an aggregate purchase price of $289.5 million, comprised of $267.9 million in cash and $21.6 million in our common stock (0.9 million shares).

1996 PURCHASE ACQUISITIONS AND INVESTMENTS

RCI. In November 1996, we completed the acquisition of all the outstanding capital stock of RCI for $487.1 million comprised of $412.1 million in cash and $75.0 million (approximately 2.4 million shares) in our common stock plus contingent payments of up to $200.0 million over a five year period. (We made a contingent payment of $100.0 million during the first quarter of 1998). RCI is the world's largest provider of timeshare exchange.

Avis. In October 1996, we completed the acquisition of all of the outstanding capital stock of Avis, including payments under certain employee stock plans of Avis and the redemption of a certain series of preferred stock of Avis for $806.5 million. The purchase price was comprised of approximately $367.2 million in cash, $100.9 million in indebtedness and $338.4 million (approximately 11.1 million shares) in our common stock. Subsequently, we made contingent cash payments of $26.0 million in 1996 and $60.8 million in 1997. The contingent payments made in 1997 represented the incremental amount of value attributable to our common stock as of the stock purchase agreement date in excess of the proceeds realized upon subsequent sale of our common stock.

Upon entering into a definitive merger agreement to acquire Avis, we announced our strategy to dilute our interest in the Avis car rental operations while retaining assets associated with the franchise, including trademarks, reservation system assets and franchise agreements with ARAC and other licensees. In September 1997, ARAC (the company which operated the rental car operations of Avis) completed an initial public offering ("IPO") which resulted in a 72.5% dilution of our equity interest in ARAC. Net proceeds from the IPO of $359.3 million were retained by ARAC. In March 1998, we sold one million shares of Avis common stock and recognized a pre-tax gain of approximately $17.7 million. At December 31, 1998, our interest in ARAC was approximately 22.6%. In January 1999, our equity interest was further diluted to 19.4% as a result of our sale of an additional 1.3 million shares of Avis common stock.

Coldwell Banker. In May 1996, we acquired by merger Coldwell Banker, the largest gross revenue producing residential real estate company in North America and a leading provider of corporate relocation services. We paid $640.0 million in cash for all of the outstanding capital stock of Coldwell Banker and repaid $105.0 million of Coldwell Banker indebtedness. The aggregate purchase price for the transaction was financed through the May 1996 sale of an aggregate 46.6 million shares of our common stock generating $1.2 billion of proceeds pursuant to a public offering.

Other. During 1996, we acquired fifteen other entities for an aggregate purchase price of $281.5 million comprised of $224.0 million in cash, $52.5 million of our common stock (2.5 million shares) and $5.0 million of notes.

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, substantially all of which is currently undrawn and available and $2.45 billion of availability under existing shelf registration statements. Long-term debt increased $2.1 billion to $3.4 billion at December 31, 1998 when compared to amounts outstanding at December 31, 1997, primarily as a result of borrowings in 1998 to finance acquisitions and the repurchase of our common stock under a share repurchase program. Our long-term debt, including current portion, at December 31, 1998, substantially consisted of $2.1 billion of publicly issued fixed rate debt and $1.25 billion of borrowings under a term facility. In addition, we had $1.5 billion of equity-linked FELINE PRIDES securities outstanding at December 31, 1998.

TERM LOAN FACILITIES

On May 29, 1998, we entered into a 364 day term loan agreement with a syndicate of financial institutions which provided for borrowings of $3.25 billion (the "Term Loan Facility"). The Term Loan Facility, as amended, incurred interest based on the London Interbank Offered Rate ("LIBOR") plus a margin of approximately 87.5 basis points. At December 31, 1998, borrowings under the Term Loan Facility of $1.25 billion were classified as long-term based on our proven intent and ability to refinance such borrowings on a long-term basis.

On February 9, 1999, we replaced the Term Loan Facility with a new two year term loan facility (the "New Facility") which provides for borrowings of $1.25 billion. The New 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. The New Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for our existing revolving credit agreements. We used $1.25 billion of the proceeds from the New Facility to refinance the majority of the outstanding borrowings under the Term Loan Facility.

CREDIT FACILITIES

Our primary credit facility, as amended, consists of (i) a $750.0 million, five year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1.0 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 29, 1999 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 of material subsidiaries, mergers, limitations on liens, 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). At December 31, 1998, we had no outstanding borrowings under the Revolving Credit Facilities.

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 $3.0 billion of debt and equity securities. Pursuant to such registration statement, we issued $1.55 billion of Senior Notes (the "Notes") in two traunches, consisting of $400.0 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 the Term Loan Facility and for general corporate purposes, which included the purchase of our common stock.

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.

FELINE PRIDES AND TRUST PREFERRED SECURITIES

On March 2, 1998, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware and our wholly-owned consolidated subsidiary, issued 29.9 million FELINE PRIDES and 2.3 million trust preferred securities and received approximately $1.5 billion in gross proceeds therefrom. The Trust invested the proceeds 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 $3.0 billion of availability under a $4.0 billion shelf registration statement. Upon issuance, the FELINE PRIDES consisted of 27.6 million Income PRIDES and 2.3 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of $50 per PRIDE. 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 will be 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 will be

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. For example, if a person owned 100 FELINE PRIDES on April 15, 1998, such person would be entitled to 100 Rights. 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"). For example, if a holder of Rights exchanges three Rights together with two current Income PRIDES, they will receive two new Income PRIDES. If a holder of Rights exchanges three Rights together with two Growth PRIDES, they will receive two New Growth 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 settlement resulted in a net increase to shareholders' equity of $121.8 million. The final agreement also requires us to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) ("Additional 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 an average market price of $17.53 per share of our common stock (calculated based on the average closing price per share of our common stock for a consecutive five-day period ended September 30, 1999), the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of our common stock when the mandatory purchase of our common stock associated with the PRIDES occurs in February 2001. This represents approximately 2% more shares of our common stock than are currently outstanding.

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 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 presently intend to distribute the Rights in October 1999 after the effectiveness of the registration statement filed with the SEC covering the New PRIDES, Additional PRIDES and Special PRIDES.

DEBT RETIREMENTS

On December 15, 1998, we repaid the $150.0 million principal amount of our 5 7/8% Senior Notes outstanding in accordance with the provisions of the indenture agreement.

On May 4, 1998, we redeemed all of our outstanding ($144.5 million principal amount) 4 3/4% Convertible Senior Notes due 2003 at a price of 103.393% of the principal amount, together with interest accrued to the redemption date. Prior to the redemption date, during 1998, $95.5 million of such notes were exchanged for 3.4 million shares of our common stock.

On April 8, 1998, we exercised our option to call our 6 1/2% Convertible Subordinated Notes (the "6 1/2% Notes") for redemption on May 11, 1998, in accordance with the provisions of the indenture relating to the 6 1/2% Notes. Prior to the redemption date, during 1998, all of the outstanding 6 1/2% Notes were converted into 2.1 million shares of our common stock.

FINANCING RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Our PHH subsidiary operates our mortgage, fleet and relocation services businesses as a separate public reporting entity and supports purchases of leased vehicles, 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. Upon the disposition of our fleet segment on June 30, 1999, we received cash proceeds equivalent to the outstanding debt applicable to our fleet segment (see "Liquidity and Capital Resources -- Divestitures -- Fleet Segment"). PHH continues to pursue opportunities to reduce its borrowing requirements by securitizing increasing amounts of its high quality assets. Additionally, we entered into a three year agreement effective May 1998 and expanded in December 1998 under which an unaffiliated Buyer (the "Buyer") committed 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 December 31, 1998, we were servicing approximately $2.0 billion of mortgage loans owned by the Buyer.

PHH debt is issued without recourse to the parent company. 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, European and Canadian 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 December 31, 1998 and 1997 were as follows:

(IN BILLIONS)	1998	1997
Commercial paper........	$2.5	$2.6
Medium-term notes.......	2.3	2.7
Securitized obligations............	1.9	--
Other...................	0.2	0.3
	$6.9	$5.6

PHH filed a shelf registration statement with the SEC, effective March 2, 1998, 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 December 31, 1998, PHH had approximately $1.6 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 four separate financing facilities, the outstanding borrowings of which are securitized by corresponding assets under management and mortgage programs. The collective weighted average interest rate on such facilities was 5.8% at December 31, 1998. Such securitized obligations are described below.

Mortgage Facility. In December 1998, our PHH subsidiary entered into a 364 day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages. The agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the agreement. The total commitment under this 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 this agreement at December 31, 1998 totaled $378.0 million.

Relocation Facilities. Our PHH subsidiary entered into a 364-day asset securitization agreement effective December 1998 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 December 31, 1998, our PHH subsidiary was servicing $248.0 million of assets which were funded under this agreement.

Our PHH subsidiary also maintains an asset securitization agreement, with a separate unaffiliated buyer, which has a purchase commitment up to a limit of $350.0 million. The terms of this agreement are similar to the aforementioned facility, with PHH retaining the servicing rights on the right of payment related to certain relocation receivables of PHH. At December 31, 1998, our PHH subsidiary was servicing $171.0 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. Although no assurances can be given, we expect that such facility will be in place prior to December 31, 1999.

Fleet Facilities. In December 1998, our PHH subsidiary entered into two secured financing transactions through its two wholly-owned subsidiaries, TRAC Funding and TRAC Funding II. Secured leased assets (specified beneficial interests in a trust which owns the leased vehicles and the leases) totaling $600.0 million and $725.3 million, respectively, were contributed to the subsidiaries by PHH. Loans to TRAC Funding and TRAC Funding II, were funded by commercial paper conduits in the amounts of $500.0 million and $604.0 million, respectively, and were secured by the specified beneficial interests. At June 30, 1999, the outstanding balances under the securitized fleet financing facilities were repaid and such securitized facilities were retired coincident with the fleet segment disposition.

OTHER

To provide additional financial flexibility, PHH's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average amount of outstanding commercial paper. This policy will continue to be maintained subsequent to the divestiture of the fleet businesses. PHH maintains $2.65 billion of unsecured committed credit facilities, which are backed by 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 $150.0 million revolving credit facility, which matures in December 1999, and other uncommitted lines of credit with various financial institutions, which were unused at December 31, 1998. Our management closely evaluates not only the credit of the banks but also the terms of the various agreements to ensure ongoing availability. The full amount of PHH's committed facilities at December 31, 1998 was undrawn and available. 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.

On July 10, 1998, PHH entered into a Supplemental Indenture No. 1 (the "Supplemental Indenture") with The First National Bank of Chicago, as trustee, under the Senior Indenture dated as of June 5, 1997, which formalizes PHH's policy of limiting the payment of dividends and the outstanding principal balance of loans to us to 40% of consolidated net income (as defined in the Supplemental Indenture) for each fiscal year. The Supplemental Indenture prohibits PHH 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.

COMMON STOCK LITIGATION

Since the April 15, 1998 announcement of the discovery of accounting irregularities in the former business units of CUC and prior to the date of the Annual Report on Form 10-K/A, 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.

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.

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 30, 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 such appeal is pending.

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 that additional adjustments will not be necessary as a result of these government investigations, 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.

CREDIT RATINGS

In October 1998, Duff & Phelps Credit Rating Co. ("DCR"), Standard & Poor's Corporation ("S&P"), and Moody's Investors Service Inc. ("Moody's") reduced our long-term debt credit rating to A-from A, BBB from A, and Baa1 from A3, 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.)

REPRICING OF STOCK OPTIONS

On September 23, 1998, the Compensation Committee of our Board of Directors approved a program to effectively reprice certain Company stock options granted to our middle management during December 1997 and the first quarter of 1998. Such existing options, with exercise prices ranging from $31.38 to $37.50, were effectively repriced on October 14, 1998 at $9.8125 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. On September 23, 1998, the Compensation Committee also modified the terms of certain options held by certain of our executive officers and senior managers subject to certain conditions including a revocation of 12.6 million existing options. Additionally, a management equity ownership program was adopted that requires these executive officers and senior managers to acquire our common stock at various levels commensurate with their respective compensation levels. The option modifications were accomplished by canceling existing options with exercise prices ranging from $16.78 to 34.31 and issuing a lesser amount of new options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price, specifically $12.27 and $20.00. Additionally, certain new options replacing options that were fully vested, provide for vesting ratably over four years beginning January 1, 1999.

COMMON SHARE REPURCHASES

Our Board of Directors authorized a common share repurchase program pursuant to which the aggregate authorized amount that can be repurchased under the program has been incrementally increased to $2.8 billion. We have executed this program through open-market purchases or privately negotiated transactions. As of January 7, 2000, we repurchased approximately $2.0 billion (105.2 million shares) of our common stock under the program. Subject to bank credit facility covenants, certain rating agency constraints and authorization from our Board of Directors, we anticipate expanding the program, although we can give no assurance with respect to the timing, likelihood or amount of future repurchases under the program.

In July 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. Under the terms of the offer, which commenced June 16, 1999 and expired

July 15, 1999, we had invited shareholders to tender their shares of our common stock at prices between $19.75 and $22.50 per share. We financed the purchase of shares costing $1.11 billion with proceeds received from our June 30, 1999 disposition of our fleet segment.

CASH FLOWS (1998 VS. 1997)

We generated $808.0 million of cash flows from operations in 1998 representing a $405.0 million decrease from 1997. The decrease in cash flows from operations was primarily due to a $391.7 million net increase in mortgage loans held for sale due to increased mortgage loan origination volume.

We used $4.4 billion of cash flows for investing activities in 1998, principally consisting of a $1.5 billion net investment in assets under management and mortgage programs and $2.9 billion of acquisitions and acquisition related payments, which included the acquisitions of NPC and Jackson Hewitt. In 1997, we used $2.3 billion for investing activities including a $1.5 billion net investment in assets under management and mortgage programs and $568.2 million of acquisitions and acquisition related payments. In 1998, cash flows from financing activities of approximately $4.7 billion included $1.55 billion of proceeds from public offerings of senior debt, $3.25 billion of term loan borrowings and $1.4 billion of proceeds from the issuance of FELINE PRIDES and Trust Preferred Securities. Gross cash flows from financing activities were partially offset by $2.0 billion of term loan repayments, $257.7 million of our common stock purchases, and principal repayments of $150.0 million and $144.5 million pertaining to the outstanding 5 7/8 Senior Notes and the 4 3/4% Notes, respectively. Additionally, in 1998 management and mortgage program financing consisted of $1.1 billion of net borrowings which funded our investments in assets under management and mortgage programs. In 1997, cash flows from financing activities of $900.1 million primarily consisted of net borrowings totaling $435.9 million including net proceeds of $543.2 million from the issuance of the 3% Convertible Subordinated Notes in February 1997 and $509.9 million of net borrowings which funded purchases of assets under management and mortgage programs.

CAPITAL EXPENDITURES

In 1998, $355.2 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 1998 included the development of integrated business systems within the Relocation segment as well as investments in systems and office expansion to support growth in the Mortgage segment. We expect to reduce our level of capital spending by approximately 25% in 1999.

YEAR 2000 COMPLIANCE

The following disclosure also constitutes a Year 2000 readiness disclosure statement pursuant to the Year 2000 Readiness and Disclosure Act.

The Year 2000 presents the risk that information systems will be unable to recognize and process date-sensitive information properly from 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. We implemented a Year 2000 initiative in March 1996 that has now been adopted by all of our business units. As part of such initiative, we have selected a team of 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"). We have substantially completed the Identification and Assessment Phases and have identified and assessed five areas of risk: (i) internally developed business applications; (ii) third party vendor software, such as business applications, operating systems and special function software; (iii) computer hardware components; (iv) electronic data transfer systems between us and our customers; and (v) embedded systems,

such as phone switches, check writers and alarm systems. Although no assurances can be made, we believe that we have identified substantially all of our systems, applications and related software that are subject to Year 2000 compliance risk and have either implemented or initiated the implementation of a plan to correct such systems that are not Year 2000 compliant. In addition, as part of our assessment process we are developing contingency plans as necessary. Substantially all of our mission critical systems have been remediated during 1998. However, we cannot directly control the timing of certain Year 2000 compliant vendor products and in certain situations, exceptions to the December 1998 date have been authorized. We are closely monitoring those situations and intend to complete testing efforts and any contingency implementation efforts prior to December 31, 1999. Although we have begun the Testing Phase, we do not anticipate completion of the Testing Phase until sometime prior to December 1999.

We rely on third party service 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. We have initiated an evaluation of the status of such third party service providers' efforts to determine alternative and contingency requirements. While approaches to reducing risks of interruption of business operations vary by business unit, options include identification of alternative service providers available to provide such services if a service provider fails to become Year 2000 compliant within an acceptable timeframe prior to December 31, 1999.

The total cost of our Year 2000 compliance plan is anticipated to be $55.0 million. Approximately $30.0 million of these costs had been incurred through December 31, 1998, and we expect to incur the balance of such costs to complete the compliance plan. We have 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 our future results of operations are not anticipated to be material in any given year. However, if Year 2000 modifications and conversions are not made including modifications by our third party service providers, or are not completed in time, the Year 2000 problem could have a material impact on our operations, cash flows and financial condition. At this time we believe the most likely "worst case" scenario involves potential disruptions in our operations as a result of the failure of services provided by third parties.

The estimates and conclusions herein are forward-looking statements and are based on our 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 our service providers to bring their systems into Year 2000 compliance.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

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 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 12-month period. We will now adopt SFAS No. 133 as required for our first quarterly filing of fiscal year 2001.

In October 1998, the FASB issued SFAS No. 134 "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise", effective for the first fiscal quarter after December 15, 1998. We adopted SFAS No. 134 effective January 1, 1999. SFAS No. 134 requires that after the securitization of mortgage loans, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other interests based on

its ability and intent to sell or hold those investments. On the date SFAS No. 134 was initially applied, we reclassified mortgage-backed securities and other interests retained after the securitization of mortgage loans from the trading to the available for sale category. Subsequent accounting that results from implementing SFAS No. 134 shall be accounted for in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

FORWARD LOOKING STATEMENTS

We make statements about our future results in this Annual Report that may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations and the current economic environment. We caution you that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed our implied in the forward-looking statements. Important assumptions and other important factors that could cause our 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 investigations relating to the previously announced accounting irregularities;

- uncertainty as to our future profitability and our ability to integrate and operate successfully acquired businesses and the risks associated with such businesses, including the merger that created Cendant and the National Parking Corporation acquisition;

- our ability to successfully divest our remaining non-core businesses and assets and implement our plan to create a tracking stock for our new real estate portal;

- our ability to develop and implement operational and financial systems to manage rapidly growing operations;

- competition in our existing and potential future lines of business;

- our ability to obtain financing on acceptable terms to finance our growth strategy and for us to operate within the limitations imposed by financing arrangements; and

- our ability and our vendors; franchisees' and customers' ability to complete the necessary actions to achieve a Year 2000 conversion for computer systems and applications.

We derived the forward-looking statements in this Annual Report from the foregoing factors and from other factors and assumptions, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. We assume 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 we later become aware that they are not likely to be achieved.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 investment in leases and leased vehicles, relocation receivables, 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 credit losses and mortgage servicing revenues and expenses as primary assumptions. 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 a hypothetical 10% weakening or strengthening of the U.S. dollar against all currency exposures of the Company at December 31, 1998.

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 December 31, 1998 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 and assume 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement Schedule Index commencing on page F-1 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required herein has been previously reported on our Form 10-K/A for the year ended December 31, 1997.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's Proxy Statement under the sections titled "Proposal 1: Election of Directors" and "Executive Officers" is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's Proxy Statement under the section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item, except that the information contained in the Proxy Statement under the sub-headings "Pre-Merger Compensation Committee Report on Executive Compensation" and "Performance Graph" is not incorporated herein by reference and is not to be deemed "filed" as part of this filing.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Company's Proxy Statement under the section titled "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Company's Proxy Statement under the section titled "Certain Relationships and Related Transactions" is incorporated herein by reference in response to this item.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

ITEM 14(A)(1) FINANCIAL STATEMENTS

See Financial Statements and Financial Statements Index commencing on page F-1 hereof.

ITEM 14(A)(3) EXHIBITS

See Exhibit Index commencing on page E-1 hereof.

ITEM 14(B) REPORTS ON FORM 8-K

On October 5, 1998, we filed a current report on Form 8-K to report under Item 5 the termination of our agreement to purchase Providian Auto and Home Insurance Company.

On October 14, 1998, we filed a current report on Form 8-K to report under Item 5 its intention to file financial statements of NPC.

On October 14, 1998, we filed a current report on Form 8-K to report under Item 5 the termination of its agreement to purchase American Bankers Insurance Group, Inc. and its intention to repurchase up to $1 billion of common stock.

On October 21, 1998, we filed a current report on Form 8-K to report under Item 5 the filing of financial schedules summarizing restated revenue and EDITDA by business segment for all four quarters of 1997 and the first and second quarters of 1998.

On November 4, 1998, we filed a current report on Form 8-K to report the unaudited pro forma financial statements of the Company giving effect to the acquisition of NPC for the year ended December 31, 1997 and for the six months ended June 30, 1998. We also filed the consolidated financial statements of NPC for the 52-week period ended March 27, 1998.

On November 6, 1998, we filed a current report on Form 8-K to report its third quarter results for the quarter ending September 30, 1998. The Company also reported the execution of certain amendments to its credit facilities.

On November 16, 1998, we filed a current report on Form 8-K to file the unaudited pro forma financial statements of the Company giving effect to the acquisition of NPC for the year ended December 31, 1997 and the nine months ended September 30, 1998.

On November 24, 1998, we filed a current report on Form 8-K announcing the execution of a definitive agreement to sell the Company's consumer software division for $800 million in cash plus potential future cash payments of up to approximately $200 million.

On December 4, 1998, we filed a current report on Form 8-K to file certain required opinions and consents in connection with the sale of the Company's 7 1/2% Notes due 2000 and its 7 3/4% Notes due 2003.

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/ James E. Buckman

James E. Buckman
Vice Chairman and General Counsel
Date: February 4, 2000

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Henry R. Silverman (Henry R. Silverman)	Chairman of the Board, President, Chief Executive Officer and Director	February 4, 2000
/s/ James E. Buckman (James E. Buckman)	Vice Chairman, General Counsel and Director	February 4, 2000
/s/ Stephen P. Holmes (Stephen P. Holmes)	Vice Chairman and Director	February 4, 2000
/s/ Michael P. Monaco (Michael P. Monaco)	Vice Chairman and Director	February 4, 2000
/s/ David M. Johnson (David M. Johnson)	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 4, 2000
/s/ Jon F. Danski (Jon F. Danski)	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 4, 2000
/s/ Robert D. Kunisch (Robert D. Kunisch)	Director	February 4, 2000
/s/ John D. Snodgrass (John D. Snodgrass)	Director	February 4, 2000
/s/ Leonard S. Coleman (Leonard S. Coleman)	Director	February 4, 2000
(Martin L. Edelman)	Director	February 4, 2000

SIGNATURE	TITLE	DATE
/s/ Carole G. Hankin (Dr. Carole G. Hankin)	Director	February 4, 2000
/s/ The Rt. Hon. Brian Mulroney, P.C., LL.D (The Rt. Hon. Brian Mulroney, P.C., LL.D)	Director	February 4, 2000
/s/ Robert W. Pittman (Robert W. Pittman)	Director	February 4, 2000
/s/ Leonard Schutzman (Leonard Schutzman)	Director	February 4, 2000
(Robert F. Smith)	Director	February 4, 2000
/s/ Robert E. Nederlander (Robert E. Nederlander)	Director	February 4, 2000

EXHIBITS:

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated March 23, 1998 among the Company, Season Acquisition Corp. and American Bankers Insurance Group, Inc. (incorporated by reference to Exhibit C2 to the Schedule 14D-1 (Amendment 31), dated March 23, 1998, filed by the Company and Season Acquisition Corp.)*
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 4.1 to the Company's Post Effective Amendment No. 2 on Form S-8 to the Registration Statement on Form S-4, No. 333-34517, dated December 17, 1997)*
3.2	Amended and Restated ByLaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 4, 1998)*
4.1	Form of Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement, No. 33-44453, on Form S-4 dated December 19, 1991)*
4.2	Indenture dated as of February 11, 1997, between CUC International Inc. and Marine Midland Bank, as trustee (filed as Exhibit 4(a) to the Company's Report on Form 8-K filed February 13, 1997)*
4.3	Indenture between HFS Incorporated and Continental Bank, National Association, as trustee (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-71736), Exhibit No. 4.1)*
4.4	Indenture dated as of February 28, 1996 between HFS Incorporated and First Trust of Illinois, National Association, as trustee (Incorporated by reference to HFS Incorporated's Current Report on Form 8-K dated March 8, 1996, Exhibit 4.01)*
4.5	Supplemental Indenture No. 1 dated as of February 28, 1996 between HFS Incorporated and First Trust of Illinois, National Association, as trustee (Incorporated by reference to HFS Incorporated's Current Report on Form 8-K dated March 8, 1996, Exhibit 4.02)*
4.6	Indenture, dated as of February 24, 1998, between the Company and The Bank of Nova Scotia Trust Company of New York, as Trustee (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.7	First Supplemental Indenture dated February 24, 1998, between the Company and The Bank of Nova Scotia Trust Company of New York, as Trustee (Incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K, dated March 6, 1998)*
4.8	Amended and Restated Declaration of Trust of Cendant Capital I. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.9	Preferred Securities Guarantee Agreement dated March 2, 1998, between by Cendant Corporation and Wilmington Trust Company. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.10	Purchase Contract Agreement (including as Exhibit A the form of the Income PRIDES and as Exhibit B the form of the Growth PRIDES), dated March 2, 1998, between Cendant Corporation and The First National Bank of Chicago (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 6, 1998)*
4.11	Purchase Agreement (including as Exhibit A the form of the Warrant for the Purchase of Shares of Common Stock), dated December 15, 1999, between Cendant Corporation and Liberty Media Corporation.

EXHIBIT NO.	DESCRIPTION
10.1-10.38	Material Contracts, Management Contracts, Compensatory Plans and Arrangements **
10.1(a)	Agreement with Henry R. Silverman, dated June 30, 1996 and as amended through December 17, 1997 (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.1(b)	Amendment to Agreement with Henry R. Silverman, dated December 31, 1998. **
10.2(a)	Agreement with Stephen P. Holmes, dated September 12, 1997 (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.2(b)	Amendment to Agreement with Stephen P. Holmes, dated January 11, 1999. **
10.3(a)	Agreement with Michael P. Monaco, dated September 12, 1997 (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.3(b)	Amendment to Agreement with Michael Monaco, dated December 23, 1998. **
10.4(a)	Agreement with James E. Buckman, dated September 12, 1997 (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-4, Registration No. 333-34571)*
10.4(b)	Amendment to Agreement with James E. Buckman, dated January 11, 1999. **
10.5	1987 Stock Option Plan, as amended (filed as Exhibit 10.16 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.6	1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.17 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.7	1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.18 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.8	1994 Directors Stock Option Plan, as amended (filed as Exhibit 10.19 to the Company's Form 10-Q for the period ended October 31, 1996)*
10.9	1997 Stock Option Plan (filed as Exhibit 10.23 to the Company's Form 10-Q for the period ended April 30, 1997)*
10.10	1997 Stock Incentive Plan (filed as Appendix E to the Joint Proxy Statement/ Prospectus included as part of the Company's Registration Statement, No. 333-34517, on Form S-4 dated August 28, 1997)*
10.11	HFS Incorporated's Amended and Restated 1993 Stock Option Plan (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 33-83956), Exhibit 4.1)*
10.12(a)	First Amendment to the Amended and Restated 1993 Stock Option Plan dated May 5, 1995. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 33-094756), Exhibit 4.1)*
10.12(b)	Second Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996. (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(b))*
10.12(c)	Third Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996. (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(c))*
10.12(d)	Fourth Amendment to the Amended and Restated 1993 Stock Option Plan dated May 20, 1996. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-8 (Registration No. 333-06733), Exhibit 4.5)*

EXHIBIT NO.	DESCRIPTION
10.12(e)	Fifth Amendment to the Amended and Restated 1993 Stock Option Plan dated July 24, 1996 (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(e))*
10.12(f)	Sixth Amendment to the Amended and Restated 1993 Stock Option Plan dated September 24, 1996 (Incorporated by reference to the HFS Incorporated's Annual Report on Form 10-K for fiscal year ended December 31, 1995, Exhibit 10.21(e))*
10.12(g)	Seventh Amendment to the Amended and Restated 1993 Stock Option Plan dated as of April 30, 1997 (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, Exhibit 10.17(g))*
10.12(h)	Eighth Amendment to the Amended and Restated 1993 Stock Option Plan dated as of May 27, 1997 (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Exhibit 10.17(h))*
10.13	HFS Incorporated's 1992 Incentive Stock Option Plan and Form of Stock Option Agreement. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.6)*
10.14	Cendant Corporation 1992 Employee Stock Plan (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 dated January 29, 1998 (Registration No. 333-45183))*
10.15	Cendant Corporation Deferred Compensation Plan **
10.16	Agreement and Plan of Merger, by and among HFS Incorporated, HJ Acquisition Corp. and Jackson Hewitt, Inc., dated as of November 19, 1997. (Incorporated by reference to Exhibit 10.1 to HFS Incorporated's Current Report on Form 8-K dated August 14, 1997, File No. 111402)*
10.17	Form of Underwriting Agreement for Debt Securities (Incorporated by reference to Exhibit 1.1 to the Company's Registration Statement on Form S-3, Registration No. 333-45227)*
10.18	Underwriting Agreement dated February 24, 1998 among the Company, Cendant Capital I, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Chase Securities Inc. (Incorporated by reference to the Company's Form 8-K dated March 6, 1998, Exhibit 1.1)*
10.19	Registration Rights Agreement dated as of February 11, 1997, between CUC International Inc. and Goldman, Sachs & Co. (for itself and on behalf of the other purchasers party thereto)(filed as Exhibit 4(b) to the Company's Report on Form 8-K filed February 13, 1997)*
10.20	Agreement and Plan of Merger between CUC International Inc. and HFS Incorporated, dated as of May 27, 1997 (filed as Exhibit 2.1 to the Company's Report on Form 8-K filed on May 29, 1997)*
10.21(a)	$750,000,000 Five Year Revolving Credit and Competitive Advance Facility Agreement, dated as of October 2, 1996, among the Company, the several banks and other financial institutions from time to time parties thereto and The Chase Manhattan Bank, as Administrative Agent and CAF Agent (Incorporated by reference to Exhibit (b)(1) to the Schedule 14-D1 filed by the Company on January 27, 1998, File No. 531838)*

EXHIBIT NO.	DESCRIPTION
10.21(b)	Amendment, dated as of October 30, 1998, to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of October 2, 1998, by and among the Company, the general institutions, parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated February 10, 1999)*
10.22(a)	$1,250,000 364-Day Revolving Credit and Competitive Advance Facility Agreement, dated October 2, 1996, as amended and restated through October 30, 1998, among the Company, the several banks and other financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as Administrative Agent and as Lead Manager (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 5, 1998). *
10.22(b)	Amendment, dated as of February 4, 1999, to the Five-Year Competitive Advance and Revolving Credit Agreement and the 364-Day Competitive Advance and Revolving Credit Agreement among the Company, the lenders therein and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 99.2 to the Company's Form 8-K dated February 16, 1999)*.
10.23	Distribution Agreement, dated March 5, 1998, among the Company, Bear, Stearns & Co., Inc., Chase Securities Inc., Lehman Brothers and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (Incorporated by reference to the Company's Current Report on Form 8-K, dated March 10, 1998)*
10.24(a)	364-Day Credit Agreement Among PHH Corporation, PHH Vehicle Management Services, Inc., the Lenders, the Chase Manhattan Bank, as Administrative Agent and the Chase Manhattan Bank of Canada, as Canadian Agent, Dated March 5, 1999. **
10.24(b)	Five-year Credit Agreement ("PHH Five-year Credit Agreement") among PHH Corporation, the Lenders, and Chase Manhattan Bank, as Administrative Agent, dated March 4, 1997 (Incorporated by reference from Exhibit 10.2 to Registration Statement 333-27715)*
10.24(c)	Second Amendment to PHH Credit Agreements (Incorporated by reference to PHH Incorporated's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, Exhibit 10.1)*
10.24(d)	Third Amendment to PHH Credit Agreements (Incorporated by reference to PHH Incorporated's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, Exhibit 10.1)*
10.24(e)	Fourth Amendment dated as of November 2, 1998, to PHH Five-Year Credit Agreement. **
10.25	Indenture between the Company and Bank of New York, Trustee, dated as of May 1, 1992 (Incorporated by reference from Exhibit 4(a)(iii) to Registration Statement 33-48125)*
10.26	Indenture between the Company and First National Bank of Chicago, Trustee, dated as of March 1, 1993 (Incorporated by reference from Exhibit 4(a)(i) to Registration Statement 33-59376)*
10.27	Indenture between the Company and First National Bank of Chicago, Trustee, dated as of June 5, 1997 (Incorporated by reference from Exhibit 4(a) to Registration Statement 333-27715)*
10.28	Indenture between the Company and Bank of New York, Trustee dated as of June 5, 1997 (Incorporated by reference from Exhibit 4(a)(11) to Registration Statement 333-27715)*

EXHIBIT NO.	DESCRIPTION
10.29	Distribution Agreement between the Company and CS First Boston Corporation; Goldman, Sachs & Co.; Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith, Incorporated; and J.P. Morgan Securities, Inc. dated November 9, 1995 (Incorporated by reference from Exhibit 1 to Registration Statement 33-63627)*
10.30	Distribution Agreement between the Company and Credit Suisse; First Boston Corporation; Goldman Sachs & Co. and Merrill Lynch & Co., dated June 5, 1997 filed as Exhibit 1 to Registration Statement 333-27715*
10.31	Distribution Agreement, dated March 2, 1998, among PHH Corporation, Credit Suisse First Boston Corporation, Goldman Sachs & Co., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith, Incorporated and J.P. Morgan Securities, Inc., filed as Exhibit 1 to Form 8-K dated March 3, 1998, File No. 107797*
10.32	Registration Rights Agreement, dated as of November 12, 1996, by and between HFS Incorporated and Ms. Christel DeHaan (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-3 (Registration No. 333-17371), Exhibit 2.2)*
10.33	License Agreement dated as of September 18, 1989 amended and restated as of July 15, 1991 between Franchise System Holdings, Inc. and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.2)*
10.34	Restructuring Agreement dated as of July 15, 1991 by and among New World Development Co., Ltd., Ramada International Hotels & Resorts, Inc. Ramada Inc., Franchise System Holdings, Inc., HFS Incorporated and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.3)*
10.35	License Agreement dated as of November 1, 1991 between Franchise Systems Holdings, Inc. and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.4)*
10.36	Amendment to License Agreement, Restructuring Agreement and Certain Other Restructuring Documents dated as of November 1, 1991 by and among New World Development Co., Ltd., Ramada International Hotels & Resorts, Inc., Ramada Inc., Franchise System Holdings, Inc., HFS Incorporated and Ramada Franchise Systems, Inc. (Incorporated by reference to HFS Incorporated's Registration Statement on Form S-1 (Registration No. 33-51422), Exhibit No. 10.5)*
10.37	Master License Agreement dated July 30, 1997, among HFS Car Rental, Inc., Avis Rent A Car System, Inc. and Wizard Co. (Incorporated by reference to HFS Incorporated Form 10-Q for the quarter ended June 30, 1997, Exhibit 10.1)*
10.38	Term Loan Agreement, dated as of February 9, 1999, among Cendant Corporation, as Borrower, the Lenders referred therein, Bank of America NT & SA, as Syndication Agent, Barclays Bank, PLC, The Bank of Nova Scotia, Credit Lyonnais New York Branch, as CoDocumentation Agents, First Union National Bank, and The Industrial Bank of Japan, Limited, New York Branch, as Managing Agents, Credit Suisse First Boston, The Sumitomo Bank, Limited, New York Branch, Banque Paribas, as CoAgents and The Chase Manhattan Bank, as Administrative Agent (incorporated by reference to Cendant Corporation's Form 8-K dated February 16, 1999 (File No. 110308)). *
10.39	Internet Cooperation Agreement (including as Exhibit A the Third Party/Industry Advertising Restrictions), dated October 1, 1999, between CompleteHome Operations, Inc. and Century 21 Real Estate Corporation.

EXHIBIT NO.	DESCRIPTION
10.40	Internet Cooperation Agreement (including as Exhibit A the Third Party/Industry Advertising Restrictions), dated October 1, 1999, between CompleteHome Operations, Inc. and Coldwell Banker Real Estate Corporation.
10.41	Internet Cooperation Agreement (including as Exhibit A the Third Party/Industry Advertising Restrictions), dated October 1, 1999, between CompleteHome Operations, Inc. and ERA Franchise Systems, Inc.
10.42	Internet Cooperation Agreement dated September 30, 1999 between CompleteHome.com, Inc. and Getko Group, Inc.
12	Statement Re: Computation of Consolidated Ratio to Earnings to Combined Fixed Charges and Preferred Stock Dividends
16.1	Letter re: change in certifying accountant (Incorporated by reference to the Company's Form 8-K dated January 27, 1998)*
16.2	Letter re: change in certifying accountant of a significant subsidiary (Incorporated by reference to the Company's Form 8-K dated May 18, 1998)*
21	Subsidiaries of Registrant **
23.1	Consent of Deloitte & Touche LLP related to the financial statements of Cendant Corporation
23.2	Consent of KPMG LLP relating to the financial statements of PHH Corporation
27	Financial data schedule
99.1	RCI Compound Annual Growth Rate

- ------------

* Incorporated by reference

** Previously included in the Annual Report on Form 10-K/A of Cendant Corporation for the year ended December 31, 1998, filed with the Securities and Exchange Commission October 12, 1999.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Cendant Corporation

We have audited the consolidated balance sheets of Cendant Corporation and subsidiaries (the "Company") as of December 31, 1998 and 1997 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the statements of income, shareholders' equity, and cash flows of PHH Corporation (a consolidated subsidiary of Cendant Corporation) for the year ended December 31, 1996 which statements reflect net income of $87.7 million. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PHH Corporation, is based solely on the report of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cendant Corporation and subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

As discussed in Notes 18 and 27 to the consolidated financial statements, the Company reached a preliminary agreement to settle the principal securities class action related to the discovery of accounting irregularities in certain former CUC International Inc. business units. Additionally, as discussed in Note 2, effective January 1, 1997 the Company changed its method of recognizing revenue and membership solicitation costs for its individual membership business.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
January 7, 2000

INDEPENDENT AUDITORS' REPORT

The Board of Directors
PHH Corporation

We have audited the consolidated statement of income, shareholder's equity and cash flows of PHH Corporation and subsidiaries (the "Company") for the year ended December 31, 1996, before the restatement related to the merger of Cendant Corporation's relocation business with the Company and reclassifications to conform to the presentation used by Cendant Corporation, not presented separately herein. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements (before restatement and reclassifications) referred to above present fairly, in all material respects, the results of operations of PHH Corporation and subsidiaries and their cash flows for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ KPMG LLP
Baltimore, Maryland
April 30, 1997

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

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
REVENUES			
Membership and service fees, net	$5,080.7	$4,083.4	$3,147.0
Fleet leasing (net of depreciation and interest costs of $1,279.4, $1,205.2 and $1,132.4)	88.7	59.5	56.7
Other	114.4	97.1	34.0
Net revenues	5,283.8	4,240.0	3,237.7
EXPENSES			
Operating	1,869.1	1,322.3	1,183.2
Marketing and reservation	1,158.5	1,031.8	910.8
General and administrative	666.3	636.2	341.0
Depreciation and amortization	322.7	237.7	145.5
Other charges			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Investigation-related costs	33.4	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Financing costs	35.1	--	--
Interest, net	113.9	50.6	14.3
Total expenses	4,968.8	3,982.7	2,704.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	315.0	257.3	533.5
Provision for income taxes	104.5	191.0	220.2
Minority interest, net of tax	50.6	--	--
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	159.9	66.3	313.3
Income (loss) from discontinued operations, net of tax	(25.0)	(26.8)	16.7
Gain on sale of discontinued operations, net of tax	404.7	--	--
INCOME BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	539.6	39.5	330.0
Extraordinary gain, net of tax	--	26.4	--
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	539.6	65.9	330.0
Cumulative effect of accounting change, net of tax	--	(283.1)	--
NET INCOME (LOSS)	$ 539.6	$ (217.2)	$ 330.0
INCOME (LOSS) PER SHARE			
BASIC			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.19	$ 0.08	$ 0.41
Income (loss) from discontinued operations	(0.03)	(0.03)	0.03
Gain on sale of discontinued operations	0.48	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
NET INCOME (LOSS)	$ 0.64	$ (0.27)	$ 0.44
DILUTED			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.18	$ 0.08	$ 0.39
Income (loss) from discontinued operations	(0.03)	(0.03)	0.02
Gain on sale of discontinued operations	0.46	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
NET INCOME (LOSS)	$ 0.61	$ (0.27)	$ 0.41

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	DECEMBER 31,	
	1998	1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,008.7	$ 67.0
Receivables (net of allowance for doubtful accounts of $123.3 and $61.5)	1,536.4	1,170.7
Deferred membership commission costs	253.0	169.5
Deferred income taxes	466.6	311.9
Other current assets	908.6	641.2
Net assets of discontinued operations	373.6	273.3
Total current assets	4,546.9	2,633.6
Property and equipment, net	1,432.8	544.7
Franchise agreements, net	1,363.2	1,079.6
Goodwill, net	3,923.1	2,148.2
Other intangibles, net	757.1	624.3
Other assets	681.5	599.3
Total assets exclusive of assets under programs	12,704.6	7,629.7
Assets under management and mortgage programs		
Net investment in leases and leased vehicles	3,801.1	3,659.1
Relocation receivables	659.1	775.3
Mortgage loans held for sale	2,416.0	1,636.3
Mortgage servicing rights	635.7	373.0
	7,511.9	6,443.7
TOTAL ASSETS	$20,216.5	$14,073.4

See accompanying notes to consolidated financial statements.

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

	DECEMBER 31, 1998	DECEMBER 31, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 1,517.5	$ 1,492.4
Deferred income	1,354.2	1,042.0
Total current liabilities	2,871.7	2,534.4
Deferred income	233.9	292.1
Long-term debt	3,362.9	1,246.0
Deferred income taxes	77.2	70.9
Other non-current liabilities	125.3	110.3
Total liabilities exclusive of liabilities under programs	6,671.0	4,253.7
Liabilities under management and mortgage programs		
Debt	6,896.8	5,602.6
Deferred income taxes	341.0	295.7
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	1,472.1	--
Commitments and contingencies (Note 18)		
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 860,551,783 and 838,333,800 shares	8.6	8.4
Additional paid-in capital	3,863.4	3,085.0
Retained earnings	1,480.2	940.6
Accumulated other comprehensive loss	(49.4)	(38.2)
Treasury stock, at cost, 27,270,708 and 6,545,362 shares	(467.2)	(74.4)
Total shareholders' equity	4,835.6	3,921.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$20,216.5	$14,073.4

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN MILLIONS)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT JANUARY 1, 1996.........	725.2	$7.3	$1,041.9	$ 905.1	$(25.1)	$(31.0)	$1,898.2
COMPREHENSIVE INCOME:							
Net income........................	--	--	--	330.0	--	--	
Currency translation adjustment ..	--	--	--	--	12.2	--	
Net unrealized gain on marketable securities......................	--	--	--	--	6.5	--	
TOTAL COMPREHENSIVE INCOME.........	--	--	--	--	--	--	348.7
Issuance of common stock...........	63.3	.6	1,627.9	--	--	--	1,628.5
Exercise of stock options by payment of cash and common stock .	14.0	.1	74.6	--	--	(25.5)	49.2
Restricted stock issuance..........	1.4	--	--	--	--	--	--
Amortization of restricted stock ..	--	--	2.3	--	--	--	2.3
Tax benefit from exercise of stock options...........................	--	--	78.9	--	--	--	78.9
Cash dividends declared and other equity distributions.............	--	--	--	(41.3)	--	--	(41.3)
Adjustment to reflect change in fiscal years of pooled entities ..	--	--	(.6)	(7.1)	--	--	(7.7)
Conversion of convertible notes ...	3.8	.1	18.0	--	--	--	18.1
Purchase of common stock...........	--	--	--	--	--	(19.2)	(19.2)
BALANCE AT DECEMBER 31, 1996	807.7	$8.1	$2,843.0	$1,186.7	$ (6.4)	$(75.7)	$3,955.7

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(IN MILLIONS)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
BALANCE AT JANUARY 1, 1997	807.7	$8.1	$2,843.0	$1,186.7	$ (6.4)	$ (75.7)	$3,955.7
COMPREHENSIVE LOSS:							
Net loss	--	--	--	(217.2)	--	--	
Currency translation adjustment .	--	--	--	--	(27.6)	--	
Net unrealized loss on marketable securities	--	--	--	--	(4.2)	--	
TOTAL COMPREHENSIVE LOSS	--	--	--	--	--	--	(249.0)
Issuance of common stock	6.2	--	46.3	--	--	--	46.3
Exercise of stock options by payment of cash and common stock	11.4	.1	132.8	--	--	(17.8)	115.1
Restricted stock issuance	.2	--	--	--	--	--	--
Amortization of restricted stock ..	--	--	28.5	--	--	--	28.5
Tax benefit from exercise of stock options	--	--	93.5	--	--	--	93.5
Cash dividends declared	--	--	--	(6.6)	--	--	(6.6)
Adjustment to reflect change in fiscal year from Cendant Merger .	--	--	--	(22.3)	--	--	(22.3)
Conversion of convertible notes ...	20.2	.2	150.9	--	--	--	151.1
Purchase of common stock	--	--	--	--	--	(171.3)	(171.3)
Retirement of treasury stock	(7.4)	--	(190.4)	--	--	190.4	--
Other		--	(19.6)	--	--	--	(19.6)
BALANCE AT DECEMBER 31, 1997	838.3	$8.4	$3,085.0	$ 940.6	$(38.2)	$ (74.4)	$3,921.4

See accompanying notes to consolidated financial statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(IN MILLIONS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT JANUARY 1, 1998	838.3	$8.4	$3,085.0	$ 940.6	$(38.2)	$ (74.4)	$3,921.4
COMPREHENSIVE INCOME:							
Net income	--	--	--	539.6	--	--	
Currency translation adjustment .	--	--	--	--	(11.2)	--	
TOTAL COMPREHENSIVE INCOME	--	--	--	--	--	--	528.4
Exercise of stock options by payment of cash and common stock	16.4	.1	168.4	--	--	(.2)	168.3
Amortization of restricted stock ..	--	--	.7	--	--	--	.7
Tax benefit from exercise of stock options	--	--	147.3	--	--	--	147.3
Conversion of convertible notes ...	5.9	.1	113.7	--	--	--	113.8
Purchase of common stock	--	--	--	--	--	(257.7)	(257.7)
Mandatorily redeemable preferred securities issued by subsidiary .	--	--	(65.7)	--	--	--	(65.7)
Common stock received asconsideration in sale of discontinued operations...........	--	--	--	--	--	(134.9)	(134.9)
Rights issuable	--	--	350.0	--	--	--	350.0
Other	--	--	64.0	--	--	--	64.0
BALANCE AT DECEMBER 31, 1998	860.6	$8.6	$3,863.4	$1,480.2	$(49.4)	$(467.2)	$4,835.6

See accompanying notes to consolidated financial statements.

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

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
OPERATING ACTIVITIES			
Net income (loss)	$ 539.6	$ (217.2)	$ 330.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
(Income) loss from discontinued operations, net of tax	25.0	26.8	(16.7)
Gain on sale of discontinued operations, net of tax	(404.7)	--	--
Non cash charges:			
Litigation settlement	351.0	--	--
Extraordinary gain on sale of subsidiary, net of tax	--	(26.4)	--
Cumulative effect of accounting change, net of tax	--	283.1	--
Asset impairments and termination benefits	62.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Payments of merger-related costs and other unusual charge liabilities	(158.2)	(317.7)	(61.3)
Depreciation and amortization	322.7	237.7	145.5
Membership acquisition costs	--	--	(512.1)
Amortization of membership costs	--	--	492.3
Proceeds from sales of trading securities	136.1	--	--
Purchases of trading securities	(181.6)	--	--
Deferred income taxes	(110.8)	(23.8)	68.8
Net change in assets and liabilities from continuing operations:			
Receivables	(126.0)	(95.6)	(122.1)
Deferred membership commission costs	(86.8)	--	--
Income taxes receivable	(97.9)	(84.0)	(18.3)
Accounts payable and other current liabilities	95.9	(87.0)	14.3
Deferred income	82.3	134.0	43.9
Other, net	(54.1)	(54.9)	71.2
NET CASH PROVIDED BY CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	327.8	479.1	544.9
Management and mortgage programs:			
Depreciation and amortization	1,259.9	1,121.9	1,021.8
Origination of mortgage loans	(26,571.6)	(12,216.5)	(8,292.6)
Proceeds on sale and payments from mortgage loans held for sale	25,791.9	11,828.5	8,219.3
	480.2	733.9	948.5
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	808.0	1,213.0	1,493.4
INVESTING ACTIVITIES			
Property and equipment additions	(355.2)	(154.5)	(101.2)
Proceeds from sales of marketable securities	--	506.1	72.4
Purchases of marketable securities	--	(458.1)	(125.6)
Investments	(24.4)	(272.5)	(12.7)
Net assets acquired (net of cash acquired) and acquisition-related payments	(2,852.0)	(568.2)	(1,608.6)
Net proceeds from sale of subsidiary	314.8	224.0	--
Other, net	106.5	(108.7)	(56.2)
NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	(2,810.3)	(831.9)	(1,831.9)

See accompanying notes to consolidated financial statements.

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

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Management and mortgage programs:			
Investment in leases and leased vehicles	$(2,446.6)	$(2,068.8)	$(1,901.2)
Payments received on investment in leases and leased vehicles	987.0	589.0	595.9
Proceeds from sales and transfers of leases and leased vehicles to third parties	182.7	186.4	162.8
Equity advances on homes under management	(6,484.1)	(6,844.5)	(4,308.0)
Repayment on advances on homes under management	6,624.9	6,862.6	4,348.9
Additions to mortgage servicing rights	(524.4)	(270.4)	(164.4)
Proceeds from sales of mortgage servicing rights	119.0	49.0	7.1
	(1,541.5)	(1,496.7)	(1,258.9)
NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(4,351.8)	(2,328.6)	(3,090.8)
FINANCING ACTIVITIES			
Proceeds from borrowings	4,808.3	66.7	459.1
Principal payments on borrowings	(2,595.9)	(174.0)	(3.5)
Issuance of convertible debt	--	543.2	--
Issuance of common stock	171.0	132.2	1,223.8
Purchases of common stock	(257.7)	(171.3)	(19.2)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary, net	1,446.7	--	--
Other, net	--	(6.6)	(121.3)
NET CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS	3,572.4	390.2	1,538.9
Management and mortgage programs:			
Proceeds from debt issuance or borrowings	4,300.0	2,816.3	1,656.0
Principal payments on borrowings	(3,089.7)	(1,692.9)	(1,645.9)
Net change in short-term borrowings	(93.1)	(613.5)	231.8
	1,117.2	509.9	241.9
NET CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	4,689.6	900.1	1,780.8
Effect of changes in exchange rates on cash and cash equivalents	(16.4)	15.4	(46.2)
Cash provided by (used in) discontinued operations	(187.7)	(181.0)	85.8
Net increase (decrease) in cash and cash equivalents	941.7	(381.1)	223.0
Cash and cash equivalents, beginning of period	67.0	448.1	225.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,008.7	$ 67.0	$ 448.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest payments	$ 623.6	$ 374.9	$ 291.7
Income tax payments, net	$ (23.0)	$ 264.5	$ 89.4

See accompanying notes to consolidated financial statements.

1. BACKGROUND

Cendant Corporation, together with its subsidiaries (the "Company"), is one of the foremost providers of real estate related, travel related and membership-based consumer and business services in the world. The Company was created through the merger (the "Cendant Merger") of HFS Incorporated ("HFS") and CUC International Inc. ("CUC") in December 1997, which was accounted for as a pooling of interests. Prior to the Cendant Merger, both HFS and CUC had grown significantly through mergers and acquisitions accounted for under both the pooling of interests method (the most significant being the merger of HFS with PHH Corporation ("PHH") in April 1997 (the "PHH Merger")) and purchase method of accounting (See Note 4). The accompanying consolidated financial statements and notes hereto are presented as if all mergers and acquisitions accounted for as poolings of interests have operated as one entity since inception. The amended consolidated financial statements presented herein are the Company's historical financial statements for the periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts and transactions of the Company together with its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

MARKETABLE SECURITIES

The Company determines the appropriate classification of marketable securities at the time of purchase and re-evaluates such determination as of each balance sheet date. Marketable securities classified as available for sale are carried at fair value with unrealized gains and losses included in the determination of comprehensive income and reported as a component of shareholders' equity. Marketable securities classified as trading securities are reported at fair value with unrealized gains and losses recognized in earnings. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. During 1998, unrealized holding gains on trading securities of approximately $16.0 million were included in other revenue in the consolidated statements of operations. Marketable securities consist principally of mutual funds, corporate bonds and other debt securities. The cost of marketable securities sold is determined on the specific identification method.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed by the straight-line method over the estimated useful lives of the related assets or the lease term, if shorter.

FRANCHISE AGREEMENTS

Franchise agreements for hotel, real estate brokerage, car rental and tax return preparation services are recorded at their acquired fair values and are amortized on a straight-line basis over the estimated

periods to be benefited, ranging from 12 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $169.1 million and $126.4 million, respectively.

GOODWILL

Goodwill, which represents the excess of cost over fair value of net assets acquired, is amortized on a straight-line basis over the estimated useful lives, substantially ranging from 25 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $248.3 million and $177.2 million, respectively.

ASSET IMPAIRMENTS

The Company periodically evaluates the recoverability of its investments, intangible assets and long-lived assets, comparing the respective carrying values to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. Property and equipment is evaluated separately within each business. The recoverability of goodwill and franchise agreements is evaluated on a separate basis for each acquisition and franchise brand, respectively. Any enterprise goodwill and franchise agreements are also evaluated using the undiscounted cash flow method.

Based on an evaluation of its intangible assets and in connection with the Company's regular forecasting processes, the Company determined that $37.0 million of goodwill associated with a Company subsidiary, National Library of Poetry, was permanently impaired. In addition, the Company had equity investments in interactive businesses, which were generating negative cash flows and were unable to access sufficient liquidity through equity or debt offerings. As a result, the Company wrote off $13.0 million of such investments. The aforementioned impairments impacted the Company's Other services segment and are classified as operating expenses in the consolidated statements of operations.

REVENUE RECOGNITION AND BUSINESS OPERATIONS

Franchising. Franchise revenue principally consists of royalties as well as marketing and reservation fees, which are based on a percentage of franchisee revenue. Royalty, marketing and reservation fees are accrued as the underlying franchisee revenue is earned. Franchise revenue also includes initial franchise fees, which are recognized as revenue when all material services or conditions relating to the sale have been substantially performed which is generally when a franchised unit is opened.

Timeshare. Timeshare revenue principally consists of exchange fees and subscription revenue. Exchange fees are recognized as revenue when the exchange request has been confirmed to the subscribing members. Subscription revenue represents the fees from subscribing members. There is no separate fee charged for the participation in the RCI exchange network. Subscription revenue, net of related procurement costs, is deferred upon receipt and recognized as revenue over the subscription period during which delivery of publications and other services are provided to the subscribing members. Subscriptions are cancelable and refundable on a prorata basis.

Subscription procurement costs are expensed as incurred. Such costs were $31.3 million, $26.7 million and $1.0 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Individual Membership. Membership revenue is generally recognized upon the expiration of the membership period. Memberships are generally cancelable for a full refund of the membership fee during the entire membership period, generally one year.

In August 1998, the Company changed its accounting policy with respect to revenue and expense recognition for its membership businesses, effective January 1, 1997. Prior to such adoption, the Company recorded deferred membership income, net of estimated cancellations, at the time members were billed (upon expiration of the free trial period), which was recognized as revenue ratably over the membership term and modified periodically based on actual cancellation experience. In addition, membership acquisition and renewal costs, which related primarily to membership solicitations were capitalized as direct response advertising costs due to the Company's ability to demonstrate that the direct response advertising resulted in future economic benefits. Such costs were amortized on a straight-line basis as revenues were recognized (over the average membership period).

The Company concluded that when membership fees are fully refundable during the entire membership period, membership revenue should be recognized at the end of the membership period upon the expiration of the refund offer. The Company further concluded that non-refundable solicitation costs should be expensed as incurred since such costs are not recoverable if membership fees are refunded. The Company adopted such accounting policies effective January 1, 1997 and accordingly, recorded a non-cash after-tax charge on such date of $283.1 million to account for the cumulative effect of the accounting change.

Insurance/Wholesale. Commissions received from the sale of third party accidental death and dismemberment insurance are recognized over the underlying policy period. The Company also receives a profit commission based on premiums less claims and certain other expenses (including the above commissions). Such profit commissions are accrued based on claims experience to date, including an estimate of claims incurred but not reported.

Relocation. Relocation services provided by the Company include facilitating the purchase and resale of the transferee's residence, providing equity advances on the transferee's residence and home management services. The home is purchased under a contract of sale and the Company obtains a deed to the property; however, it does not generally record the deed or transfer title. Transferring employees are provided equity advances on their home based on an appraised value generally determined by independent appraisers, after deducting any outstanding mortgages. The mortgage is generally retired concurrently with the advance of the equity and the purchase of the home. Based on its client agreements, the Company is given parameters under which it negotiates for the ultimate sale of the home. The gain or loss on resale is generally borne by the client corporation. In certain transactions, the Company will assume the risk of loss on the sale of homes; however, in such transactions, the Company will control all facets of the resale process, thereby, limiting its exposure.

While homes are held for resale, the amount funded for such homes carry an interest charge computed at a floating rate based on various indices. Direct costs of managing the home during the period the home is held for resale, including property taxes and repairs and maintenance, are generally borne by the client corporation. The client corporation normally advances funds to cover a portion of such carrying costs. When the home is sold, a settlement is made with the client corporation netting actual costs with any advanced funding.

Revenues and related costs associated with the purchase and resale of a residence are recognized over the period in which services are provided. Relocation services revenue is recorded net of costs reimbursed by client corporations and interest expenses incurred to fund the purchase of a transferee's residence. Under the terms of contracts with client corporations, the Company is generally protected against losses from changes in real estate market conditions. The Company also offers fee-based programs such as home marketing assistance, household goods moves and destination services. Revenues from these fee-based services are taken into income over the periods in which the services are provided and the related expenses are incurred.

Fleet. The Company primarily leases its vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). See Note 10 -- Net Investment in Leases and Leased Vehicles. Each lease is either classified as an operating lease or direct financing lease, as defined. Lease revenues are recognized based on rentals. Revenues from fleet management services other than leasing are recognized over the period in which services are provided and the related expenses are incurred.

Mortgage. Loan origination fees, commitment fees paid in connection with the sale of loans, and direct loan origination costs associated with loans is deferred until such loans are sold. Mortgage loans are recorded at the lower of cost or market value on an aggregate basis. Sales of mortgage loans are generally recorded on the date a loan is delivered to an investor. Gains or losses on sales of mortgage loans are recognized based upon the difference between the selling price and the carrying value of the related mortgage loans sold. See Note 11 -- Mortgage Loans Held For Sale.

Fees received for servicing loans owned by investors are based on the difference between the weighted average yield received on the mortgages and the amount paid to the investor, or on a stipulated percentage of the outstanding monthly principal balance on such loans. Servicing fees are credited to income when received. Costs associated with loan servicing are charged to expense as incurred.

The Company recognizes as separate assets the rights to service mortgage loans for others by allocating total costs incurred between the loan and the servicing rights retained based on their relative fair values. The carrying value of mortgage servicing rights ("MSRs") is amortized over the estimated life of the related loan portfolio in proportion to projected net servicing revenues. Such amortization is recorded as a reduction of loan servicing fees in the consolidated statements of operations. Projected net servicing income is in turn determined on the basis of the estimated future balance of the underlying mortgage loan portfolio, which declines over time from prepayments and scheduled loan amortization. The Company estimates future prepayment rates based on current interest rate levels, other economic conditions and market forecasts, as well as relevant characteristics of the servicing portfolio, such as loan types, interest rate stratification and recent prepayment experience. MSRs are periodically assessed for impairment, which is recognized in the consolidated statements of operations during the period in which impairment occurs as an adjustment to the corresponding valuation allowance. Gains or losses on the sale of MSRs are recognized when title and all risks and rewards have irrevocably passed to the buyer and there are no significant unresolved contingencies. See Note 12 -- Mortgage Servicing Rights.

ADVERTISING EXPENSES

Advertising costs, including direct response advertising (subsequent to January 1, 1997), are generally expensed in the period incurred. Advertising expenses for the years ended December 31, 1998, 1997 and 1996 were $684.7 million, $574.4 million and $503.8 million, respectively.

INCOME TAXES

The provision for income taxes includes deferred income taxes resulting from items reported in different periods for income tax and financial statement purposes. Deferred tax assets and liabilities represent the expected future tax consequences of the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in the period that includes the enactment date. No provision has been made for U.S. income taxes on approximately $312.3 million of cumulative undistributed earnings of foreign subsidiaries at December 31, 1998 since it is the present intention of management to reinvest the undistributed earnings indefinitely in foreign operations. The determination of unrecognized deferred U.S. tax liability for unremitted earnings is not practicable.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect as of the balance sheet dates. Equity accounts are translated at historical exchange rates and revenues, expenses and cash flows are translated at the average exchange rates for the periods presented. Translation gains and losses are included as a component of comprehensive income (loss) in the consolidated statements of shareholders' equity.

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 12-month period. The Company will now adopt SFAS No. 133 as required for its first quarterly filing of fiscal year 2001.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform to the presentation used in 1998.

3. EARNINGS PER SHARE

Basic earnings per share ("EPS") are 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 December 31, 1998, 38.0 million stock options outstanding with a weighted average exercise price of $29.58 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 therefore would be antidilutive. In addition, at December 31, 1998, the Company's 3% Convertible Subordinated Notes, convertible into 18.0 million shares of Company common stock were antidilutive and, therefore, excluded from the computation of diluted EPS. Basic and diluted EPS from continuing operations is calculated as follows:

	YEAR ENDED DECEMBER 31,		
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1998	1997	1996
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$159.9	$ 66.3	$313.3
Convertible debt interest--net of tax..................	--	--	5.8
Income from continuing operations before extraordinary gain and cumulative effect of accounting change, as adjusted..	$159.9	$ 66.3	$319.1
Weighted average shares			
Basic...	848.4	811.2	757.4
Potential dilution of common stock:			
Stock options.......................................	32.0	40.5	40.1
Convertible debt....................................	--	--	24.1
Diluted...	880.4	851.7	821.6
EPS--continuing operations before extraordinary gain and cumulative effect of accounting change			
Basic...	$ 0.19	$ 0.08	$ 0.41
Diluted...	$ 0.18	$ 0.08	$ 0.39

4. PURCHASE METHOD BUSINESS COMBINATIONS

The acquisitions discussed below were accounted for using the purchase method of accounting. Accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of purchase price over the fair value of the underlying net assets acquired is allocated to goodwill. The operating results of such acquired companies are included in the Company's consolidated statements of operations since the respective dates of acquisition.

The following tables present information about the Company's acquisitions consummated and other acquisition-related payments made during each of the years in the three-year period ended December 31, 1998.

(IN MILLIONS)	1998 NPC	HARPUR	JACKSON HEWITT	OTHER
Cash paid	$1,637.7	$206.1	$476.3	$563.9
Fair value of identifiable net assets acquired (1)	590.2	51.3	99.2	218.4
Goodwill	$1,047.5	$154.8	$377.1	$345.5
Goodwill benefit period (years)	40	40	40	25 to 40

(IN MILLIONS)	1997	1996 RCI	AVIS	COLDWELL BANKER	OTHER
Cash paid	$267.9	$412.1	$367.2	$745.0	$224.0
Common stock issued	21.6	75.0	338.4	--	52.5
Notes issued	--	--	100.9	--	5.0
Total consideration	289.5	487.1	806.5	745.0	281.5
Fair value of identifiable net assets acquired (1)	116.9	9.4	472.5	393.2	42.8
Goodwill	$172.6	$477.7	$334.0	$351.8	$238.7
Goodwill benefit period (years)	25 to 40	40	40	40	25 to 40
Number of shares issued as consideration	0.9	2.4	11.1	--	2.5

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(1) Cash acquired in connection with acquisitions during 1998, 1997 and 1996 was $57.6 million, $2.6 million, and $135.0 million, respectively.

1998 ACQUISITIONS

National Parking Corporation. On April 27, 1998, the Company completed the acquisition of National Parking Corporation Limited ("NPC") for $1.6 billion, substantially in cash, which included the repayment of approximately $227.0 million of outstanding NPC debt. NPC was substantially comprised of two operating subsidiaries: National Car Parks and Green Flag. National Car Parks operates car parks in the United Kingdom ("UK") and Green Flag operates a roadside assistance group in the UK and offers a wide-range of emergency support and rescue services.

Harpur Group. On January 20, 1998, the Company completed the acquisition of The Harpur Group Ltd. ("Harpur"), a fuel card and vehicle management company in the UK, for approximately $206.1 million in cash plus contingent payments of up to $20.0 million over two years.

Jackson Hewitt. On January 7, 1998, the Company completed the acquisition of Jackson Hewitt Inc. ("Jackson Hewitt"), for approximately $476.3 million in cash. Jackson Hewitt operates a tax preparation service franchise system in the United States. The Jackson Hewitt franchise system specializes in computerized preparation of federal and state individual income tax returns.

Other 1998 Acquisitions and Acquisition-Related Payments. The Company acquired certain other entities for an aggregate purchase price of approximately $463.9 million in cash during the year ended December 31, 1998. Additionally, the Company made a $100.0 million cash payment to the seller of Resort Condominiums International, Inc. ("RCI") in satisfaction of a contingent purchase liability, which was accounted for as additional goodwill.

PRO FORMA INFORMATION (UNAUDITED)

The following table reflects the operating results of the Company for the years ended December 31, 1998 and 1997 on a pro forma basis, which gives effect to the acquisition of NPC. The remaining

acquisitions completed during 1998 and 1997 are not significant on a pro forma basis and are therefore not included. 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, 1997, 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)	YEAR ENDED DECEMBER 31, 1998	1997
Net revenues	$5,485.3	$4,837.4
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	157.3	57.7
Net income (loss)(1)	537.0	(225.8)(2)
Per share information:		
Basic		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.19	$ 0.07
Net income (loss)(1)	$ 0.63	$ (0.28)
Weighted average shares	848.4	811.2
Diluted		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.18	$ 0.07
Net income (loss)(1)	$ 0.61	$ (0.28)
Weighted average shares	880.4	851.7

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(1) Includes gain on sale of discontinued operations, net of tax, of $404.7 million ($0.46 per diluted share) in 1998 and loss from discontinued operations, net of tax, of $25.0 million ($0.03 diluted share) and $26.8 million ($0.03 per diluted share), in 1998 and 1997, respectively.

(2) Includes an extraordinary gain, net of tax, of $26.4 million ($0.03 per diluted share) and the cumulative effect of a change in accounting, net of tax, of $283.1 million ($0.35 per diluted share).

1996 ACQUISITIONS

Resort Condominiums International, Inc. In November 1996, the Company completed the acquisition of all the outstanding capital stock of RCI for $487.1 million. The purchase agreement provides for contingent payments of up to $200.0 million over a five year period which are based on components which measure RCI's future performance, including EBITDA, net revenues and number of members, as defined.

Avis, Inc. In October 1996, the Company completed the acquisition of all of the outstanding capital stock of Avis, Inc. ("Avis"), including payments under certain employee stock plans of Avis and the redemption of certain series of preferred stock of Avis for an aggregate $806.5 million. Subsequently, the Company made contingent cash payments of $26.0 million in 1996 and $60.8 million in 1997. The contingent payments made in 1997 represented the incremental amount of value attributable to Company common stock as of the stock purchase agreement date in excess of the proceeds realized upon the subsequent sale of such Company common stock. See Note 23-Related Party Transactions-Avis-for a discussion of the Company's executed business plan regarding Avis.

Coldwell Banker Corporation. In May 1996, the Company acquired by merger Coldwell Banker Corporation ("Coldwell Banker"), the largest gross revenue producing residential real estate company in North America and a leading provider of corporate relocation services. The Company paid $640.0 million in cash for all of the outstanding capital stock of Coldwell Banker and repaid $105.0 million of Coldwell Banker indebtedness. The aggregate purchase price for the transaction was financed through the May 1996 sale of an aggregate 46.6 million shares of Company common stock pursuant to a public offering.

5. DISCONTINUED OPERATIONS

On August 12, 1998, the Company announced that the Executive Committee of its Board of Directors committed to discontinue the Company's classified advertising and consumer software businesses by disposing of Hebdo Mag International, Inc. ("Hebdo Mag") and Cendant Software Corporation ("CDS"), two wholly owned subsidiaries of the Company. Hebdo Mag is a publisher and distributor of classified advertising information and CDS is a developer, publisher and distributor of educational and entertainment software.

On December 15, 1998, the Company completed the sale of Hebdo Mag to its former 50% owners for $449.7 million. The Company received $314.8 million in cash and 7.1 million shares of Company common stock valued at $134.9 million (approximately $19.00 per share market value) on the date of sale. The Company recognized a gain on the sale of Hebdo Mag of $206.9 million, including a tax benefit of $52.1 million, which is included in the gain on sale of discontinued operations in the consolidated statements of operations.

On January 12, 1999, the Company completed the sale of CDS for approximately $800.0 million in cash. The Company realized an after tax net gain on sale of $371.9 million. The Company recognized $197.8 million of such gain in 1998 substantially in the form of a tax benefit and corresponding deferred tax asset. The Company recognized this deferred tax asset upon executing the definitive agreement to sell CDS, which was when it became apparent to the Company that the deferred tax asset would be realized. The recognized gain is included in the gain on sale of discontinued operations in the consolidated statements of operations.

Summarized financial data of discontinued operations are as follows:

STATEMENT OF OPERATIONS DATA:

	SOFTWARE		
(IN MILLIONS)	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Net revenues	$345.8	$433.7	$384.5
Income (loss) before income taxes	(57.3)	(5.9)	42.0
Provision for (benefit from) income taxes	(22.9)	2.4	27.3
Net income (loss)	$(34.4)	$ (8.3)	$ 14.7

	CLASSIFIED ADVERTISING		
	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Net revenues	$202.4	$208.5	$126.4
Income (loss) before income taxes and extraordinary loss	16.9	(4.5)	3.7
Provision for (benefit from) income taxes	7.5	(1.2)	1.7
Extraordinary loss from early extinguishment of debt, net of a $4.9 million tax benefit	--	(15.2)	--
Net income (loss)	$ 9.4	$(18.5)	$ 2.0

The Company allocated $19.9 million and $5.0 million of interest expense to discontinued operations for the years ended December 31, 1998 and 1997, 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 DATA:

(IN MILLIONS)	SOFTWARE		CLASSIFIED ADVERTISING
	DECEMBER 31,		DECEMBER 31,
	1998	1997	1997
Current assets	$ 284.9	$ 209.1	$ 58.6
Goodwill	105.7	42.2	181.5
Other assets	88.2	49.2	33.2
Total liabilities	(105.2)	(127.0)	(173.5)
Net assets of discontinued operations	$ 373.6	$ 173.5	$ 99.8

6. OTHER CHARGES

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 (see Note 17 -- Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary). Under the terms of the 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. Accordingly, the Company recorded a non-cash charge of $351.0 million in the fourth quarter of 1998 with an increase in additional paid-in capital and accrued liabilities of $350.0 million and $1.0 million, respectively, based on the prospective issuance of the Rights. 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 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. 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, the Company also agreed to file 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 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 an average market price of $17.53 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 September 30, 1999), the effect of the issuance of the New PRIDES will be to distribute approximately 19 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 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 presently intends to distribute the Rights in the first quarter of 2000, after the effectiveness of the registration statement filed with the SEC covering the New PRIDES.

TERMINATION OF PROPOSED ACQUISITIONS

On October 13, 1998, the Company and American Bankers Insurance Group, Inc. ("American Bankers") entered into a settlement agreement (the "Settlement Agreement"), pursuant to which the Company and American Bankers terminated a definitive agreement dated March 23, 1998 which provided for the Company's acquisition of American Bankers for $3.1 billion. Accordingly, the Company's pending tender offer for American Bankers shares was also terminated. Pursuant to the Settlement Agreement and in connection with termination of the Company's proposed acquisition of American Bankers, the Company made a $400.0 million cash payment to American Bankers and wrote off $32.3 million of costs, primarily professional fees.

On October 5, 1998, the Company announced the termination of an agreement to acquire, for $219.0 million in cash, Providian Auto and Home Insurance Company ("Providian"). Certain representations and covenants in such agreement had not been fulfilled and the conditions to closing had not been met. The Company did not pursue an extension of the termination date of the agreement because Providian no longer met the Company's acquisition criteria. In connection with the termination of the Company's proposed acquisition of Providian, the Company wrote off $1.2 million of costs.

EXECUTIVE TERMINATIONS

The Company incurred $52.5 million of costs on July 28, 1998 related to the termination of certain former executives of the Company, principally 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 $50.9 million comprised of $38.4 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 the 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

The Company incurred $33.4 million of professional fees, public relations costs and other miscellaneous expenses in connection with accounting irregularities and resulting investigations into such matters.

FINANCING COSTS

In connection with the Company's discovery and announcement of accounting irregularities on April 15, 1998 and the corresponding lack of audited financial statements, the Company was temporarily prohibited from accessing public debt markets. As a result, the Company paid $27.9 million in fees associated with waivers and various financing arrangements. Additionally, during 1998, the Company exercised its option to redeem its 4 3/4% Convertible Senior Notes (the "4 3/4% Notes") (see Note 13 -- Long-Term Debt - -- 4 3/4% Convertible Senior Notes). At such time, the Company anticipated that all holders of the 4 3/4% Notes would elect to convert the 4 3/4% Notes to Company common stock. However, at the time of redemption, holders of the 4 3/4% Notes elected not to convert the 4 3/4% Notes to Company common stock and as a result, the Company redeemed such notes at a premium. Accordingly, the Company recorded a $7.2 million loss on early extinguishment of debt.

1997 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES (CREDITS)

The Company incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger (the

"Fourth Quarter 1997 Charge") and the PHH Merger (the "Second Quarter 1997 Charge"). Liabilities associated with Unusual Charges are classified as a component of accounts payable and other current liabilities. The reduction of such liabilities from inception is summarized by category of expenditure and by charge as follows:

(IN MILLIONS)	NET 1997 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 ACTIVITY			BALANCE AT DECEMBER 31, 1998
				CASH PAYMENTS	NON CASH	ADJUSTMENTS	
Professional fees..........	$123.3	$ (72.6)	$ 50.7	$ (38.2)	$ --	$(10.9)	$ 1.6
Personnel related..........	324.8	(156.3)	168.5	(75.3)	--	(23.0)	70.2
Business terminations	133.9	(130.0)	3.9	(1.2)	6.1	(7.1)	1.7
Facility related and other.....................	156.0	(105.6)	50.4	(15.7)	2.1	(26.7)	10.1
Total Unusual Charges	$738.0	$(464.5)	$273.5	$(130.4)	$8.2	$(67.7)	$83.6
Reclassification for discontinued operations ..	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations................	$704.1	$(430.6)	$273.5	$(130.4)	$8.2	$(67.7)	$83.6

(IN MILLIONS)	NET 1997 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 ACTIVITY			BALANCE AT DECEMBER 31, 1998
				CASH PAYMENTS	NON CASH	ADJUSTMENTS	
Fourth Quarter 1997 Charge....................	$454.9	$(257.5)	$197.4	$(102.6)	$0.5	$(28.1)	$67.2
Second Quarter 1997 Charge....................	283.1	(207.0)	76.1	(27.8)	7.7	(39.6)	16.4
Total Unusual Charges	$738.0	$(464.5)	$273.5	$(130.4)	$8.2	$(67.7)	$83.6
Reclassification for discontinued operations ..	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations................	$704.1	$(430.6)	$273.5	$(130.4)	$8.2	$(67.7)	$83.6

Fourth Quarter 1997 Charge. The Company incurred Unusual Charges in the fourth quarter of 1997 totaling $454.9 million substantially associated with the Cendant Merger and the merger in October 1997 with Hebdo Mag. Reorganization plans were formulated prior to and implemented as a result of the mergers. The Company determined to streamline its corporate organization functions and eliminate several office locations in overlapping markets. Management's plan included the consolidation of European call centers in Cork, Ireland and terminations of franchised hotel properties.

Unusual Charges included $93.0 million of professional fees primarily consisting of investment banking, legal and accounting fees incurred in connection with the mergers. The Company also incurred $170.7 million of personnel-related costs including $73.3 million of retirement and employee benefit plan costs, $23.7 million of restricted stock compensation, $61.4 million of severance resulting from consolidations of European call centers and certain corporate functions and $12.3 million of other personnel-related costs. The Company provided for 474 employees to be terminated, the majority of which have been severed as of December 31, 1998. Unusual Charges included $78.3 million of business termination costs which consisted of a $48.3 million impairment write down of hotel franchise agreement assets associated with a quality upgrade program and $30.0 million of costs incurred to terminate a contract which may have restricted the Company from maximizing opportunities afforded by the Cendant Merger. Facility-related and other unusual charges of $112.9 million included $70.0 million of irrevocable contributions to independent technology trusts for the direct benefit of lodging and real estate franchisees, $16.4 million of building lease termination costs and a $22.0 million reduction in intangible assets

associated with the Company's wholesale annuity business for which impairment was determined in 1997. During the year ended December 31, 1998, the Company recorded a net adjustment of $28.1 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. Such adjustments to original estimates were recorded in the periods in which events occurred or information became available requiring accounting recognition. Liabilities of $67.2 million remained at December 31, 1998, which were primarily attributable to future severance costs and executive termination benefits, which the Company anticipates that such liabilities will be settled upon resolution of the related contingencies.

Second Quarter 1997 Charge. The Company incurred $295.4 million of Unusual Charges in the second quarter of 1997 primarily associated with the PHH Merger. During the fourth quarter of 1997, as a result of changes in estimates, the Company adjusted certain merger-related liabilities, which resulted in a $12.3 million credit to Unusual Charges. Reorganization plans were formulated in connection with the PHH Merger and were implemented upon consummation. The PHH Merger afforded the combined company, at such time, an opportunity to rationalize its combined corporate, real estate and travel related businesses, and enabled the corresponding support and service functions to gain organizational efficiencies and maximize profits. Management initiated a plan just prior to the PHH Merger to close hotel reservation call centers, combine travel agency operations and continue the downsizing of fleet operations by reducing headcount and eliminating unprofitable products. In addition, management initiated plans to integrate its relocation, real estate franchise and mortgage origination businesses to capture additional revenue through the referral of one business unit's customers to another. Management also formalized a plan to centralize the management and headquarters functions of the world's largest, second largest and other company-owned corporate relocation business unit subsidiaries. Such initiatives resulted in write-offs of abandoned systems and leasehold assets commencing in the second quarter 1997. The aforementioned reorganization plans provided for 560 job reductions, which included the elimination of PHH Corporate functions and facilities in Hunt Valley, Maryland.

Unusual Charges included $154.1 million of personnel-related costs associated with employee reductions necessitated by the planned and announced consolidation of the Company's corporate relocation service businesses worldwide as well as the consolidation of corporate activities. Personnel-related charges also included termination benefits such as severance, medical and other benefits and provided for retirement benefits pursuant to pre-existing contracts resulting from a change in control. Unusual Charges also included professional fees of $30.3 million, primarily comprised of investment banking, accounting and legal fees incurred in connection with the PHH Merger. The Company incurred business termination charges of $55.6 million, which were comprised of $38.8 million of costs to exit certain activities primarily within the Company's fleet management business (including $35.7 million of asset write-offs associated with exiting certain activities), a $7.3 million termination fee associated with a joint venture that competed with the PHH Mortgage Services business (now Cendant Mortgage Corporation) and $9.6 million of costs to terminate a marketing agreement with a third party in order to replace the function with internal resources. Facility-related and other charges totaling $43.1 million included costs associated with contract and lease terminations, asset disposals and other charges incurred in connection with the consolidation and closure of excess office space.

The Company had substantially completed the aforementioned restructuring activities at December 31, 1998. During the year ended December 31, 1998, the Company recorded a net adjustment of $39.6 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred. Such adjustments to original estimates were recorded in the periods in which events occurred or information became available requiring accounting recognition. Liabilities of $16.4 million remained at December 31, 1998, which were attributable to future severance and lease termination payments. The Company anticipates that severance will be paid in installments through April 2003 and the lease terminations will be paid in installments through August 2002.

1996 MERGER-RELATED COSTS AND OTHER UNUSUAL CHARGES

In connection with and coincident to Company mergers accounted for as poolings of interests during 1996, the Company incurred Unusual Charges of approximately $134.3 million in 1996, of which

$109.4 million was related to continuing operations (substantially related to the Company's merger with Ideon Group, Inc. ("Ideon")) and $24.9 million was associated with consumer software businesses that are discontinued. The collective Unusual Charges recorded during 1996 related to Company mergers and the utilization of such liabilities is summarized below:

(IN MILLIONS)	1996 UNUSUAL CHARGES	1997 REDUCTIONS	BALANCE AT DECEMBER 31, 1997	1998 REDUCTIONS	BALANCE AT DECEMBER 31, 1998
Professional fees	$ 27.5	$(27.5)	$ --	$ --	$ --
Personnel related	7.5	(7.5)	--	--	--
Facility related	12.4	(10.4)	2.0	(2.0)	--
Litigation related	80.4	(14.4)	66.0	(25.0)	41.0
Other	6.5	(6.2)	.3	(0.3)	--
Total Unusual Charges	134.3	(66.0)	68.3	(27.3)	41.0
Reclassification for discontinued operations	(24.9)	24.9	--	--	--
Total Unusual Charges related to continuing operations	$109.4	$(41.1)	$68.3	$(27.3)	$41.0

Costs associated with the discontinued operations were comprised primarily of professional fees incurred in connection with the Company's mergers with consumer software businesses. Costs associated with the Company's merger with Ideon were non-recurring and included transaction and exit costs as well as a provision relating to certain litigation matters giving consideration to the Company's intended approach to these matters. The Company has since settled all outstanding litigation matters. The remaining $41.0 million of litigation-related liabilities at December 31, 1998 consists of the present value of settlement payments to be made in annual installments to the co-founder of SafeCard Services, Inc. 1998 reductions include $27.8 million of cash payments and a $0.5 million charge to Unusual Charges as a result of a change in the original estimate of costs to be incurred.

The 1996 Unusual Charges also provided for costs to be incurred in connection with the Company's consolidation efforts, including severance costs to be accrued resulting from the Ideon merger and costs relating to the expected obligations for certain third-party contracts (existing leases and vendor agreements) to which Ideon is a party and which are neither terminable at will nor automatically terminate upon a change-in-control of Ideon. In addition, the Company incurred certain exit costs in transferring and consolidating Ideon's credit card registration and enhancement services into the Company's credit card registration and enhancement services business. As a result of the Ideon merger, 120 employees were terminated.

7. PROPERTY AND EQUIPMENT -- NET

Property and equipment -net consisted of:

(IN MILLIONS)	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1998	DECEMBER 31, 1997
Land	--	$ 153.4	$ 8.4
Building and leasehold improvements	5-50	751.9	224.4
Furniture, fixtures and equipment	3-10	1,018.1	632.1
		1,923.4	864.9
Less accumulated depreciation and amortization		490.6	320.2
		$1,432.8	$544.7

8. OTHER INTANGIBLES -- NET

Other intangibles -net consisted of:

(IN MILLIONS)	ESTIMATED BENEFIT PERIODS IN YEARS	DECEMBER 31, 1998	1997
Avis trademark	40	$402.0	$402.0
Other trademarks.............	40	170.9	72.5
Customer lists................	3-10	162.7	116.8
Other.........................	2-16	138.6	123.6
		874.2	714.9
Less accumulated amortization.................		117.1	90.6
		$757.1	$624.3

Other intangibles are recorded at their estimated fair values at the dates acquired and are amortized on a straight-line basis over the periods to be benefited.

9. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consisted of:

(IN MILLIONS)	DECEMBER 31, 1998	1997
Accounts payable...................	$ 456.0	$ 479.5
Merger and acquisition obligations......................	152.7	359.0
Accrued payroll and related........	208.0	187.3
Advances from relocation clients ..	60.3	57.2
Other.............................	640.5	409.4
	$1,517.5	$1,492.4

10. NET INVESTMENT IN LEASES AND LEASED VEHICLES

Net investment in leases and leased vehicles consisted of:

(IN MILLIONS)	DECEMBER 31, 1998	1997
Vehicles under open-end operating leases ..	$2,725.6	$2,640.1
Vehicles under closed-end operating leases..................................	822.1	577.2
Direct financing leases...................	252.4	440.8
Accrued interest on leases................	1.0	1.0
	$3,801.1	$3,659.1

The Company records the cost of leased vehicles as "net investment in leases and leased vehicles." The vehicles are leased primarily to corporate fleet users for initial periods of twelve months or more under either operating or direct financing lease agreements. Vehicles under operating leases are amortized using the straight-line method over the expected lease term. The Company's experience indicates that the full term of the leases may vary considerably due to extensions beyond the minimum lease term. Lessee repayments of investment in leases and leased vehicles were $1.9 billion and $1.6 billion in 1998 and 1997, respectively, and the ratio of such repayments to the average net investment in leases and leased vehicles was 50.7% and 46.8% in 1998 and 1997, respectively.

The Company has two types of operating leases. Under one type, open-end operating leases, resale of the vehicles upon termination of the lease is generally for the account of the lessee except for a minimum residual value which the Company has guaranteed. The Company's experience has been that

vehicles under this type of lease agreement have generally been sold for amounts exceeding the residual value guarantees. Maintenance and repairs of vehicles under these agreements are the responsibility of the lessee. The original cost and accumulated depreciation of vehicles under this type of operating lease was $5.3 billion and $2.6 billion, respectively, at December 31, 1998 and $5.0 billion and $2.4 billion, respectively, at December 31, 1997.

Under the second type of operating lease, closed-end operating leases, resale of the vehicles on termination of the lease is for the account of the Company. The lessee generally pays for or provides maintenance, vehicle licenses and servicing. The original cost and accumulated depreciation of vehicles under these agreements were $1.0 billion and $190.5 million, respectively, at December 31, 1998 and $754.4 million and $177.2 million, respectively, at December 31, 1997. The Company, based on historical experience and a current assessment of the used vehicle market, established an allowance in the amount of $14.2 million and $11.7 million for potential losses on residual values on vehicles under these leases at December 31, 1998 and 1997, respectively.

Under the direct financing lease agreements, the minimum lease term is 12 months with a month to month renewal thereafter. In addition, resale of the vehicles upon termination of the lease is for the account for the lessee. Maintenance and repairs of these vehicles are the responsibility of the lessee.

Open-end operating leases and direct financing leases generally have a minimum lease term of 12 months with monthly renewal options thereafter. Closed-end operating leases typically have a longer term, usually 24 months or more, but are cancelable under certain conditions.

Gross leasing revenues, which are included in fleet leasing in the consolidated statements of operations, consist of:

	YEAR ENDED DECEMBER 31,		
(IN MILLIONS)	1998	1997	1996
Operating leases...........................	$1,330.3	$1,222.9	$1,145.8
Direct financing leases, primarily interest..................................	37.8	41.8	43.3
	$1,368.1	$1,264.7	$1,189.1

In June 1998, the Company entered into an agreement with an independent third party to sell and leaseback vehicles subject to operating leases. The net carrying value of the vehicles sold was $100.6 million. Since the net carrying value of these vehicles was equal to their sales price, there was no gain or loss recognized on the sale. The lease agreement entered into between the Company and the counterparty was for a minimum lease term of 12 months with three one-year renewal options. For the year ended December 31, 1998, the total rental expense incurred by the Company under this lease was $17.7 million.

The Company has transferred existing managed vehicles and related leases to unrelated investors and has retained servicing responsibility. Credit risk for such agreements is retained by the Company to a maximum extent in one of two forms: excess assets transferred, which were $9.4 million and $7.6 million at December 31, 1998 and 1997, respectively; or guarantees to a maximum extent. There were no guarantees to a maximum extent at December 31, 1998 or 1997. All such credit risk has been included in the Company's consideration of related allowances. The outstanding balances under such agreements aggregated $259.1 million and $224.6 million at December 31, 1998 and 1997, respectively.

Other managed vehicles with balances aggregating $221.8 million and $157.9 million at December 31, 1998 and 1997, respectively, are included in special purpose entities which are not owned by the Company. These entities do not require consolidation as they are not controlled by the Company and all risks and rewards rest with the owners. Additionally, managed vehicles totaling approximately $81.9 million and $69.6 million at December 31, 1998 and 1997, respectively, are owned by special purpose entities which are owned by the Company. However, such assets and related liabilities have been netted in the consolidated balance sheet since there is a two-party agreement with determinable accounts, a legal right of offset exists and the Company exercises its right of offset in settlement with client corporations.

11. MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale represent mortgage loans originated by the Company and held pending sale to permanent investors. The Company sells loans insured or guaranteed by various government sponsored entities and private insurance agencies. The insurance or guaranty is provided primarily on a non-recourse basis to the Company, except where limited by the Federal Housing Administration and Veterans Administration and their respective loan programs. As of December 31, 1998 and 1997, mortgage loans sold with recourse amounted to approximately $58.3 million and $58.5 million, respectively. The Company believes adequate allowances are maintained to cover any potential losses.

The Company entered into a three year agreement effective May 1998 and expanded in December 1998 under which an unaffiliated Buyer (the "Buyer") committed to purchase, at the Company's option, mortgage loans originated by the Company on a daily basis, up to the Buyer's asset limit of $2.4 billion. Under the terms of this sale agreement, the Company retains the servicing rights on the mortgage loans sold to the Buyer and provides the Buyer with opportunities to sell or securitize the mortgage loans into the secondary market. At December 31, 1998, the Company was servicing approximately $2.0 billion of mortgage loans owned by the Buyer.

12. MORTGAGE SERVICING RIGHTS

Capitalized mortgage servicing rights ("MSRs") activity was as follows:

(IN MILLIONS)	MSRS	ALLOWANCE	TOTAL
BALANCE, JANUARY 1, 1996	$192.8	$(1.4)	$191.4
Less: PHH activity for January 1996 to reflect change in PHH fiscal year	(14.0)	.2	(13.8)
Additions to MSRs	164.4	--	164.4
Amortization	(51.8)	--	(51.8)
Write-down/provision	--	.6	.6
Sales	(1.9)	--	(1.9)
BALANCE, DECEMBER 31, 1996	289.5	(.6)	288.9
Additions to MSRs	251.8	--	251.8
Amortization	(95.6)	--	(95.6)
Write-down/provision	--	(4.1)	(4.1)
Sales	(33.1)	--	(33.1)
Deferred hedge, net	18.6	--	18.6
Reclassification of mortgage-related securities	(53.5)	--	(53.5)
BALANCE, DECEMBER 31, 1997	377.7	(4.7)	373.0
Additions to MSRs	475.2	--	475.2
Additions to hedge	49.2	--	49.2
Amortization	(82.5)	--	(82.5)
Write-down/provision	--	4.7	4.7
Sales	(99.1)	--	(99.1)
Deferred hedge, net	(84.8)	--	(84.8)
BALANCE, DECEMBER 31, 1998	$635.7	$ --	$635.7

The value of the Company's MSRs is sensitive to changes in interest rates. The Company uses a hedge program to manage the associated financial risks of loan prepayments. Commencing in 1997, the Company used certain derivative financial instruments, primarily interest rate floors, interest rate swaps, principal only swaps, futures and options on futures to administer its hedge program. Premiums paid/received on the acquired derivatives instruments are capitalized and amortized over the life of the contracts. Gains and losses associated with the hedge instruments are deferred and recorded as adjustments to the basis of the MSRs. In the event the performance of the hedge instruments do not meet the requirements of the hedge program, changes in the fair value of the hedge instruments will be

reflected in the income statement in the current period. Deferrals under the hedge programs are allocated to each applicable stratum of MSRs based upon its original designation and included in the impairment measurement.

For purposes of performing its impairment evaluation, the Company stratifies its portfolio on the basis of interest rates of the underlying mortgage loans. The Company measures impairment for each stratum by comparing estimated fair value to the recorded book value. The Company records amortization expense in proportion to and over the period of the projected net servicing income. Temporary impairment is recorded through a valuation allowance in the period of occurrence.

13. LONG-TERM DEBT

Long-term debt consisted of:

	DECEMBER 31,	
(IN MILLIONS)	1998	1997
Term Loan Facility................	$1,250.0	$ --
Revolving Credit Facilities	--	276.0
7 1/2% Senior Notes...............	399.7	--
7 3/4% Senior Notes...............	1,148.0	--
3% Convertible Subordinated Notes............................	545.4	543.2
5 7/8% Senior Notes...............	--	149.9
4 3/4% Convertible Senior Notes ..	--	240.0
Other.............................	24.9	39.2
	3,368.0	1,248.3
Less current portion..............	5.1	2.3
	$3,362.9	$1,246.0

TERM LOAN FACILITIES

On May 29, 1998, the Company entered into a 364 day term loan agreement with a syndicate of financial institutions which provided for borrowings of $3.25 billion (the "Term Loan Facility"). The Term Loan Facility, as amended, incurred interest based on the London Interbank Offered Rate ("LIBOR") a margin of approximately 87.5 basis points. The weighted average interest rate on the Term Loan Facility was 6.2% at December 31, 1998.

At December 31, 1998, borrowings under the Term Loan Facility of $1.25 billion were classified as long-term based on the Company's intent and ability to refinance such borrowings on a long-term basis. On February 9, 1999, the Company replaced the Term Loan Facility with a new two year term loan facility (the "New Facility") which provides for borrowings of $1.25 billion. The Company used $1.25 billion of the proceeds from the New Facility to refinance the majority of the outstanding borrowings under the Term Loan Facility. The New Facility bears interest at a rate of 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. The New Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for the Company's existing revolving credit agreements.

CREDIT FACILITIES

The Company's primary credit facility, as amended, consists of (i) a $750.0 million, five year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1.0 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 29, 1999 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 the option of the Company, 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. The Company is 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 the Company's senior unsecured long-term debt by nationally recognized debt rating agencies. Letters of credit of $45.0 million were outstanding under the Five-Year Revolving Credit Facility at December 31, 1998. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness of material subsidiaries, 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 0.5:1 maximum debt-to-capitalization ratio (0.4:1 as of September 30, 1999).

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

The Company filed a shelf registration statement with the SEC, effective November 1998, which provided for the aggregate issuance of up to $3.0 billion of debt and equity securities. Pursuant to such registration statement, the Company issued $1.55 billion of Senior Notes (the "Notes") in two traunches consisting of $400.0 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 will be payable on June 1 and December 1 each year, beginning on June 1, 1999. The Notes may be redeemed, in whole or in part, at any time at the option of the Company 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 defined in the indenture. Net proceeds from the offering were used to repay a portion of the Company's Term Loan Facility and for general corporate purposes, which included the repurchase of Company common stock.

3% CONVERTIBLE SUBORDINATED NOTES

In February 1997, the Company completed a public offering of $550.0 million 3% Convertible Subordinated Notes (the "3% Notes") due 2002. Each $1,000 principal amount of 3% Notes is convertible into 32.6531 shares of Company common stock subject to adjustment in certain events. The 3% Notes may be redeemed at the option of the Company 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 the indenture governing the 3% Notes) of the Company.

5 7/8% SENIOR NOTES

On December 15, 1998, the Company repaid the $150.0 million principal amount of 5 7/8% Senior Notes outstanding in accordance with the provisions of the indenture agreement.

4 3/4% CONVERTIBLE SENIOR NOTES

In February 1996, the Company completed a public offering of $240.0 million unsecured 4 3/4% Convertible Senior Notes due 2003, which were convertible at the option of the holder at any time prior to maturity into 36.030 shares of Company common stock per $1,000 principal amount of the 4 3/4% Notes, representing a conversion price of $27.76 per share. On May 4, 1998, the Company redeemed all of the outstanding ($144.5 million principal amount) 4 3/4% Notes at a price of 103.393% of the principal amount, together with interest accrued to the redemption date (see Note 6 -- Other Charges -- Financing Costs). Prior to the redemption date, during 1998, holders of such notes exchanged $95.5 million of the 4 3/4% Notes for 3.4 million shares of Company common stock.

DEBT MATURITIES

Aggregate maturities of debt for each of the next five years commencing in 1999 are as follows:

YEAR	(IN MILLIONS) AMOUNT
1999..........	$ 5.1
2000..........	403.3
2001..........	1,250.3
2002..........	545.4
2003..........	1,148.0
Thereafter....	15.9
	$3,368.0

14. LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS

Borrowings to fund assets under management and mortgage programs consisted of:

(IN MILLIONS)	DECEMBER 31, 1998	1997
Commercial paper........	$2,484.4	$2,577.5
Medium-term notes.......	2,337.9	2,747.8
Securitized obligations............	1,901.5	--
Other...................	173.0	277.3
	$6,896.8	$5,602.6

COMMERCIAL PAPER

Commercial paper, which matures within 180 days, is supported by committed revolving credit agreements described below and short-term lines of credit. The weighted average interest rates on the Company's outstanding commercial paper were 6.1% and 5.9% at December 31, 1998 and 1997, respectively.

MEDIUM-TERM NOTES

Medium-term notes of $2.3 billion primarily represent unsecured loans, which mature through 2002. The weighted average interest rates on such medium-term notes were 5.6% and 5.9% at December 31, 1998 and 1997, respectively.

SECURITIZED OBLIGATIONS

The Company maintains four separate financing facilities, the outstanding borrowings under which are securitized by corresponding assets under management and mortgage programs. The collective weighted average interest rate on such facilities was 5.8% at December 31, 1998. Such securitized obligations are described below.

Mortgage Facility. In December 1998, the Company entered into a 364 day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages (the "Agreement"). The Agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the Agreement. The total commitment under this 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 this Agreement at December 31, 1998 totaled $378.0 million and are included in mortgage loans held for sale on the consolidated balance sheet.

Relocation Facilities. The Company entered into a 364-day asset securitization agreement effective December 1998 under which an unaffiliated buyer has committed to purchase an interest in the right to payments related to certain Company relocation receivables. 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, the Company retains the servicing rights related to the relocation receivables. At December 31, 1998, the Company was servicing $248.0 million of assets, which were funded under this agreement.

The Company also maintains an asset securitization agreement with a separate unaffiliated buyer, which has a purchase commitment up to a limit of $350.0 million. The terms of this agreement are similar to the aforementioned facility with the Company retaining the servicing rights on the right of payment. At December 31, 1998, the Company was servicing $171.0 million of assets eligible for purchase under this agreement. This facility matured and approximately $85.0 million was repaid on October 5, 1999.

Fleet Facilities. In December 1998, the Company entered into two secured financing transactions each expiring five years from the effective agreement date through its two wholly-owned subsidiaries, TRAC Funding and TRAC Funding II. Secured leased assets (specified beneficial interests in a trust which owns the leased vehicles and the leases) totaling $600.0 million and $725.3 million, respectively, were contributed to the subsidiaries by the Company. Loans to TRAC Funding and TRAC Funding II were funded by commercial paper conduits in the amounts of $500.0 million and $604.0 million, respectively, and were secured by the specified beneficial interests. Monthly loan repayments conform to the amortization of the leased vehicles with the repayment of the outstanding loan balance required at time of disposition of the vehicles. Interest on the loans is based upon the conduit commercial paper issuance cost and committed bank lines priced on a LIBOR basis. Repayments of loans are limited to the cash flows generated from the leases represented by the specified beneficial interests.

Other. Other liabilities under management and mortgage programs are principally comprised of unsecured borrowings under uncommitted short-term lines of credit and other bank facilities, all of which matures in 1999. The weighted average interest rate on such debt was 5.5% and 6.7% at December 31, 1998 and 1997, respectively.

Interest expense is incurred on indebtedness, which is used to finance fleet leasing, relocation and mortgage servicing activities. Interest incurred on borrowings used to finance fleet leasing activities was $177.3 million, $177.0 million and $161.8 million for the years ended December 31, 1998, 1997, and 1996, respectively, and is included net within fleet leasing revenues in the consolidated statements of operations. Interest related to equity advances on homes was $26.9 million, $32.0 million and $35.0 million for the years ended December 31, 1998, 1997 and 1996, respectively. Interest related to origination and mortgage servicing activities was $138.9 million, $77.6 million and $63.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. Interest expense incurred on borrowings used to finance both equity advances on homes and mortgage servicing activities are recorded net within membership and service fee revenues in the consolidated statements of operations.

To provide additional financial flexibility, the Company's current policy is to ensure that minimum committed facilities aggregate 100 percent of the average amount of outstanding commercial paper. As of December 31, 1998, the Company maintained $2.75 billion in committed and unsecured credit facilities, which were backed by a consortium of domestic and foreign banks. The facilities were comprised of $1.25 billion in 364 day credit lines maturing in March 1999, a $250.0 million (changed to $150.0 million in March 1999) revolving credit facility maturing December 1999 and a five year $1.25 billion credit line maturing in the year 2002. Under such credit facilities, the Company paid annual commitment fees of $1.9 million, $1.7 million and $2.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. In March 1999, the Company extended the $1.25 billion in 364 day credit lines to March 2000. In addition, the Company has other uncommitted lines of credit with various banks of which $5.1 million was unused at December 31, 1998. The full amount of the Company's committed facility was undrawn and available at December 31, 1998 and 1997.

Although the period of service for a vehicle is at the lessee's option, and the period a home is held for resale varies, management estimates, by using historical information, the rate at which vehicles will be disposed and the rate at which homes will be resold. Projections of estimated liquidations of assets under management and mortgage programs and the related estimated repayments of liabilities under management and mortgage programs as of December 31, 1998, are set forth as follows:

(IN MILLIONS)

YEARS	ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS	LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS (1)
1999..........	$4,882.0	$4,451.7
2000..........	1,355.9	1,342.2
2001..........	668.6	659.0
2002..........	289.0	263.1
2003..........	168.3	142.0
2004-2008.....	148.1	38.8
	$7,511.9	$6,896.8

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(1) The projected repayments of liabilities under management and mortgage programs are different than required by contractual maturities.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates, foreign currency exchange rates, prices of mortgage loans held for sale and anticipated mortgage loan closings arising from commitments issued. The Company performs analyses on an on-going basis to determine that a high correlation exists between the characteristics of derivative instruments and the assets or transactions being hedged. As a matter of policy, the Company does not engage in derivative activities for trading or speculative purposes. The Company is exposed to credit-related losses in the event of non-performance by counterparties to certain derivative financial instruments. The Company manages such risk by periodically evaluating the financial position of counterparties and spreading its positions among multiple counterparties. The Company presently does not expect non-performance by any of the counterparties.

INTEREST RATE SWAPS

The Company enters into interest rate swap agreements to match the interest characteristics of the assets being funded and to modify the contractual costs of debt financing. The swap agreements correlate the terms of the assets to the maturity and rollover of the debt by effectively matching a fixed or floating interest rate with the stipulated revenue stream generated from the portfolio of assets being funded. Amounts to be paid or received under interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to interest expense. For the years ended December 31, 1998, 1997 and 1996, the Company's hedging activities increased interest expense $2.1 million, $4.0 million and $4.1 million, respectively, and had no effect on its weighted average borrowing rate. The fair value of the swap agreements is not recognized in the consolidated financial statements since they are accounted for as matched swaps.

The following table summarizes the maturity and weighted average rates of the Company's interest rate swaps.

1998 (DOLLARS IN MILLIONS)	NOTIONAL AMOUNT	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE PAY RATE	SWAP MATURITIES
Commercial paper..........	$ 355.2	4.92%	5.84%	1999-2006
Medium-term notes.........	931.0	5.27%	5.04%	1999-2000
Canada commercial paper ..	89.8	5.52%	5.27%	1999-2002
Sterling liabilities	662.3	6.26%	6.62%	1999-2002
Deutsche mark liabilities.............	31.9	3.24%	4.28%	1999-2001
	$2,070.2			

1997 (DOLLARS IN MILLIONS)	NOTIONAL AMOUNT	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE PAY RATE	SWAP MATURITIES
Commercial paper..........	$ 355.7	5.68%	6.26%	1999-2004
Medium-term notes.........	1,551.0	5.93%	5.73%	1999-2000
Canada commercial paper ..	142.8	4.93%	4.95%	1999-2002
Sterling liabilities	491.5	7.21%	7.69%	1999-2002
Deutsche mark liabilities.............	9.1	3.76%	5.34%	1999-2001
	$2,550.1			

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(1) The projected repayments of liabilities under management and mortgage programs are different than required by contractual maturities.

FOREIGN EXCHANGE CONTRACTS

In order to manage its exposure to fluctuations in foreign currency exchange rates, on a selective basis, the Company enters into foreign exchange contracts. Such contracts are primarily utilized to hedge intercompany loans to foreign subsidiaries and certain monetary assets and liabilities denominated in currencies other than the U.S. dollar. The Company may also hedge currency exposures that are directly related to anticipated, but not yet committed transactions expected to be denominated in foreign currencies. The principal currencies hedged are the British pound and the German mark. Market value gains and losses on foreign currency hedges related to intercompany loans are deferred and recognized upon maturity of the underlying loan. Market value gains and losses on foreign currency hedges of anticipated transactions are recognized in the statement of operations as exchange rates change. However, fluctuations in exchange rates are generally offset by the anticipated exposures being hedged. Historically, foreign exchange contracts have been short-term in nature.

OTHER FINANCIAL INSTRUMENTS

With respect to both mortgage loans held for sale and anticipated mortgage loan closings arising from commitments issued, the Company is exposed to the risk of adverse price fluctuations primarily due to changes in interest rates. The Company uses forward delivery contracts, financial futures and option contracts to reduce such risk. Market value gains and losses on such positions used as hedges are deferred and considered in the valuation of cost or market value of mortgage loans held for sale.

With respect to the mortgage servicing portfolio, the Company acquired certain derivative financial instruments, primarily interest rate floors, interest rate swaps, principal only swaps, futures and options on futures to manage the associated financial impact of interest rate movements.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND SERVICING RIGHTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for material financial instruments. The fair values of the financial instruments presented may not be indicative of their future values.

MARKETABLE SECURITIES

Fair value is based upon quoted market prices or investment advisor estimates.

MORTGAGE LOANS HELD FOR SALE

Fair value is estimated using the quoted market prices for securities backed by similar types of loans and current dealer commitments to purchase loans net of mortgage-related positions. The value of embedded MSRs has been considered in determining fair value.

MORTGAGE SERVICING RIGHTS

Fair value is estimated by discounting future net servicing cash flows associated with the underlying securities using discount rates that approximate current market rates and externally published prepayment rates, adjusted, if appropriate, for individual portfolio characteristics.

DEBT

The fair values of the Company's Senior Notes, Convertible Notes and Medium-term Notes are estimated based on quoted market prices or market comparables.

MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY

Fair value is estimated based on quoted market prices and incorporates the settlement of litigation and the resulting modification of terms (see Note 6 - -- Other Charges -- Litigation Settlement).

INTEREST RATE SWAPS, FOREIGN EXCHANGE CONTRACTS, OTHER MORTGAGE-RELATED POSITIONS

The fair values of these instruments are estimated, using dealer quotes, as the amount that the Company would receive or pay to execute a new agreement with terms identical to those remaining on the current agreement, considering interest rates at the reporting date.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997 are as follows:

(IN MILLIONS)	1998			1997		
	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL/ CONTRACT AMOUNT	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS						
Marketable securities	$ --	$ 220.8	$ 220.8	$ --	$ 65.2	$ 65.2
Investment in mortgage securities	--	46.2	46.2	--	48.0	48.0
ASSETS UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Relocation receivables	--	659.1	659.1	--	775.3	775.3
Mortgage loans held for sale.............	--	2,416.0	2,462.7	--	1,636.3	1,668.1
Mortgage servicing rights................	--	635.7	787.7	--	373.0	394.6
LONG-TERM DEBT	--	3,362.9	3,351.1	--	1,246.0	1,468.3
OFF BALANCE SHEET DERIVATIVES RELATING TO LONG-TERM DEBT						
Foreign exchange forwards	1.1	--	--	5.5	--	--
OTHER OFF BALANCE SHEET DERIVATIVES						
Foreign exchange forwards	47.6	--	--	102.7	--	--
LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Debt.....................................	--	6,896.8	6,895.0	--	5,602.6	5,604.2
MANDATORILY REDEEMABLE PREFERRED SECURITIES ISSUED BY SUBSIDIARY..........	--	1,472.1	1,333.2	--	--	--
OFF BALANCE SHEET DERIVATIVES RELATING TO LIABILITIES UNDER MANAGEMENT AND MORTGAGE PROGRAMS						
Interest rate swaps......................	2,070.2	--	--	2,550.1	--	--
in a gain position......................	--	--	7.8	--	--	5.6
in a loss position	--	--	(11.5)	--	--	(3.9)
Foreign exchange forwards................	349.3	--	0.1	409.8	--	2.5
MORTGAGE-RELATED POSITIONS						
Forward delivery commitments (a)	5,057.0	2.9	(3.5)	2,582.5	19.4	(16.2)
Option contracts to sell (a).............	700.8	8.5	3.7	290.0	.5	--
Option contracts to buy (a)..............	948.0	5.0	1.0	705.0	1.1	4.4
Commitments to fund mortgages............	3,154.6	--	35.0	1,861.7	--	19.7
Constant maturity treasury floors (b) ...	3,670.0	43.8	84.0	825.0	12.5	17.1
Interest rate swaps (b)..................	775.0			175.0		
in a gain position......................	--	--	34.6	--	--	1.3
in a loss position......................	--	--	(1.2)	--	--	--
Treasury futures (b).....................	151.0	--	(0.7)	331.5	--	4.8
Principal only swaps (b).................	66.3	--	3.1	--	--	--

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(a) Carrying amounts and gains (losses) on these mortgage-related positions are already included in the determination of respective carrying amounts and fair values of mortgage loans held for sale. Forward delivery commitments are used to manage price risk on sale of all mortgage loans to end investors including loans held by an unaffiliated buyer as described in Note 11.

(b) Carrying amounts on these mortgage-related positions are capitalized and recorded as a component of MSRs. Gains (losses) on such positions are included in the determination of the respective carrying amounts and fair value of MSRs.

17. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES ISSUED BY SUBSIDIARY

On March 2, 1998, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware and a wholly-owned consolidated subsidiary of the Company, issued 29.9 million FELINE PRIDES and 2.3 million trust preferred securities and received approximately $1.5 billion in gross proceeds therefrom. The Trust invested the proceeds in 6.45% Senior Debentures due 2003 (the "Debentures") issued by the Company, 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 the Company to the extent the Company makes payments pursuant to the Debentures. Upon the issuance of the FELINE PRIDES and trust preferred securities, the Company recorded a liability of $43.3 million with a corresponding reduction to shareholders' equity equal to the present value of the total future contract adjustment payments to be made under the FELINE PRIDES. The FELINE PRIDES, upon issuance, consisted of 27.6 million Income PRIDES and 2.3 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of $50 per PRIDE. The Income PRIDES consist of trust preferred securities and forward purchase contracts under which the holders are required to purchase common stock from the Company 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 common stock from the Company 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. Such preferred stock dividends are presented as minority interest, net of tax in the consolidated statements of operations. Payments under the forward purchase contract forming a part of the Income PRIDES will be made by the Company 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 will be made by the Company 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 Company common stock per PRIDES security depending upon the average of the closing price per share of the Company's common stock for a 20 consecutive day period ending in mid-February of 2001. The Company has the right to defer the contract adjustment payments and the payment of interest on the Debentures to the Trust. Such election will subject the Company to certain restrictions, including restrictions on making dividend payments on its common stock until all such payments in arrears are settled.

The Company has reached an agreement to settle a class action lawsuit that was brought on behalf of holders of PRIDES securities who purchased their securities on or prior to April 15, 1998 (see Note 6 -- Other Charges -- Litigation Settlement).

18. COMMITMENTS AND CONTINGENCIES

LEASES

The Company has noncancelable operating leases covering various facilities and equipment, which primarily expire through the year 2004. Rental expense for the years ended December 31, 1998, 1997 and 1996 was $177.9 million, $91.3 million and $75.3 million, respectively. The Company incurred contingent rental expenses in 1998 of $44.1 million, which is included in total rental expense, principally based on rental volume or profitability at certain NPC parking facilities. The Company has been granted rent abatements for varying periods on certain of its facilities. Deferred rent relating to those abatements is being amortized on a straight-line basis over the applicable lease terms. Commitments under capital leases are not significant.

Future minimum lease payments required under noncancelable operating leases as of December 31, 1998 are as follows:

YEAR	(IN MILLIONS) AMOUNT
1999..........	$122.9
2000..........	109.3
2001..........	93.6
2002..........	69.5
2003..........	55.5
Thereafter....	139.4
	$590.2

LITIGATION

Accounting Irregularities. On April 15, 1998, the Company publicly announced that it discovered accounting irregularities in the former business units of CUC. Such discovery prompted investigations into such matters by the Company and the Audit Committee of the Company's Board of Directors. As a result of the findings from the investigations, the Company restated its previously reported financial results for 1997, 1996 and 1995. Since the April 15, 1998 announcement, 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.

As previously disclosed, the Company reached a final agreement with plaintiff's 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 6 -- Other Charges for a more detailed description of the settlement).

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 Securities and Exchange Commission ("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 30, 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 such appeal is pending.

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 that additional adjustments will not be necessary as a result of these government investigations, the Company does not expect that additional adjustments will be necessary. (See Note 27-C. -- Common Stock Litigation Settlement -for a description of the class action 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.

19. INCOME TAXES

The income tax provision consists of:

(IN MILLIONS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Current			
Federal..................	$(159.4)	$155.1	$101.1
State....................	0.7	24.4	13.3
Foreign..................	56.5	28.5	18.1
	(102.2)	208.0	132.5
Deferred			
Federal..................	176.1	(16.8)	70.4
State....................	29.5	(3.4)	16.5
Foreign..................	1.1	3.2	0.8
	206.7	(17.0)	87.7
Provision for income taxes....................	$ 104.5	$191.0	$220.2

Net deferred income tax assets and liabilities are comprised of the following:

(IN MILLIONS)	DECEMBER 31, 1998	1997
CURRENT NET DEFERRED INCOME TAXES		
Merger and acquisition-related liabilities............................	$ 52.8	$102.9
Accrued liabilities and deferred income ..	323.1	225.8
Excess tax basis on assets held for sale .	190.0	--
Insurance retention refund...............	(21.2)	(19.3)
Provision for doubtful accounts..........	13.8	4.0
Franchise acquisition costs..............	(6.9)	(2.6)
Deferred membership acquisition costs	2.6	8.6
Other....................................	(87.6)	(7.5)
Current net deferred tax asset............	$466.6	$311.9

(IN MILLIONS)	DECEMBER 31, 1998	1997
NON-CURRENT NET DEFERRED INCOME TAXES		
Depreciation and amortization............	$(296.7)	$(277.1)
Deductible goodwill -taxable poolings	49.3	44.2
Merger and acquisition-related liabilities............................	25.8	35.0
Accrued liabilities and deferred income ..	63.9	66.9
Acquired net operating loss carryforward .	83.5	59.9
Other....................................	(3.0)	0.2
Non-current net deferred tax liability	$ (77.2)	$ (70.9)

(IN MILLIONS)	DECEMBER 31, 1998	1997
MANAGEMENT AND MORTGAGE PROGRAM DEFERRED INCOME TAXES		
Depreciation	$(121.3)	$(233.1)
Unamortized mortgage servicing rights	(248.0)	(74.6)
Accrued liabilities	25.8	9.5
Alternative minimum tax carryforwards	2.5	2.5
Net deferred tax liabilities under management and mortgage programs	$(341.0)	$(295.7)

Net operating loss carryforwards at December 31, 1998 acquired in connection with the acquisition of Avis expire as follows: 2001, $8.2 million; 2002, $89.6 million; 2005, $7.2 million; 2009, $17.7 million; and 2010, $116.0 million. Certain state net operating loss carryforwards of $43.9 million are not expected to be realized; therefore, a valuation allowance of $43.9 million was established in 1998.

The Company's effective income tax rate for continuing operations differs from the federal statutory rate as follows:

(IN MILLIONS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes net of federal benefit	6.2%	5.3%	3.6%
Non-deductible merger-related costs	--	29.1%	--
Amortization of non-deductible goodwill	5.9%	4.3%	1.5%
Foreign taxes differential	(8.0%)	.3%	.5%
Recognition of excess tax basis on assets held for sale	(2.7%)	--	--
Other	(3.2%)	.3%	.6%
	33.2%	74.3%	41.2%

20. STOCK OPTION PLANS

On December 12, 1998, the Company adopted the 1999 Broad-Based Employee Stock Option Plan (the "Broad-Based Plan"). The Broad-Based Plan authorizes the granting of up to 16 million shares of Company common stock through awards of nonqualified stock options (stock options which do not qualify as incentive stock options as defined under the Internal Revenue Service Code). Certain officers and all employees and independent contractors of the Company are eligible to receive awards under the Broad-Based Plan. Options granted under the plan generally have a ten year term and are exercisable at 20% per year commencing one year from the date of grant.

In connection with the Cendant Merger, the Company adopted the 1997 Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan authorizes the granting of up to 25 million shares of Company common stock through awards of stock options (which may include incentive stock options and/or nonqualified stock options), stock appreciation rights and shares of restricted Company common stock. All directors, officers and employees of the Company and its affiliates are eligible to receive awards under the Incentive Plan. Options granted under the Incentive Plan generally have a ten year term and are exercisable at 20% per year commencing one year from the date of grant. During 1997, the Company also adopted two other stock plans: the 1997 Employee Stock Plan (the "1997 Employee Plan") and the 1997 Stock Option Plan (the "1997 SOP"). The 1997 Employee Plan authorizes the granting of up to 25 million shares of Company common stock through awards of nonqualified stock options, stock appreciation rights and shares of restricted Company common stock to employees of the Company and its affiliates. The 1997 SOP provides for the granting of up to 10 million shares of Company common stock to key employees (including employees who are directors and officers) of the Company and its subsidiaries through awards of incentive and/or nonqualified stock options. Options granted under the 1997 Employee Plan and the 1997 SOP generally have ten-year terms and are exercisable at 20% per year commencing one year from the date of grant.

The Company also grants options to employees pursuant to three additional stock option plans under which the Company may grant options to purchase in the aggregate up to 70.8 million shares of Company common stock. Annual vesting periods under these plans range from 20% to 33%, all commencing one-year from the respective grant dates. At December 31, 1998 and 1997, there were 38.6 million and 49.3 million shares available for grant under the Company's stock option plans. On September 23, 1998, the Compensation Committee of our Board of Directors approved a program to effectively reprice certain Company stock options granted to our middle management during December 1997 and the first quarter of 1998. Such existing options, with exercise prices ranging from $31.38 to $37.50, were effectively repriced on October 14, 1998 at $9.8125 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. On September 23, 1998, the Compensation Committee also modified the terms of certain options held by certain of our executive officers and senior managers subject to certain conditions including a revocation of 12.6 million existing options. Additionally, a management equity ownership program was adopted that requires these executive officers and senior managers to acquire our common stock at various levels commensurate with their respective compensation levels. The option modifications were accomplished by canceling existing options with exercise prices ranging from $16.78 to $34.31 and issuing a lesser amount of new options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price, specifically $12.27 and $20.00. Additionally, certain new options replacing options that were fully vested, provide for vesting ratably over four years beginning January 1, 1999.

The table below summarizes the annual activity of the Company's stock option plans:

(SHARES IN MILLIONS)	OPTIONS OUTSTANDING	WEIGHTED AVG. EXERCISE PRICE
BALANCE AT DECEMBER 31, 1995 ..	98.7	$ 7.21
Granted......................	36.1	22.14
Canceled.....................	(2.8)	18.48
Exercised....................	(14.0)	5.77
BALANCE AT DECEMBER 31, 1996 ..	118.0	11.68
Granted......................	78.8	27.94
Canceled.....................	(6.4)	27.29
Exercised....................	(14.0)	7.20
PHH conversion (1)...........	(4.4)	--
BALANCE AT DECEMBER 31, 1997 ..	172.0	18.66
Granted		
Equal to fair market value ..	83.8	19.16
Greater than fair market value......................	20.8	17.13
Canceled.....................	(81.8)	29.36
Exercised....................	(17.0)	10.01
BALANCE AT DECEMBER 31, 1998 ..	177.8	14.64

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(1) In connection with the PHH Merger, all unexercised PHH stock options were canceled and converted into 1.8 million shares of Company common stock.

The Company utilizes the disclosure-only provisions of SFAS No. 123 "Accounting for Stock-Based Compensation" and applies Accounting Principles Board ("APB") Opinion No. 25 and related interpretations in accounting for its stock option plans. Under APB No. 25, because the exercise prices of the Company's employee stock options are equal to or greater than the market prices of the underlying Company stock on the date of grant, no compensation expense is recognized.

Had the Company elected to recognize compensation cost for its stock option plans based on the calculated fair value at the grant dates for awards under such plans, consistent with the method prescribed by SFAS No.123, net income (loss) per share would have reflected the pro forma amounts indicated below:

(IN MILLIONS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Net income (loss)			
as reported	$539.6	$(217.2)	$330.0
pro forma	392.9	(663.9)(2)	245.1
Net income (loss) per share:			
Basic			
as reported	$ .64	$ (.27)	$ .44
pro forma (1)	.46	(.82)(2)	.32
Diluted			
as reported	.61	(.27)	.41
pro forma (1)	.46	(.82)(2)	.31

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(1) The effect of applying SFAS No. 123 on the pro forma net income per share disclosures is not indicative of future amounts because it does not take into consideration option grants made prior to 1995 or in future years.
(2) Includes incremental compensation expense of $335.4 million ($204.9 million, after tax) or $.25 per basic and diluted share as a result of the immediate vesting of HFS options upon consummation of the Cendant Merger.

The fair values of the stock options are estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for options granted in 1998, 1997 and 1996:

			CUC PLANS	HFS PLANS	PHH PLANS
	1998	1997	1996		
Dividend yield	--	--	--	--	2.8%
Expected volatility	55.0%	32.5%	28.0%	37.5%	21.5%
Risk-free interest rate	4.9%	5.6%	6.3%	6.4%	6.5%
Expected holding period	6.3 years	7.8 years	5.0 years	9.1 years	7.5 years

The weighted average fair values of Company stock options granted during the year ended December 31, 1998, which were repriced with exercise prices equal to and higher than the underlying stock price at the date of grant, were 19.69 and 18.10, respectively. The weighted average fair value of the stock options granted during the year ended December 31, 1998, which were not repriced was $10.16. The weighted average fair value of stock options granted during the year ended December 31, 1997 was $13.71. The weighted average fair value of stock options granted under the former CUC plans (inclusive of plans acquired) during the year ended December 31, 1996 was $7.51. The weighted average fair value of stock options granted under the former HFS plans (inclusive of the PHH plans) during the year ended December 31, 1996 was $10.96.

The table below summarize information regarding Company stock options outstanding and exercisable as of December 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	SHARES	WEIGHTED AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
$.01 to $10.00..........	89.6	6.8	$ 7.40	50.5	$ 5.56
$10.01 to $20.00.........	38.6	7.5	15.44	17.3	14.52
$20.01 to $30.00.........	27.3	7.9	23.02	20.8	23.09
$30.01 to $40.00.........	22.3	8.8	32.03	14.8	31.83
	177.8	7.4	14.64	103.4	14.34

21. SHAREHOLDERS' EQUITY

On December 1, 1998, the Company's Board of Directors amended and restated the 1998 Employee Stock Purchase Plan (the "Plan"). The Company reserved 2.5 million shares of Company common stock in connection with the Plan, which enables eligible employees to purchase shares of common stock from the Company at 85% of the fair market value on the first business day of each calendar quarter (the "Offering Date"). Eligible employees may authorize the Company to withhold up to 10% of their compensation from each paycheck during any calendar quarter, in an amount not to exceed a total of $25,000 of Company common stock (at fair market value as of the Offering Date) during any calendar year.

In November 1998, the Board of Directors authorized a $1.0 billion common share repurchase program. As of December 31, 1998, the Company had repurchased 13.4 million shares costing $257.7 million. 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. See Note 27 -- Subsequent Events -- Share Repurchases.

22. EMPLOYEE BENEFIT PLANS

The Company sponsors several defined contribution plans that provide certain eligible employees of the Company an opportunity to accumulate funds for their retirement. The Company matches the contributions of participating employees on the basis of the percentages specified in the plans. The Company's cost for contributions to these plans was $23.6 million, $15.9 million and $10.3 million for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company's PHH subsidiary has a domestic non-contributory defined benefit pension plan covering substantially all domestic employees of PHH and its subsidiaries employed prior to July 1, 1997. Additionally, the Company has contributory defined benefit pension plans in certain United Kingdom subsidiaries with participation in the plans at the employees' option. Under both the domestic and foreign plans, benefits are based on an employee's years of credited service and a percentage of final average compensation.

The Company's policy for all plans is to contribute amounts sufficient to meet the minimum requirements plus other amounts as deemed appropriate. The projected benefit obligations of the funded plans were $196.3 million and $108.1 million and funded assets, at fair value, were $162.2 million and $102.7 million at December 31, 1998 and 1997, respectively. The net pension cost and the recorded liability were not material to the accompanying consolidated financial statements.

23. RELATED PARTY TRANSACTIONS

NRT

During 1997, the Company executed agreements with NRT Incorporated ("NRT"), a corporation created to acquire residential real estate brokerage firms. In 1997, NRT acquired the real estate brokerage

business and operations of National Realty Trust (the "Trust"). The Trust was an independent trust to which the Company contributed the brokerage offices, which were owned by Coldwell Banker at the time of the Company's acquisition of Coldwell Banker in 1996. Since inception, NRT acquired other local and regional real estate brokerage businesses. NRT is the largest residential brokerage firm in the United States. Certain officers of the Company serve on the Board of Directors of NRT. NRT is party to various agreements and arrangements with the Company and its subsidiaries. Under these agreements, the Company acquired $182.0 million of NRT preferred stock (and may be required to acquire up to an additional $81.3 million of NRT preferred stock). The Company received preferred dividend payments of $15.4 million and $5.2 million during the years ended 1998 and 1997, respectively which are included in other revenue in the consolidated statements of operations. NRT is the largest franchisee, based on gross commission income, of the Company's three real estate franchise systems. During 1998, 1997 and 1996, NRT and its predecessors paid an aggregate $121.5 million, $60.5 million and $24.0 million, respectively, in franchise royalties to the Company. On February 9, 1999, the Company executed new agreements with NRT, which among other things, increased the term of each of the three franchise agreements under which NRT operates from 40 years to 50 years.

In connection with the aforementioned agreements, the Company at its election, will participate in NRT's acquisitions by acquiring up to an aggregate $946.3 million (plus an additional $500.0 million if certain conditions are met) of intangible assets, and in some cases mortgage operations, of real estate brokerage firms acquired by NRT. Through December 31, 1998, the Company acquired $445.7 million of such mortgage operations and intangible assets, primarily franchise agreements associated with real estate brokerage companies acquired by NRT, which brokerage companies will become subject to the NRT 50-year franchise agreements. In February 1999, NRT and the Company entered into an agreement whereby the Company made an upfront payment of $30.0 million to NRT for services to be provided by NRT to the Company related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. Such fee is refundable in the event the services are not provided.

AVIS, INC.

Upon entering into the definitive merger agreement to acquire Avis, the Company announced its strategy to dilute its interest in the subsidiary of Avis which controlled the car rental operations of Avis ("ARAC") while retaining assets associated with the franchise business, including trademarks, reservation system assets and franchise agreements with ARAC and other licensees. Since the Company's control was planned to be temporary, the Company accounted for its 100% investment in ARAC under the equity method. The Company's equity interest was diluted to 27.5% pursuant to an Initial Public Offering ("IPO") by ARAC in September 1997. Net proceeds from the IPO of $359.3 million were retained by ARAC. In March 1998, the Company sold one million shares of Avis common stock and recognized a pre-tax gain of approximately $17.7 million, which is included in other revenue in the consolidated statements of operations. At December 31, 1998, the Company's interest in ARAC was approximately 22.6%. The Company recorded its equity in the earnings of ARAC, which amounted to $13.5 million, $51.3 million and $1.2 million for the years ended December 31, 1998, 1997 and 1996, respectively, as a component of other revenue in the consolidated statements of operations. During 1999, the Company's equity interest was further diluted to 18% as a result of the Company's sale of additional shares of Avis common stock.

The Company licenses the Avis trademark to ARAC pursuant to a 50-year master license agreement and receives royalty fees based upon 4% of ARAC revenue, escalating to 4.5% of ARAC revenue over a 5-year period. During 1998 and 1997, total franchise royalties paid to the Company from ARAC were $91.9 million and $81.7 million, respectively. In addition, the Company operates the telecommunications and computer processing system, which services ARAC for reservations, rental agreement processing, accounting and fleet control for which the Company charges ARAC at cost. Certain officers of the Company serve on the Board of Directors of ARAC.

24. DIVESTITURE

On December 17, 1997, as directed by the Federal Trade Commission in connection with the Cendant Merger, CUC sold immediately preceding the Cendant Merger all of the outstanding shares of its

timeshare exchange businesses, Interval International Inc. ("Interval"), for net proceeds of $240.0 million less transaction related costs amortized as services are provided. The Company recognized a gain on the sale of Interval of $76.6 million ($26.4 million, after tax), which has been reflected as an extraordinary gain in the consolidated statements of operations.

25. FRANCHISING AND MARKETING/RESERVATION ACTIVITIES

Revenues from franchising activities include royalty revenues and initial franchise fees charged to lodging properties, car rental locations, tax preparation offices and real estate brokerage offices upon execution of a franchise contract.

Franchised outlet revenues for the years ended December 31 are as follows:

	1998	1997	1996
Royalty revenues.......	$703.1	$574.1	$377.6
Initial franchise fees..................	44.7	26.0	24.2

The Company receives marketing and reservation fees from several of its lodging and real estate franchisees. Marketing and reservation fees related to the Company's lodging brands' franchisees are calculated based on a specified percentage of gross room revenues. Marketing fees received from the Company's real estate brands' franchisees are based on a specified percentage of gross closed commissions earned on the sale of real estate. As provided in the franchise agreements, at the Company's discretion, all of these fees are to be expended for marketing purposes and the operation of a centralized brand-specific reservation system for the respective franchisees and are controlled by the Company until disbursement. Membership and service fee revenues included marketing and reservation fees of $228.1 million, $215.4 million and $157.6 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Franchised outlet information at December 31 is as follows:

	1998(1)	1997	1996
Franchised Units in Operation.....................	22,471	18,876	18,535
Backlog (Franchised units sold but not yet opened)..	2,063	1,547	1,061

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(1) 1,998 franchised units were acquired in connection with the acquisition of Jackson Hewitt.

26. SEGMENT INFORMATION

Effective December 31, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The provisions of SFAS No. 131 established revised standards for public companies relating to reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports. It also established standards for related disclosures about products and services, and geographic areas. The adoption of SFAS No. 131 did not affect the Company's primary financial statements, but did affect the disclosure of segment information. The segment information for 1997 and 1996 has been restated from the prior years' presentation in order to conform to the requirements of SFAS No. 131.

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 for other charges which are of a non-recurring or unusual nature, which are not measured in assessing segment performance or are not segment specific. The Company determined that it has eight 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. Inter-segment net revenues were not significant to the net revenues of any one segment or the consolidated net revenues of the Company. 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 franchiser 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. Operation 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 (the developers) to allow owners of weekly timeshare intervals (the 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.

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 and gaming 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.

RELOCATION

Relocation services are provided to client corporations for the transfer of their employees. Such services include appraisal, inspection and selling of transferees' homes, providing equity advances to transferees (generally guaranteed by the corporate customer), purchase of a transferee's home which is sold within a specified time period for a price which is at least equivalent to the appraised value, certain home management services, assistance in locating a new home at the transferee's destination, consulting services and other related services.

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.

FLEET

Fleet services primarily consist of the management, purchasing, leasing, and resale of vehicles for corporate clients and government agencies. These services also include fuel, maintenance, safety and accident management programs and other fee-based services for clients' vehicle fleets. The Company leases vehicles primarily to corporate fleet users under operating and direct financing lease arrangements.

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.

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 facility services, 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.

SEGMENT INFORMATION (1)
(In millions)

YEAR ENDED DECEMBER 31, 1998

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 5,283.8	$1,063.3	$ 929.1	$ 544.0	$ 444.0
Adjusted EBITDA	1,589.9	542.5	(57.8)	137.8	124.5
Depreciation and amortization	322.7	88.3	23.7	14.0	16.7
Segment assets	19,842.9	2,761.6	839.0	371.5	1,130.3
Capital expenditures	355.2	79.0	28.4	16.6	69.6

	Real Estate Franchise	Fleet	Mortgage	Other Services
Net revenues	$ 455.8	$ 387.4	$ 353.4	$1,106.8
Adjusted EBITDA	348.6	173.8	187.6	132.9
Depreciation and amortization	53.2	22.2	8.8	95.8
Segment assets	2,014.3	4,697.2	3,504.0	4,525.0
Capital expenditures	5.8	57.7	36.4	61.7

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YEAR ENDED DECEMBER 31, 1997

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 4,240.0	$ 971.6	$ 778.7	$482.7	$ 401.6
Adjusted EBITDA	1,249.7	467.3	5.3	111.0	92.6
Depreciation and amortization	237.7	81.9	17.8	11.0	8.1
Segment assets	13,800.1	2,601.5	840.6	357.0	1,008.7
Capital expenditures	154.5	36.5	12.1	5.6	23.0

	Real Estate Franchise	Fleet	Mortgage	Other Services
Net revenues	$ 334.6	$ 324.1	$ 179.2	$767.5
Adjusted EBITDA	226.9	120.5	74.8	151.3
Depreciation and amortization	43.6	16.3	5.1	53.9
Segment assets	1,827.1	4,125.8	2,233.3	806.1
Capital expenditures	12.6	24.3	16.2	24.2

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YEAR ENDED DECEMBER 31, 1996

	TOTAL	TRAVEL (2)	INDIVIDUAL MEMBERSHIP	INSURANCE/ WHOLESALE	RELOCATION
Net revenues	$ 3,237.7	$ 429.2	$ 745.9	$448.0	$ 344.9
Adjusted EBITDA	802.7	189.5	43.2	99.0	65.5
Depreciation and amortization	145.5	36.9	12.8	12.8	11.2
Segment assets	12,642.4	2,686.2	882.7	297.1	1,086.4
Capital expenditures	101.2	20.8	8.9	5.2	9.1

	Real Estate Franchise	Fleet	Mortgage	Other Services
Net revenues	$ 236.3	$ 293.5	$ 127.7	$612.2
Adjusted EBITDA	137.8	99.0	45.7	123.0
Depreciation and amortization	27.3	17.6	4.4	22.5
Segment assets	1,295.5	3,991.1	1,742.4	661.0
Capital expenditures	9.9	15.3	9.9	22.1

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(1) Segment data includes the financial results associated with acquisitions accounted for under the purchase method of accounting since the respective dates of acquisition as follows:

SEGMENT	ACQUISITION	ACQUISITION DATE
Travel	Avis	October 1996
	RCI	November 1996
Real Estate franchise	Coldwell Banker	May 1996
Other	NPC	April 1998
	Jackson Hewitt	January 1998

(2) Net revenues and Adjusted EBITDA include the equity in earnings from the Company's investment in ARAC of $13.5 million, $51.3 million and $1.2 million in 1998, 1997 and 1996, respectively. 1998 net revenues and Adjusted EBITDA include a pre-tax gain of $17.7 million as a result of a 1998 sale of a portion of the Company's equity interest. Total assets include such equity method investment in the amount of $139.1 million, $123.8 million and $76.5 million at December 31, 1998, 1997 and 1996, respectively.

Provided below is a reconciliation of total Adjusted EBITDA and total assets for reportable segments to the consolidated amounts.

(IN MILLIONS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Adjusted EBITDA for reportable segments	$ 1,589.9	$ 1,249.7	$ 802.7
Other charges			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Investigation-related costs	33.4	--	--
Financing costs	35.1	--	--
Depreciation and amortization	322.7	237.7	145.5
Interest, net	113.9	50.6	14.3
Consolidated income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	$ 315.0	$ 257.3	$ 533.5

	Year Ended December 31, 1998	1997	1996
Total assets for reportable segments	$19,842.9	$13,800.1	$12,642.4
Net assets of discontinued operations	373.6	273.3	120.1
Consolidated total assets	$20,216.5	$14,073.4	$12,762.5

GEOGRAPHIC SEGMENT INFORMATION

(IN MILLIONS)	TOTAL	UNITED STATES	UNITED KINGDOM	ALL OTHER COUNTRIES
1998				
Net revenues	$ 5,283.8	$ 4,277.5	$ 695.5	$310.8
Assets	20,216.5	16,251.0	3,706.5	259.0
Long-lived assets	1,432.8	645.9	767.8(1)	19.1
1997				
Net revenues	$ 4,240.0	$ 3,669.1	$ 231.8	$339.1
Assets	14,073.4	12,749.2	1,014.7	309.5
Long-lived assets	544.7	477.6	49.1	18.0
1996				
Net revenues	$ 3,237.7	$ 2,947.3	$ 133.7	$156.7
Assets	12,762.5	11,566.6	830.7	365.2
Long-lived assets	523.9	444.4	65.9	13.6

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(1) Includes $691.0 million of property and equipment acquired in connection with the NPC acquisition.

Geographic segment information is classified based on the geographic location of the subsidiary. Long-lived assets are comprised of property and equipment.

27. SUBSEQUENT EVENTS

A. 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 additional 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 hotels and their guests on a worldwide basis. The two companies 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.

B. DEBT REDEMPTION

On December 10, 1999, the Company's 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.

C. 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.

D. DISPOSITIONS OF BUSINESSES

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 94% of its North American Outdoor Group ("NAOG") business unit for approximately $140.0 million in cash and 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.

Entertainment Publications, Inc. On November 30, 1999, the Company completed the disposition of 85% of EPub for approximately $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. The Company's original intention was to dispose of 100% of EPub. Subsequent to the consummation of the transaction, the Company will account for its investment in EPub using the equity method.

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 a value-added tax refund services company.

Fleet. On June 30, 1999, the Company completed the disposition of its fleet business segment ("fleet segment" or "fleet businesses"), which included PHH Vehicle Management Services Corporation, 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 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.

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 June 30, 1999, the Company beneficially owned approximately 19% 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 34% of ARAC's outstanding common equity (although the voting interest would be limited, in most instances to 20%). At December 31, 1999, the Company's ownership percentage of outstanding Class A common stock of ARAC was 18%.

The Company realized a net gain on the disposition of $881.4 million ($865.7 million, after tax. The realized gain is net of approximately $90.0 million of transaction costs. 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. 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.

Other Businesses. During 1999, the Company completed the dispositions of certain other businesses, including Central Credit, Inc., Spark Services, Inc., Match.com, National Leisure Group, National Library of Poetry and Essex Corporation. Aggregate consideration received on the dispositions of such businesses was comprised of $110.3 million in cash and $43.3 million of common stock. The Company realized a net gain of $47.5 million ($27.2 million, after tax) on the dispositions of such businesses.

E. 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 Company owned businesses 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.

F. 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 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. On September 15, 1999, 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. The fair market value of the NGI common stock on the date of donation was approximately $20 million. Accordingly, as a result of the change in ownership of NGI's common stock from the Company to independent third parties, NGI's operating results will no longer be included in the Company's consolidated financial statements. The Company retained an ownership of convertible preferred stock of NGI, which is ultimately exchangeable, at the Company's option, into 78% of NGI's diluted common shares which has a $5 million annual preferred dividend. The convertible preferred stock is not convertible until after September 14, 2001. 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 $85.0 million ($48.0 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.

G. COMMON SHARE REPURCHASES

During 1999, the Company's Board of Directors authorized an additional $1.8 billion of Company common stock to be repurchased under the common share repurchase program, increasing the total authorized amount to be repurchased under the program to $2.8 billion. As of January 7, 2000, the Company repurchased $2.0 billion (105.2 million shares) under the program. Additionally, in July 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. Under the terms of the offer, which commenced June 16, 1999 and expired July 15, 1999, the Company had invited shareholders to tender their shares at prices of Company common stock between $19.75 and $22.50 per share.

H. 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 not commercially feasible and therefore unacceptable. 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.

28. SELECTED QUARTERLY FINANCIAL DATA -- (UNAUDITED)

Provided below is the selected unaudited quarterly financial data for 1998 and 1997. The underlying per share information is calculated from the weighted average shares outstanding during each quarter, which may fluctuate based on quarterly income levels. Therefore, the sum of the quarters may not equal the total year amounts.

	1998				
(IN MILLIONS, EXCEPT PER SHARE DATA)	FIRST	SECOND (1)	THIRD (2)	FOURTH (3)	TOTAL YEAR
Net revenues	$1,129.4	$1,277.9	$1,457.8	$1,418.7	$5,283.8
Income (loss) from continuing operations	183.9	154.9	123.1	(302.0)	159.9
Income (loss) from discontinued operations, net of tax	(11.0)	(1.9)	(12.1)	--	(25.0)
Gain on sale of discontinued operations, net of tax	--	--	--	404.7(4)	404.7
Net income	$ 172.9	$ 153.0	$ 111.0	$ 102.7	$ 539.6
Per share information:					
Basic					
Income (loss) from continuing operations	$ 0.22	$ 0.18	$ 0.14	$ (0.36)	$ 0.19
Net income	$ 0.21	$ 0.18	$ 0.13	$ 0.12	$ 0.64
Weighted average shares	838.7	850.8	850.8	850.0	848.4
Diluted					
Income (loss) from continuing operations	$ 0.21	$ 0.18	$ 0.14	$ (0.36)	$ 0.18
Net income	$ 0.20	$ 0.18	$ 0.13	$ 0.12	$ 0.61
Weighted average shares	908.5	900.9	877.4	850.0	880.4
Common Stock Market Prices:					
High	41	41 3/8	22 7/16	20 5/8	
Low	32 7/16	18 9/16	10 7/19	7 1/2	

	1997				
	FIRST	SECOND(5)	THIRD	FOURTH (6)	TOTAL YEAR
Net revenues....................	$ 953.7	$999.6	$1,186.5	$1,100.2	$4,240.0
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change.........................	113.8	(69.4)	203.0	(181.1)	66.3
Income (loss) from discontinued operations, net of tax.........	2.8	(14.6)	(0.4)	(14.6)	(26.8)
Extraordinary gain, net of tax .	-	-	-	26.4(8)	26.4
Cumulative effect of accounting change, net of tax............	(283.1)(7)	-	-	-	(283.1)
Net income (loss)..............	$(166.5)	$(84.0)	$ 202.6	$ (169.3)	$ (217.2)
Per share information:					
Basic					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change ..	$ 0.14	$(0.09)	$ 0.25	$ (0.22)	$ 0.08
Net income (loss)	$ (0.21)	$(0.11)	$ 0.25	$ (0.20)	$ (0.27)
Weighted average shares	799.4	804.2	805.9	828.4	811.2
Diluted					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change ..	$ 0.13	$(0.09)	$ 0.23	$ (0.22)	$ 0.08
Net income (loss)	$ (0.19)	$(0.11)	$ 0.23	$ (0.20)	$ (0.27)
Weighted average shares	877.1	804.2	889.0	828.4	851.7
Common Stock Market Prices: ...					
High...........................	26 7/8	26 3/4	31 3/4	31 3/8	
Low............................	22 1/2	20	23 11/16	26 15/16	

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(1) Includes charges of $32.2 million ($20.4 million, after tax or $0.02 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs. Such charges were partially offset by a credit of $27.5 million ($18.6 million, after tax of $0.02 per diluted share) associated with changes to the original estimate of costs to be incurred in connection with the 1997 Unusual Charges.

(2) Includes charges of: (i) $76.4 million ($49.2 million, after tax or $0.06 per share) comprised of costs associated with the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments, principally to the Company's former chairman; and (ii) a $50.0 million ($32.2 million, after-tax or $0.04 per diluted share) non-cash write off of certain equity investments in interactive membership businesses and impaired goodwill associated with the National Library of Poetry, a Company subsidiary.

(3) Includes charges of: (i) $433.5 million ($281.7 million, after tax or $0.33 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers and Providian; (ii) $351.0 million ($228.2 million, after tax or $0.27 per diluted share) of costs associated with an agreement to settle the PRIDES securities class action suit, and (iii) $12.4 million (9.9 million, after tax or $0.01 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation

payments. Such charges were partially offset by a credit of $42.8 million ($27.5 million, after tax or $0.03 per diluted share) associated with changes to the original estimate of costs to be incurred in connection with the 1997 Unusual Charges.

(4) Represents gains associated with the sales of Hebdo Mag and CDS (see Note 5 -Discontinued Operations).

(5) Includes Unusual Charges of $295.4 million primarily associated with the PHH Merger. Unusual Charges of $278.9 million ($208.4 million, after-tax or $.24 per diluted share) pertained to continuing operations and $16.5 million were associated with discontinued operations.

(6) Includes Unusual Charges in the net amount of $442.6 million substantially associated with the Cendant Merger and Hebdo Mag merger. Net Unusual Charges of $425.2 million ($296.3 million, after-tax or $.34 per diluted share) pertained to continuing operations and $17.4 million were associated with discontinued operations.

(7) Represents a non-cash after-tax charge of $0.35 per diluted share to account for the cumulative effect of a change in accounting, effective January 1, 1997, related to revenue and expenses recognition for memberships.

(8) Represents the gain on the sale of Interval, which was sold coincident to the Cendant Merger in consideration of Federal Trade Commission anti-trust concerns within the timeshare industry.

PURCHASE AGREEMENT

PURCHASE AGREEMENT, dated as of December 15, 1999 (this "Agreement"), by and between Cendant Corporation, a Delaware corporation ("Cendant"), and Liberty Media Corporation, a Delaware corporation ("Liberty").

WHEREAS, Liberty desires to purchase from Cendant, and Cendant desires to sell to Liberty, 18,000,000 shares (the "Shares") of the common stock, par value $.01 per share, of Cendant (the "Common Stock"), as well as non-transferable warrants (in substantially the form of Exhibit A hereto) to purchase up to 28,956,000 shares of Common Stock for an exercise price of $23.00 per share (subject to the anti-dilution adjustments set forth in the Warrants (as hereinafter defined)) at any time during the period beginning on the Closing Date and ending on the second anniversary thereof (the "Warrants").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties hereby agree as follows:

ARTICLE I

THE PURCHASE

Section 1.1 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing (as hereinafter defined), Cendant will issue to Liberty, and Liberty will purchase from Cendant (x) the Shares, in consideration for which, at the Closing, Liberty will pay to Cendant an amount equal to three hundred million dollars ($300,000,000) in cash (the "Shares Purchase Price"), and (y) the Warrant, in consideration for which, at the Closing, Liberty will pay to Cendant an amount equal to one hundred million dollars ($100,000,000) in cash (the "Warrant Purchase Price" and, together with the Shares Purchase Price, the "Purchase Price"). Upon the Closing, Liberty shall pay the Purchase Price to Cendant by wire transfer of immediately available funds to an account or accounts designated by Cendant in writing for such purpose prior to the Closing.

Section 1.2 Time and Place of Closing. Upon the terms and subject to the conditions of this Agreement, the closing of the transactions contemplated by

this Agreement (the "Closing") will take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022, at 9:00 a.m. (New York City time) on the third business day following the satisfaction or waiver of the conditions set forth in Article V, unless another time or date is agreed to by the parties hereto (the "Closing Date").

Section 1.3 Deliveries by Cendant. Subject to the terms and conditions hereof, at the Closing, Cendant will deliver the following to Liberty:

(a) A certificate or certificates, duly registered on the stock books of Cendant in the name of Liberty, representing the Shares;

(b) The Warrants; and

(c) The officer's certificate provided for in Section 5.3(c).

Section 1.4 Deliveries by Liberty. Subject to the terms and conditions hereof, at the Closing, Liberty will deliver the following to Cendant:

(a) The Purchase Price, in immediately available funds, in the manner set forth in Section 1.1 hereof; and

(b) The officer's certificate provided for in Section 5.2(c).

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF CENDANT

Section 2.1 Organization. Cendant is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to carry on its business substantially as it is now being conducted.

Section 2.2 Authority. Cendant has the corporate power and authority to execute and deliver this Agreement and the Warrants and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate

action on the part of Cendant. Each of this Agreement has been (and upon the Closing the Warrants will be) validly executed and delivered by Cendant and (assuming this Agreement has been duly authorized, executed and delivered by Liberty) constitutes (or in the case of the Warrants, will constitute) a valid and binding agreement of Cendant, enforceable against Cendant in accordance with its terms, except that (a) such enforcement may be subject to any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other laws, now or hereafter in effect, relating to or limiting creditors' rights generally and (b) enforcement of this Agreement and the Warrants, including, among other things, the remedy of specific performance and injunctive and other forms of equitable relief, may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 2.3 The Shares. The Shares have been duly and validly authorized and, when a certificate evidencing the Shares is issued and delivered against payment of the Shares Purchase Price in accordance with the terms of this Agreement, the Shares shall be duly and validly issued, fully paid and non-assessable. Delivery of the certificate(s) for the Shares will pass valid title to the Shares, free and clear of any claim, lien, charge, security interest, encumbrance, restriction on transfer or voting or other defect in title whatsoever ("Liens"), other than Liens resulting from any action(s) relating to Liberty. As of the Closing, the sale of the Shares to Liberty will be registered under an effective shelf registration statement filed by Cendant with the Securities and Exchange Commission (the "SEC").

Section 2.4 The Warrant Shares. The shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") (a) are duly and validly authorized, (b) at the Closing Date, will be reserved for issuance upon exercise of the Warrants in accordance with their terms, including by reason of the anti-dilution provisions thereof, (c) assuming issuance in accordance with the terms of the Warrants, will at the time of exercise of the Warrants be duly and validly issued, fully paid and nonassessable, and (d) at the time of exercise of the Warrants, will be registered under an effective registration statement filed by Cendant with the SEC. Delivery of the certificate(s) for the Warrant Shares upon exercise of the Warrants will pass valid title to the Warrant Shares, free and clear of all Liens whatsoever, other than Liens resulting from any action(s) relating to Liberty. At the time of the Closing, the Warrant Shares will be registered under an effective shelf registration statement filed by Cendant with the SEC.

Section 2.5 Capitalization. The authorized capital of Cendant consists of 2,000,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock"). As of October 26, 1999, there were 711,025,187 shares of Common Stock issued and outstanding and no shares of Preferred Stock issued and outstanding.

Section 2.6 Consents and Approvals; No Violations. Neither the execution and delivery of this Agreement or the Warrants by Cendant, nor the consummation by Cendant of the transactions contemplated hereby or thereby will (a) conflict with or result in any breach of any provision of the amended and restated certificate of incorporation (the "Cendant Charter") or amended and restated by-laws of Cendant, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, or require any consent under, any indenture, license, contract, agreement or other instrument or obligation to which the Cendant is a party, (c) violate any order, writ, injunction, decree or award rendered by any Governmental Entity (as hereinafter defined) or any statute, rule or regulation (collectively, "Laws" and, individually, a "Law") applicable to Cendant, or (d) require any filing with, or the obtaining of any permit, authorization, consent or approval of, any governmental or regulatory authority or court, domestic or foreign (a "Governmental Entity"), except in the case of clauses (c) and (d) of this Section 2.6, for the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act").

Section 2.7 SEC Reports. Since January 1, 1999, Cendant has filed all required reports, schedules, forms, statements and other documents, including exhibits and all other information incorporated therein (the "SEC Documents"), with the SEC. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents when filed (as amended and restated and as supplemented by subsequently filed SEC Documents) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 2.8 Shareholder Vote. The delivery and sale of the Shares and the Warrants, and the exercise of the Warrants and the delivery of the Warrant

Shares in accordance with the terms thereof, will not require any vote of Cendant's shareholders pursuant to the terms of the Cendant Charter or the rules of the New York Stock Exchange (the "NYSE").

Section 2.9 Approval of Disinterested Directors. Notwithstanding the foregoing representations, on the date hereof Cendant has not obtained the approval of a majority of its disinterested directors for the issuance of the Warrant Shares pursuant to the Warrants, which approval shall be obtained prior to the Closing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF LIBERTY

Section 3.1 Organization. Liberty is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to carry on its business substantially as it is now being conducted.

Section 3.2 Authority Relative to this Agreement. Liberty has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of Liberty. This Agreement has been duly and validly executed and delivered by Liberty and (assuming this Agreement has been duly authorized, executed and delivered by Cendant) constitutes a valid and binding agreement of Liberty, enforceable against Liberty in accordance with its terms, except that (a) such enforcement may be subject to any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other laws, now or hereafter in effect, relating to or limiting creditors' rights generally and (b) enforcement of this Agreement, including, among other things, the remedy of specific performance and injunctive and other forms of equitable relief, may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 3.3 Consents and Approvals; No Violations. Neither the execution and delivery of this Agreement by Liberty, nor the consummation by Liberty of the transactions contemplated hereby will (a) conflict with or result in any breach of any provision of the certificate of incorporation or by-laws (or similar

organizational documents) of Liberty, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, or require any consent under, any indenture, license, contract, agreement or other instrument or obligation to which the Liberty is a party, (c) violate any order, writ, injunction, decree or award rendered by any Governmental Entity or Law applicable to Liberty, or (d) require any filing with, or the obtaining of any permit, authorization, consent or approval of, any Governmental Entity, except in the case of clauses (c) and (d) of this Section 3.3, for the applicable requirements of the HSR Act.

Section 3.4 Liberty Acknowledgment. Liberty has conducted its own independent investigation, review and analysis of Cendant. In entering into this Agreement, Liberty acknowledges that it has relied solely upon the aforementioned investigation, review and analysis, and, other than with respect to the representations and warranties made in Article II of this Agreement, Liberty acknowledges that none of Cendant, or any of its directors, officers, employees, affiliates, controlling persons, agents, advisors or representatives makes or has made any representation or warranty, either express or implied.

ARTICLE IV

COVENANTS

Section 4.1 Consents; Cooperation. Each of Cendant and Liberty shall cooperate, and use its best efforts, to prepare and file all necessary materials with the appropriate Governmental Entities pursuant to the HSR Act within five business days of the date of this Agreement. Each party covenants to (x) furnish the other party with such necessary or appropriate information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings and submission pursuant to the HSR Act and (y) use its commercially reasonable efforts to comply as promptly as possible with requests for additional information issued by applicable Governmental Entities pursuant to the HSR Act.

Section 4.2 Future Development Efforts. (a) From and after the Closing, each of Cendant and Liberty agree to work together to develop Internet and related opportunities associated with Cendant's travel, mortgage, real estate and membership businesses. These efforts may include the creation of joint ventures among Liberty, Cendant and others, as well as equity investments by either Liberty

and Cendant in businesses owned by the other, subject, in all cases, to the negotiation of mutually agreeable terms between the parties.

(b) In addition, Cendant agrees to assist Liberty in creating a new venture that will seek to provide broadband video, voice and data services and content to hotels and their guests on a worldwide basis, in consideration for which Cendant will receive an equity participation interest in such venture, subject to the negotiation of mutually agreeable terms between the parties.

(c) Cendant and Liberty covenant to pursue opportunities within the cable industry to leverage Cendant's direct marketing resources and capabilities, subject to the negotiation of mutually agreeable terms between the parties with respect to any specific transaction.

(d) The provisions of this Section 4.2 shall not prohibit nor in any way interfere with the right of Liberty or Cendant, or any of their respective affiliates, to engage in any business or pursue any business opportunity (including entering into any agreement in connection therewith), anywhere in the world, including those that may be in competition with, or complimentary to, any business engaged in by the other or any of its affiliates.

Section 4.3 Public Announcements. Prior to the Closing, except as otherwise agreed to by the parties, the parties shall not issue any report, statement or press release or otherwise make any public statements with respect to this Agreement and the transactions contemplated hereby, except as in the reasonable judgment of a party (or, in the case of Liberty, AT&T Corporation) may be required by law or in connection with its obligations as a publicly-held, exchange-listed company, in which case the parties will use their reasonable best efforts to reach mutual agreement as to the language of any such report, statement or press release. Upon execution hereof and upon the Closing, Cendant and Liberty will consult with each other with respect to the issuance of a joint report, statement or press release with respect to this Agreement and the transactions contemplated hereby.

ARTICLE V

CONDITIONS AND TERMINATION

Section 5.1 Conditions to Each Party's Obligations to Consummate the Transactions Under this Agreement. The respective obligations of each party to

consummate the transactions contemplated hereby is subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Any waiting periods applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or been terminated; and

(b) Neither Cendant nor Liberty shall be subject to any order, decree or injunction of a court of competent jurisdiction, and no statute, rule or regulation shall have been enacted, promulgated or issued, which enjoins or prohibits the consummation of any of the transactions contemplated by this Agreement or the Warrants.

Section 5.2 Conditions to Cendant's Obligations to Consummate the Transactions Under this Agreement. The obligation of Cendant to consummate the transactions contemplated hereby are further subject to the satisfaction or waiver of the following conditions:

(a) The representations and warranties of Liberty contained in this Agreement shall be true and correct at and as of the Closing Date in all material respects as though such representations and warranties were made at and as of such date (except to the extent expressly made as of an earlier date, in which case, as of such date);

(b) Liberty shall have performed and complied in all material respects with all agreements and obligations required by this Agreement to be performed or complied with by it on or prior to the Closing; and

(c) Liberty shall have delivered to Cendant an officer's certificate to the effect that each of the conditions specified above in Sections 5.2(a) and (b) is satisfied.

Section 5.3 Conditions to Liberty's Obligations to Consummate the Transactions Under this Agreement. The obligation of Liberty to consummate the transactions contemplated hereby are further subject to satisfaction or waiver of the following conditions:

(a) The representations and warranties of Cendant contained in this Agreement shall be true and correct at and as of the Closing Date in all

material respects as though such representations and warranties were made at and as of such date (except to the extent expressly made as of an earlier date, in which case, as of such date);

(b) Cendant shall have performed and complied in all material respects with all agreements and obligations required by this Agreement to be performed or complied with by it on or prior to the Closing;

(c) Cendant shall have delivered to Liberty an officer's certificate to the effect that each of the conditions specified above in Sections 5.3(a) and (b) is satisfied;

(d) The Shares and the Warrant Shares shall have been approved for listing on the NYSE, subject only to official notice of issuance;

(e) The sale of the Shares to Liberty shall have been registered under an effective shelf registration statement filed by Cendant with the SEC; and

(f) Cendant shall have obtained the approval of a majority of its disinterested directors for the issuance of the Warrant Shares pursuant to the Warrant.

ARTICLE VI

TERMINATION

Section 6.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing Date:

(a) by mutual agreement of the parties; or

(b) by Cendant or Liberty at any time after 60 days from the date of this Agreement if the Closing shall not have occurred by such date; provided, however, that the right to terminate this Agreement under this Section 6.1(b) shall not be available to a party, if it has breached any of its representations, warranties or covenants hereunder in any material respect and such breach has been the cause of or resulted in the failure of the Closing to occur on or before such date.

Section 6.2 Procedure for and Effect of Termination. In the event of termination of this Agreement and the abandonment of the transactions contemplated hereby by the parties pursuant to Section 6.1 hereof, written notice thereof shall be given by a party so terminating to the other party and this Agreement shall forthwith terminate and shall become null and void and of no further effect, and the transactions contemplated hereby shall be abandoned without further action by Cendant or Liberty. If this Agreement is terminated pursuant to Section 6.1 hereof:

(a) all filings, applications and other submissions made pursuant hereto shall, to the extent practicable, be withdrawn from the Governmental Entity to which made; and

(b) there shall be no liability or obligation hereunder on the part of Cendant or Liberty or any of their respective directors, officers, employees, affiliates, controlling persons, agents or representatives, except that Cendant or Liberty, as the case may be, may have liability to the other party if the basis of termination is a breach by Cendant or Liberty, as the case may be, of one or more of the provisions of this Agreement, and except that the obligations provided for in this Section 6.2 shall survive any such termination.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof and supersedes other prior agreements and understandings between the parties both oral and written regarding such subject matter.

Section 7.2 Severability. Any provision of this Agreement that is held by a court of competent jurisdiction to violate applicable law shall be limited or nullified only to the extent necessary to bring the Agreement within the requirements of such law.

Section 7.3 Notices. Any notice required or permitted by this Agreement must be in writing and must be sent by facsimile, by nationally recognized commercial overnight courier, or mailed by United States registered or certified mail, addressed to the other party at the address below or to such other

address for notice (or facsimile number, in the case of a notice by facsimile) as a party gives the other party written notice of in accordance with this Section 8.3. Any such notice will be effective as of the date of receipt:

(a) if to Cendant, to

Cendant Corporation
9 West 57th Street
37th Floor
New York, New York 10019
Fax: (212) 413-1922/23
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Fax: (212) 735-2000
Attention: David Fox, Esq.

(b) if to Liberty, to

Liberty Media Corporation
9197 South Peoria Street
Englewood, Colorado
Fax: (720) 875-5882
Attention: General Counsel

Section 7.4 Governing Law; Jurisdiction. This Agreement shall be governed by, enforced under and construed in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule thereof. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America in each case located in the County of New York for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts) and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 7.3 (or

to such other address for notice that such party has given the other party written notice of in accordance with Section 7.3) shall be effective service of process for any litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of New York or of the United States of America in each case located in the County of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum.

Section 7.5 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and shall in no way be construed to define, limit, describe, explain, modify, amplify, or add to the interpretation, construction or meaning of any provision of, or scope or intent of, this Agreement nor in any way affect this Agreement.

Section 7.6 Counterparts. This Agreement may be signed in counterparts and all signed copies of this Agreement will together constitute one original of this Agreement. This Agreement shall become effective when each party hereto shall have received counterparts thereof signed by all the other parties hereto.

Section 7.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party, except that Liberty may cause the Shares and/or the Warrants and Warrant Shares to be sold to, and registered in the name of, a wholly owned direct or indirect subsidiary of Liberty. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 7.8 Definition of "Shares." As used in this Agreement, the term "Shares" includes (a) all dividends (other than ordinary cash dividends with a record date prior to the Closing) and distributions declared by Cendant on the Shares subsequent to the date hereof and prior to the Closing and (b) shall be appropriately adjusted to give effect to any subdivision, combination or reclassification of the Shares effected prior to the Closing.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly signed as of the date first above written.

CENDANT CORPORATION

By: /s/ David M. Johnson

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

LIBERTY MEDIA CORPORATION

By: /s/ Robert R. Bennett

Name: Robert R. Bennett
Title: President

EXHIBIT A

CENDANT CORPORATION

(Incorporated under the laws of the State of Delaware)

VOID AFTER 5:00 P.M., NEW YORK CITY TIME, ON ________ __, 2002 (1)

Warrant to Purchase 28,956,000
Shares of Common Stock

WARRANT FOR THE PURCHASE OF SHARES OF COMMON STOCK

FOR VALUE RECEIVED, CENDANT CORPORATION (the "Company"), a Delaware corporation, hereby certifies that Liberty Media Corporation ("Liberty") or its permitted transferees (the "Holder") is entitled, subject to the provisions of this warrant (the "Warrant"), to purchase from the Company, at any time, or from time to time during the period commencing at 9:00 a.m. New York City local time, on _______ __, 2000 (the "Closing Date") (2), and expiring, unless earlier terminated as hereinafter provided, at 5:00 p.m. New York City local time on _______ __, 2002 (the "Expiration Date"), up to 28,956,000 fully paid and nonassessable shares of Common Stock (as hereinafter defined) at a price of $23.00 per share (such exercise price per share, as adjusted proportionately in the case of an adjustment described in Section 7 hereto, being hereinafter referred to as the "Exercise Price").

The term "Common Stock" means the shares of Common Stock, $.01 par value, of the Company as constituted on December 15, 1999 (the "Base Date"), together with any other equity securities that may be issued by the Company in addition thereto or in substitution therefor. The aggregate number of shares of Common Stock issuable upon the exercise of this Warrant shall be adjusted from time to time as hereinafter set forth. The shares of Common Stock deliverable upon such exercise, and as adjusted from time to time, are hereinafter sometimes referred to as "Warrant Stock".

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1 Date will be the second anniversary of the Closing Date.

2 This will be the Closing Date.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Warrant is lost, stolen, destroyed or mutilated, which shall be at any time enforceable by anyone.

The Holder agrees with the Company that this Warrant is issued, and all the rights hereunder shall be held, subject to all of the conditions, limitations and provisions set forth herein.

1. Exercise of Warrant. This Warrant may be exercised in whole or in part at any time, or from time to time, during the period commencing at 9:00 a.m., New York City local time, on the Closing Date, and expiring at 5:00 p.m., New York City local time, on _______ __, 2002 (subject to Section 7.2 hereof) or, if such day is a day on which banking institutions in the City of New York are authorized by law to close, then on the next succeeding day that shall not be such a day. This Warrant may be exercised by presentation and surrender hereof to the Company at its principal office, with the Warrant Exercise Form attached hereto duly executed and accompanied by payment (either in cash or by certified or official bank check, payable to the order of the Company) of the Exercise Price for the number of shares specified in such Form and instruments of transfer, if appropriate, duly executed by the Holder or his or her duly authorized attorney. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares purchasable hereunder. Upon receipt by the Company of this Warrant, together with the Exercise Price, at its office, or by the stock transfer agent of the Company at its office, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on exercise of this Warrant.

2. Reservation of Shares. The Company will at all times reserve for issuance and delivery upon exercise of this Warrant all shares of Common Stock or other shares of capital stock of the Company (and other securities and property) from time to time receivable upon exercise of this Warrant. All such shares (and other

securities and property) shall be duly authorized and, when issued upon such exercise shall be validly issued, fully paid and nonassessable and free of all preemptive rights.

3. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. In lieu of fractional shares, there shall be paid to the Holder of this Warrant at the time the Warrant is surrendered pursuant to Section 1 an amount in cash equal to the same fraction of the Current Market Price of a share of Common Stock on the trading day immediately prior to the date of such exercise. "Current Market Price" means the closing sale price of the Common Stock (regular way) on the New York Stock Exchange.

4. Non-Transferability of Warrant. This Warrant cannot be sold, transferred or assigned, except to a direct or indirect wholly-owned subsidiary of Liberty; provided, however, that the Holder must at all times be either Liberty or a direct or indirect wholly-owned subsidiary of Liberty.

5. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder of the Company, either at law or in equity, and the rights of the Holder are limited to those expressed in this Warrant.

6. Redemption. This Warrant is not redeemable by the Company.

7. Anti-Dilution Provisions.

7.1 Adjustment for Dividends in Other Securities, Property, Etc.; Reclassification, Etc. (a) In case at any time or from time to time after the Base Date the holders of Common Stock (or any other securities at the time receivable upon the exercise of this Warrant) shall have received, or on or after the record date fixed for the determination of eligible stockholders, shall have become entitled to receive without payment therefor: (i) other or additional securities or property (other than cash) by way of dividend or distribution (other than distributions referred to in Section 7.1(b) below), (ii) any cash paid or payable except cash paid out of earned surplus of the Company at the Base Date as increased (decreased) by subsequent credits (charges) thereto (other than credits as a result of a revaluation of property) and that does not constitute an Extraordinary Cash Dividend (as defined below), or (iii) other or additional (or less) securities or property (including cash) by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar corporate rearrangement, then, and in each such case, the Holder of this Warrant, upon the exercise thereof as provided in Section 1, shall be entitled to receive the amount of securities and property (including cash in the cases referred to in clauses (ii) and (iii) above) which such Holder would hold on the date of such exercise or then be entitled to receive if on the Base Date it had been the holder of record of the number of shares of Common Stock (as constituted on the Base Date) subscribed for

upon such exercise as provided in Section 1 and had thereafter, during the period from the Base Date to and including the date of such exercise, retained such shares and/or all other additional (or less) securities and property (including cash in the cases referred to in clauses (b) and (c) above) receivable by it as aforesaid during such period, giving effect to all adjustments called for during such period by Section 7.2.

(b) If the Company shall distribute to all holders of Common Stock subscription rights or warrants that (i) expire prior to the Expiration Date (and in the case of subscription rights or warrants for Common Stock, the exercise price thereof is less than the Current Market Price on the Determination Date) and (ii) are generally not taxable to the recipients, then the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, of which the numerator shall be the Current Market Price on the Determination Date, less the fair market value (as determined in good faith by the Board of Directors of the Company) of such subscription rights or warrants distributed per share of Common Stock to the holders of Common Stock, and of which the denominator shall be such Current Market Price. The "Determination Date" means the earlier of (A) the record date for the determination of stockholders entitled to receive the subscription rights or warrants to which this paragraph (b) applies and (B) the "ex-dividend" date for the issuance of such subscription rights or warrants. The adjustment pursuant to the foregoing provisions of this paragraph (b) shall be made successively whenever any distribution to which this paragraph (b) applies, and shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. Upon each adjustment to the Exercise Price as a result of this paragraph (b), this Warrant shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of shares of Common Stock (calculated to the nearest hundredth) obtained by (x) multiplying the number of shares of Common Stock purchasable upon exercise of this Warrant prior to such adjustment by the Exercise Price in effect immediately prior to the adjustment of the Exercise Price and (y) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

(c) The term "Extraordinary Cash Dividend" means any cash dividend with respect to the Common Stock the amount of which, together with the aggregate amount of cash dividends on the Common Stock to be aggregated with such cash dividend in accordance with the following provisions of this paragraph, equals or exceeds the threshold percentage set forth in the following sentence. If, upon the date prior to the "ex-dividend" date with respect to a cash dividend on the Common Stock, the aggregate of the amount of such cash dividend together with the amount of all cash dividends on the Common Stock with "ex-dividend" dates occurring in the 365 consecutive day period ending on the date prior to the "ex-

dividend" date with respect to the cash dividend to which this provision is being applied (other than any such other cash dividends with "ex dividend" dates occurring in such period for which a prior adjustment under this Section 7.1 was made) equals or exceeds on a per share basis 15% of the average of the Current Market Prices during the period beginning on the date after the first such "ex-dividend" date in such period and ending on the date prior to the "ex-dividend" date with respect to a cash dividend to which this provision is being applied (except that if no other cash dividend has had an "ex-dividend" date occurring in such period, the period for calculating the average of such closing sale prices shall be the period commencing 365 days prior to the date immediately prior to the "ex-dividend" date with respect to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an "ex-dividend" date occurring in such 365-day period that is aggregated with such cash dividend in accordance with this paragraph shall be deemed be deemed to be an Extraordinary Cash Dividend.

7.2 Adjustment for Reorganization, Consolidation, Merger, Etc. In case of (i) any reorganization of the Company (or any other corporation or entity, the securities of which are at the time receivable on the exercise of this Warrant) after the Base Date or (ii) the Company (or any such other corporation or entity) shall consolidate with or merge into another corporation or entity or convey all or substantially all of its assets to another corporation or other entity or (iii) the Company is a party to a merger or binding share exchange which reclassifies or changes all of its outstanding Common Stock, then, and in each such case, the Holder of this Warrant upon the exercise thereof as provided in Section 1 at any time after the consummation of such reorganization, consolidation, merger, conveyance or binding share exchange, shall be entitled to receive, in lieu of the securities and property receivable upon the exercise of this Warrant prior to such consummation, the securities or property to which such Holder would have been entitled upon consummation if said Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment as provided in Section 7.1; in each such case, the terms of this Warrant shall be applicable to the securities or property receivable upon the exercise of this Warrant after such consummation. In case the Company (or any other corporation or other entity, the securities of which are at the time receivable on exercise of this Warrant) shall consolidate with or merge into another corporation or convey all or substantially all of its assets to another corporation, then, if and only if the consideration per share of Common Stock received in such transaction is comprised solely of cash ("Cash Consideration") and such Cash Consideration is equal to or less than the Exercise Price then the Warrants shall automatically expire upon consummation of such transaction provided that, in each case, the Warrants shall survive consummation of such transaction and the terms of this Section 7.2 shall apply. The Company shall not effect any such consolidation, merger, transfer or binding share exchange of all of its shares of Common Stock unless prior to or simultaneously with the consummation thereof the successor (if other than the Company) resulting from such

consolidation or merger or the entity purchasing such assets or other appropriate entity shall assume, by written agreement, the obligation to deliver to the Holder of this Warrant such securities, cash or other property as, in accordance with the foregoing provisions, such Holder may be entitled to purchase and the other obligations under this Warrant.

7.3 Certificate as to Adjustments. In each case of an adjustment in the number of shares of Common Stock (or other securities or property) receivable on the exercise of the Warrant, the Company at its expense will promptly compute such adjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based, including a statement of the pro forma adjusted Exercise Price. The Company will forthwith mail a copy of each such certificate to the Holder of this Warrant.

7.4 Notices of Record Date, Etc.

In case:

(a) the Company shall take a record of the holders of its Common Stock (or other securities at the time receivable upon the exercise of the Warrant) for the purpose of entitling them to receive any dividend (other than a cash dividend that is not an Extraordinary Cash Dividend) or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities, or to receive any other right;

(b) of any capital reorganization of the Company (other than a stock split or reverse stock split), any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation or entity (other than a merger for purposes of change of domicile) or any conveyance of all or substantially all of the assets of the Company to another corporation or entity;

(c) of any voluntary of involuntary dissolution, liquidation or winding-up of the Company; or

(d) the Company proposes to take any other action that would require adjustment to the Exercise Price or the number of shares of Common Stock issuable upon exercise of this Warrant pursuant to this Section 7,

then, and in such case, the Company shall mail or cause to be mailed to the Holder of the Warrant at the time outstanding a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend,

distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the date on which such reorganization, reclassification, consolidation, merger, binding share exchange, conveyance, dissolution, liquidation or winding-up is to take place, and the time, if any, is to be fixed, as to which the holders of record of Common Stock (or such other securities at the time receivable upon the exercise of the Warrant) shall be entitled to exchange their shares of Common Stock (or such other securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up. Such notice shall be mailed at least twenty (20) days prior to the date therein specified.

7.5 De Minimus Adjustments. No adjustment to the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 7.5 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

8. Applicable Law. The Warrant is issued under and shall for all purposes be governed by and construed in accordance with the laws of the State of Delaware.

9. Notice. Notices and other communications to be given to the Holder of the Warrant evidenced by this certificate shall be deemed to have been sufficiently given, if delivered or mailed, addressed in the name and at the address of such owner appearing on the records of the Company, and if mailed, sent registered or certified mail, postage prepaid. Notices or other communications to the Company shall be deemed to have been sufficiently given if delivered by hand or mailed, by registered or certified mail, postage prepaid, to the Company at 9 West 57th Street, 37th Floor, New York 10019, Attn: General Counsel, or at such other address as the Company shall have designated by written notice to such registered owner as herein provided, Notice by mail shall be deemed given when deposited in the United States mail as herein provided.

10. Registration. At the time of the exercise of this Warrant, the shares of Common Stock issuable pursuant thereto shall be registered under an effective registration statement filed by Cendant with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed on its behalf, in its corporate name, by its duly authorized officer, all as of the day and year first above written.

CENDANT CORPORATION

By:

Name:
Title:

WARRANT EXERCISE FORM

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing __________________________ shares of Common Stock of Cendant Corporation and hereby makes payment at the rate of $____ per share, or an aggregate if $______, in payment therefor.

Name of Registered Holder

Signature

Signature, if held jointly

Date

INTERNET COOPERATION AGREEMENT

THIS INTERNET COOPERATION AGREEMENT (the "Agreement") is entered into this 1st day of October 1999 by and between CompleteHome Operations, Inc. ("CompleteHome"), a Delaware corporation with an office located at 200 Vallejo Street, San Francisco, California 94111 and Century 21 Real Estate Corporation ("Century 21"), a Delaware corporation with an office located at 6 Sylvan Way, Parsippany, New Jersey 07054.

W I T N E S S E T H:

WHEREAS, Century 21 is the franchisor of the Century 21(R) real estate brokerage franchise system (the "System"); and

WHEREAS, CompleteHome is a provider of, among other things, a residential real estate services portal on the Internet ("Internet Portal"); and

WHEREAS, CompleteHome and Century 21 wish to engage in a cooperative marketing effort with each other in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Term. The term of this Agreement (the "Term") shall commence on October 1, 1999 and shall terminate on December 31, 2039, unless earlier terminated in accordance with the terms herein set forth.

Section 2. CompleteHome Obligations. (a) During the Term, CompleteHome shall display the listings of residential real estate offered for sale through Century 21's franchisees (the "Listings") contained on the System web site operated by Century 21 ("System Listings") on the Internet Portal and, subject to the prior written approval of Century 21, on the Internet web sites of third parties selected by CompleteHome. The System Listings will be placed as part of the content of the residential property listings pages located on the Internet Portal. The System Listings displayed by CompleteHome will include a detailed description of the property together with the identity of the broker for the particular Listing (including the corresponding agents of such broker as may be required by law or as may be requested by the broker). CompleteHome shall provide Internet traffic access to the Listings on the Internet Portal at no cost to the Internet users. With respect to System Listings, CompleteHome will not without the prior consent of Century 21 (i) display the street address for a particular System Listing and/or (ii) identify the applicable agent of the broker associated with the System Listing. In addition, CompleteHome will not display any System Listing where doing so would violate any restriction imposed on such System Listing or where in the reasonable judgment of Century 21 the display of such System Listing would be detrimental to the System.

(b) CompleteHome shall make available on the Internet Portal broker profile screens (including agent profile screens to the extent requested by the respective broker), which screens shall include general data and information for each broker (and agent as the case may be) in the System, as such information is made available by Century 21. CompleteHome shall design and develop a profile template to be dedicated for the System which template shall include distinct characteristics, including System-specific attributes, so as to differentiate the profile screens for the System from similar content for other systems. The template design shall be subject to the approval of Century 21, which approval shall not be unreasonably withheld. The profile screens shall be accessible, via hyperlink, from the System Listings attributable to such broker/agent on the residential property listing pages of the Internet Portal. The profile screens may also be accessed by Internet users through search criteria from other locations on the Internet Portal. Although profile screens shall not include any hyperlinks to web sites or destinations other than the Internet Portal without the prior consent of Century 21, a profile screen may include a communication link to the listing broker (including the corresponding agents of such broker as may be required by law or as may be requested by broker), such as, customized telephone numbers, e-mail delivery, e-mail-to-fax delivery and other vehicles of communication to reach the broker as such vehicles become generally available for such purpose and are approved by the parties.

(c) CompleteHome will, in cooperation with Century 21, maintain lines of communication with the brokers and agents (as permitted) of the System to, among other things, promote CompleteHome and the services offered by or through CompleteHome in connection with the Internet Portal. Through the use of communication mediums such as e-mail, fax and telephone, CompleteHome will distribute informational and marketing materials to the brokers and agents of the System. All information disseminated by CompleteHome to the brokers and agents of the System shall be subject to the prior approval of Century 21. In addition, CompleteHome shall solicit brokers and agents of the System to participate in various listing and other services ("Ancillary Services") which will be offered by or through CompleteHome. For Ancillary Services requested by a broker or agent of the System, CompleteHome will enter into an agreement with such broker or agent which sets forth the terms and conditions of such agreement. CompleteHome shall be solely responsible for honoring its obligations under all such broker and agent agreements including collecting any and all payments due in connection with the Ancillary Services from the particular broker or agent. For Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers, CompleteHome shall be solely responsible for honoring its obligations under all such third party provider agreements, including collecting any and all payments, commissions, rebates or other similar amounts (the "Ancillary Service Revenues") payable to CompleteHome by such third parties relating to the broker's and agent's participation in the Ancillary Services. With respect to the Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers only, CompleteHome agrees that it shall not promote, recommend or offer to the brokers and/or agents of the System any services or products, or providers thereof, which may be the subject of an exclusive marketing agreement (or similar arrangement) entered into or maintained by Century 21 or any affiliate of Century 21.

(d) CompleteHome will implement and maintain during the Term a system to track and record Internet traffic to the System Listings on a "per broker" basis and "per agent" basis. CompleteHome shall furnish a detailed report to (i) Century 21 with respect to the System Listings and (ii) each broker with respect to the System Listings attributable solely to such broker or its agent, as applicable. The report shall be issued by CompleteHome, via electronic means, in a format and containing substance mutually agreed by the parties. A report shall be issued (i) to Century 21 for each calendar month during the Term within fifteen (15) days from the end of the particular month and (ii) to any broker of the System within fifteen (15) days from the date on which said broker requests a report from CompleteHome (but in no event more than one (1) time in any calendar quarter during the Term with respect to a particular broker). Information to be included in the reports to Century 21 will include information, such as, the total number of System Listings viewed and the total number of leads generated by System Listings to the brokers and agents.

(e) At the request of Century 21, CompleteHome shall make available to Century 21 various information, data and content prepared by or through CompleteHome for display through the System web site. Display of the information, data and content, including without limitation, any presentation or placement criteria, shall be subject to the mutual agreement of the parties, which approval shall not be unreasonably withheld. Access to all such information, data and content shall be provided to Century 21, at no cost. Further, all such CompleteHome information, data and content shall remain the property of CompleteHome and shall reside on a CompleteHome-designated server. During the Term, Century 21 shall have a non-exclusive, non-transferable, limited license under this Agreement to access and use such information, data and content from the System web site. The environment in which such CompleteHome information, data and content is displayed on behalf of Century 21 shall maintain a similar "look and feel" with respect to the System web site so as to foster a seamless transfer from the System web site to the CompleteHome server.

(f) CompleteHome will be responsible for the management of maintenance and support services provided by third party providers for the System web site ("Third Party Providers"). Century 21 shall promptly undertake to assign to CompleteHome the agreements with Third Party Providers for such maintenance and support services. CompleteHome will, in cooperation with Century 21, contact Third Party Providers to notify Third Party Providers of the appointment of CompleteHome under this subsection (f) and each of Century 21 and CompleteHome shall execute the necessary documents, if any, to effectuate CompleteHome's appointment with respect to the management of such services on behalf of Century 21. Management services shall include, among other things, assisting in negotiations with service providers, reviewing/approving invoices, processing/remittance of payments due to Third Party Providers, monitoring performance and other related services as agreed by the parties. In no event shall CompleteHome have the right (i) to obligate Century 21 to any provider of maintenance and support services for the System web site without the prior written consent of Century 21 or (ii) to modify the terms of the agreements (or terminate such agreements) with Third Party Providers whereby such modifications would not be in the best interest of Century 21, including without limitation, reducing

the service or performance levels established in any of the agreements with Third Party Providers.

(g)(i) During the Term, CompleteHome shall serve as a non-exclusive business development representative ("BDR") for Century 21 as it relates to third party advertising on the System web site. In its capacity as a BDR, CompleteHome shall offer and provide assistance (e.g. recommendations, strategies and other pertinent information) to Century 21, at no cost to Century 21, with respect to Century 21's planning and development of third party advertising and content on the System web site (the "BDR Services"). Although CompleteHome agrees to perform the BDR Services to acceptable standards as recognized throughout the Internet advertising industry, CompleteHome does not guarantee the success of any idea, concept, plan or design provided by CompleteHome to Century 21. Century 21 expressly reserves the right to approve in advance any work product, advertising campaign, project or other materials submitted by CompleteHome to Century 21 for display on the System web site or other web site, as applicable. Nothing contained in this Section 2(g) shall be deemed to require CompleteHome to undertake any campaign, prepare any advertising materials or publicity or cause the publication of any Internet advertising which, in CompleteHome's judgment, is misleading, indecent, libelous, unlawful or otherwise prejudicial to either party's interest. To the extent applicable, CompleteHome shall be responsible for obtaining all releases, licenses (including any assignments thereof), permits and other authorizations needed to use or display content (e.g. names, likenesses, endorsements and testimonials) on the System web site; provided, however, that Century 21 shall be solely responsible for the accuracy, completeness and propriety of any and all information furnished to CompleteHome by Century 21 (or on Century 21's behalf) in connection with the BDR Services. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to prepare and approve an Internet business development agenda and schedule (the "Plan") for the then upcoming calendar year. The Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet business development activities, marketing alliance promotions, restrictions on marketing efforts and the like. The parties will also meet to discuss and evaluate Century 21's development of Internet business activities and opportunities relating to the placement of advertising on the System web site as such activities and opportunities arise during the Term of this Agreement and prior to Century 21's commitment to any third party relating thereto.

(g)(ii) As part of the appointment of CompleteHome as the BDR and subject to the provisions in subsection (g)(iii) below, CompleteHome shall place any and all third party advertisements on the System web site. Such appointment by Century 21 of CompleteHome for the placement of third party advertisements shall be exclusive in nature. CompleteHome will enter into and maintain the agreements with third parties for the placement of such advertising and shall be responsible for processing all requirements under such arrangements including the collection of any and all payments due in connection with the placement of such advertising. The presentation and/or location of third party advertising on the System web site shall be subject to the agreement of the parties. Notwithstanding the foregoing, for each six (6) month period during the Term (commencing on the first day of the first full calendar month of the Term) (the "Period"), Century 21 shall have the right to cause CompleteHome to place, in Century 21's discretion, third party advertisements on the System web site

(the "Allotted Ads"); provided, however, that in no event shall the total number of Century 21-designated impressions for such advertisements on the System web site in a particular Period exceed six percent (6%) of the total number of impressions placed on the System web site for such Period. Any expenses incurred by Century 21 in reformatting portions of the System web site to accommodate advertising placed by CompleteHome shall be borne solely by CompleteHome. From time to time during the Term of this Agreement, either party may request the other party to review the applicable percentage of Allotted Ads allocated to Century 21 and such percentage may be adjusted subject to such review and the mutual agreement of the parties.

(g)(iii) With respect to the placement of advertisements pursuant to subsection (g)(ii) above, the parties acknowledge that in no event shall any such advertising be placed on the System web site which, in the judgment of Century 21, would be a violation of any marketing agreement (or similar arrangement) to which Century 21 (or an affiliate of Century 21) is a party in effect as of the date of this Agreement. If, in the judgment of Century 21, the placement of any advertising by CompleteHome would be considered a violation of any marketing agreement (or similar arrangement) entered into by Century 21 (or an affiliate of Century 21), then Century 21 may, upon written notice to CompleteHome, cause CompleteHome to discontinue and remove such advertising from the System web site and take any other steps reasonably required by Century 21 to ensure that Century 21 (or the applicable affiliate of Century 21) is not in violation of such marketing agreement (or similar arrangement). Further, in no event shall CompleteHome offer for placement or place any advertising of an advertiser on the System web site whereby such advertiser engages in a business which is, directly or indirectly, competitive in nature to any businesses or operations of Century 21 or any Century 21's affiliates. During the Term, CompleteHome agrees to provide Century 21 with advance notice of advertising which CompleteHome plans to place on the System web site. Such notice shall be sent electronically (e.g. e-mail) to Century 21's designated project representative (or other method or project contact as may be agreed to by the parties) and shall at least identify the name of the prospective advertiser together with a general description of the nature of the goods and services offered by such advertiser. Century 21 shall have five (5) business days from the date of the notice to object, in writing, to the placement of advertising of the advertiser identified in the notice. In the event that CompleteHome does not receive Century 21's objection to the advertiser within the stated deadline, then Century 21's approval of the advertiser shall be deemed granted. The proposed artwork and content of any and all advertising shall be posted on a designated CompleteHome web site for review purposes by Century 21. Such web site shall be provided to Century 21 at no cost and shall be operational on a 24X7 basis. During the Term, CompleteHome agrees that it shall not place any advertisements on the System web site with respect to the third parties and/or industries identified in Exhibit A, which is attached hereto and made part hereof. From time to time, Century 21 may modify Exhibit A by adding or deleting third parties or industries as the case may be.

(h) CompleteHome shall serve as the non-exclusive advertising placement consultant for Century 21 for the purpose of the placement of Internet general advertising on behalf of Century 21 and the System. CompleteHome shall offer and provide assistance (e.g. advice, recommendations, strategies and other pertinent information) to Century 21, at no cost to Century 21, with respect to Century 21's the

negotiation, purchase and placement of Internet media in connection with the promotion of the Systems and/or the System web site. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to discuss and prepare an Internet purchase and placement agenda and schedule (the "Media Plan") for the then upcoming calendar year. The Media Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet purchase and placement activities, marketing alliance promotions, restrictions on marketing efforts and the like. The parties will also meet to discuss and evaluate Century 21's development of Internet business activities and opportunities relating to the placement of Internet general advertising as such activities and opportunities arise during the Term of this Agreement and prior to Century 21's commitment to any third party relating thereto, including without limitation, any commitment with a third party to serve as Century 21's Agency of Record for the placement and purchase of general Internet advertising.

(i) Subject to Section 11 below, CompleteHome shall place the trademarks, logos or other identifying marks of Century 21 (the "Century 21 Marks") on the section(s) of the Internet Portal designated for the System Listings and/or the System. Placement and identification of the Century 21 Marks shall be at least as prominent as the placement and identification of any other real estate brokerage system or company in the property listing pages of the Internet Portal or other locations on the Internet Portal where such systems and companies are collectively displayed. In no event shall CompleteHome state or imply a preference for a particular real estate brokerage system or company over Century 21 or the System. Further, CompleteHome shall provide Century 21, at CompleteHome's cost, with fifty thousand (50,000) banner advertisement impressions per calendar month. The banner advertisements will be located at the top of the applicable web site pages and will provide a hyperlink from the Internet Portal to the System web site. The design of the banner advertisement will be provided to CompleteHome by Century 21. From time to time during the Term of this Agreement, either party may request the other party to review the designated number of banner advertisements allocated to Century 21, among other aspects relating to the hyperlink to the System web site. The number of impressions and other related aspects thereto may be adjusted subject to such review and the mutual agreement of the parties.

(j) On or about the execution of this Agreement, CompleteHome shall appoint a designated project representative who will serve as the primary point of contact with Century 21 for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by Century 21 in performing CompleteHome's obligations under this Agreement.

Section 3. Century 21 Obligations. (a) During the Term, Century 21 shall provide to CompleteHome System Listings which are made available to Century 21 by or through the brokers of the System. In providing the System Listings, Century 21 shall furnish to CompleteHome detailed property descriptions together with the identity of the broker for the particular System Listings (including the corresponding agents of such broker as may be required by law or as may be requested by the broker) together with the information required to complete/update profile screens for the brokers and agents (as applicable) of the System. The System Listings, including

property descriptions and broker/agent information and data (and changes in such information), shall be provided daily, via electronic means, from Century 21 to CompleteHome. The format of such information and the particular time of transfer of the information shall be mutually agreed by the parties. Although Century 21 does not guarantee the accuracy of the information furnished to CompleteHome, Century 21 shall use commercially reasonable efforts to ensure that such information is an accurate and complete reflection of the information provided by the brokers to Century 21 as of the date of the transfer to CompleteHome. Century 21 will promptly notify CompleteHome of any incomplete or inaccurate information discovered by Century 21 so that CompleteHome may issue an updated version of the information.

(b) Century 21 shall use commercially reasonable efforts to promote CompleteHome and its services (including general descriptions of the various features offered by CompleteHome on the Internet Portal) to the brokers and agents of the System and to encourage the brokers and agents to participate in the programs developed and offered by or through CompleteHome in connection with this Agreement. Century 21 will cooperate, in good faith, with CompleteHome to assist CompleteHome in designing and developing marketing materials, literature and other forms of communications to be issued by CompleteHome to the brokers and agents of the System. Although such assistance will include information and recommendations from Century 21, Century 21 will not be responsible to provide any financial assistance to CompleteHome pursuant to this subsection (b).

(c) From time to time, Century 21 shall submit to CompleteHome for display on the Internet Portal various System-specific information, data and content prepared by or through Century 21 for the System web site. As such information, data and content is considered by Century 21 to be valuable and proprietary in nature, the parties shall, prior to any transfer of such information, data and content to CompleteHome, mutually agree as to the terms of such transfer including the manner in which the information, data and content will be used and/or displayed on the Internet Portal. Among other aspects to be contemplated in reaching such agreement, the parties shall consider (i) the uniqueness of the information, data or content to be transferred to CompleteHome, (ii) the impact on Century 21 and the System, if any, of the display of such information, data or content on the Internet Portal, (iii) the scope and breadth of the proposed display, (iii) the "look and feel" of the proposed display, (iv) the duration of the proposed display, (v) the display of similar information by real estate brokerage systems other than the System and (vi) Century 21's cost and expense attributable to the design, development and/or publication of such information, data and content. All costs to display and maintain the information, data and content on the Internet Portal shall be the responsibility of CompleteHome. Further, all such Century 21 information, data and content shall remain the property of Century 21; provided, however, that CompleteHome shall have, during the Term, a non-exclusive, non-transferable, limited license under this Agreement to receive, use and display such information, data and content on the Internet Portal.

(d) Subject to Section 11 below, Century 21 shall place the trademarks, logos or other identifying marks of CompleteHome (the "CompleteHome Marks") on the System web site. Placement of the CompleteHome Marks shall be in a prominent location as agreed by the parties. Further, through a CompleteHome-identifying icon

placed on the System web site, Century 21 will provide, at CompleteHome's expense, a hyperlink connecting the System web site to the section of the Internet Portal designated for the System Listings and the System as agreed to by the parties.

(e) Century 21 agrees to reference CompleteHome and/or its affiliation with Century 21 and the System in all of Century 21's off-line advertising (as defined below), where appropriate. The placement of such references in off-line advertising shall be at the cost of CompleteHome provided that Century 21 obtains CompleteHome's advance approval prior to incurring any such costs. The location and form of the references to CompleteHome in the off-line advertising shall be subject to the mutual agreement of the parties. Upon the execution of this Agreement or as soon thereafter as commercially practicable, Century 21 and CompleteHome shall meet to review Century 21's commitments and schedules for off-line advertising in effect as of the date of this Agreement. For the purposes of this subsection (e), the reference to "off-line advertising" shall include, but not be limited to, advertising placed via print, radio, television or other forms of media other than the Internet but shall not include any advertising by the franchisees of the System.

(f) On or about the execution of this Agreement, Century 21 shall appoint a designated project representative who will serve as the primary point of contact with CompleteHome for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by CompleteHome in performing Century 21's obligations under this Agreement.

Section 4. Commissions/Fees. (a) Ancillary Services Commission. (i) During the Term and to the extent permitted by law, CompleteHome shall pay commissions on the Ancillary Service Revenues attributable to leads originating from the System and the brokers and agents of the System in the amount of ten percent (10%) of such Ancillary Service Revenues. Such commissions shall be paid by CompleteHome to Century 21 with respect to any leads originating from the System web site or to the particular broker with respect to any leads originating from the broker (and such broker's agents), including without limitation, any leads generated from a particular broker's web site. The commissions payable by CompleteHome to Century 21 or the broker (as the case may be) with respect to the Ancillary Service Revenues generated in each calendar quarter shall be paid not more than thirty (30) days after the end of such quarter. CompleteHome shall provide Century 21 with each payment made to Century 21 a report, detailing the Ancillary Service Revenues generated by the System, the Ancillary Services Revenues attributable to the brokers and agents of the System, the origin of the applicable leads and the calculation of the commissions paid thereon. Further, CompleteHome shall provide the broker with each such payment a report, detailing the Ancillary Service Revenues attributable to the broker and its agents (broken down on a "per agent" basis) and the calculation of the commissions paid thereon.

(a)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or Century 21 may, upon written notice to the other party, initiate a review to determine an equitable adjustment, if any, in the rate of commission payable on Ancillary Service Revenues in effect as of the date on which notice is issued. In the event that it is determined by the parties that an adjustment is

warranted based on the totality of the circumstances, then such adjustment shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an adjustment is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an equitable adjustment in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(b) Advertising Commission. (i) During the Term and in consideration of the services provided by CompleteHome pursuant to Section 2(h) above, among other services and value provided by CompleteHome, CompleteHome shall pay to Century 21 commissions on the total amount of the net advertising revenues ("Net Advertising Revenues") generated by and paid to CompleteHome in connection with any and all advertising placed on the System web site in the amount of ten percent (10%) of the Net Advertising Revenues. The commissions payable to Century 21 with respect to the Net Advertising Revenues generated in each calendar month shall be paid not more than thirty (30) days after the end of such month. CompleteHome shall provide Century 21 with each such payment a report, certified as true and correct by a duly authorized representative of CompleteHome, detailing the advertising revenues generated by CompleteHome and the calculation of the commissions paid thereon.

(b)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or Century 21 may, upon written notice to the other party, initiate a review to determine an equitable increase, if any, in the rate of commission payable on Net Advertising Revenues in effect as of the date on which notice is issued. Among other aspects to be considered in making such determination, the parties will review the overall performance of the System web site; increases or decreases in the volume of System Listings posted on the System web site; increases, if any, in the commission rates payable to CompleteHome by third party advertisers for the placement of advertising; rates of commission due to web site owners or operators generally recognized throughout the Internet industry; and any other pertinent information provided by the parties. In the event that it is determined by the parties that an increase is warranted based on the totality of the circumstances, then such increase shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an increase is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an increase in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(c) Web Site Management Service Fees. (i) In consideration for CompleteHome's management of certain maintenance and support services with respect to the System web site and subject to subsection (c)(ii) below, Century 21 shall pay to CompleteHome a service fee (the "Service Fee") based on the actual savings realized under the agreements with Third Party Providers to the extent such savings are attributable to CompleteHome. The Service Fee payable to CompleteHome with respect to the actual savings realized in each calendar month shall be paid by Century 21 not more than thirty (30) days after the end of such month. CompleteHome shall provide Century 21 at the conclusion of each calendar month an invoice for the Service Fee, if any, together with a consolidated, monthly invoice with respect to the payments made to Third Party

Providers by CompleteHome for such period and any other related information reasonably requested by Century 21. Payment of the invoices shall be remitted to CompleteHome by Century 21 within thirty (30) days after the receipt of the invoices.

(c)(ii) For the purpose of calculating the actual savings attributable to CompleteHome's management and support services, the parties acknowledge that from time to time during the Term CompleteHome and the Third Party Providers may modify the commercial terms (e.g. scope, pricing elements) of the agreements with the Third Party Providers or may renew or extend such agreements. In the event of a modification or renewal of an agreement with a Third Party Provider, CompleteHome and Century 21 shall cooperate with each other, in good faith, to determine the price Century 21 would have paid with respect to the scope of the services offered thereunder at the time of the modification of the commercial terms or renewal (or extension) of the agreement (or execution of the agreement with the service provider other than a Third Party Provider) (the "Fair Market Value"). The Service Fee shall be the lesser of the following amounts (y) the difference between the Fair Market Value and the actual billings OR (z) six percent (6%) of the Fair Market Value.

Section 5. Exclusivity. During the Term, Century 21 agrees that it shall not furnish the System Listings to any third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) other than CompleteHome; provided, however that such restriction shall not limit or pertain to any commitments or obligations existing as of the date of this Agreement to provide the System Listings to a third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) and further provided that nothing in this Section 5 shall limit or otherwise affect Century 21 from utilizing the System Listings in any manner in connection with the System web site. With respect to any obligations or commitments existing as of the date of this Agreement to provide System Listings to a third party provider or operator of an Internet portal, Century 21 hereby agrees not to extend or renew any such obligations or commitments.

Section 6. Indemnity/Limitation of Liability. (a) CompleteHome shall indemnify and hold harmless Century 21 and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from any third party claims for (i) CompleteHome's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct in connection with the performance of this Agreement, or misrepresentation, or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by CompleteHome. In no event shall the indemnity obligation set forth in this subsection (a) apply to any information (including content) furnished to CompleteHome by Century 21.

(b) Century 21 shall indemnify and hold harmless CompleteHome and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from third party claims for (i) Century 21's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct in connection with the performance of this Agreement, misrepresentation or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by Century 21. In no event shall the indemnity obligation set forth in this subsection (b) apply to or include the acts or omissions of any broker or agent of the System or apply to any information (including content) furnished to Century 21 by CompleteHome.

(c) In the event that the indemnified party is required to respond to any claim, action, demand or proceeding, the indemnifying party will, upon reasonable notification, respond and defend the indemnified party against such claims and demands in any such actions or proceedings pursuant to its indemnity obligations under this Section 6. In the event that the indemnifying party fails to defend the indemnified party, the indemnifying party will reimburse the indemnified party for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the indemnified party.

(d) Neither party shall be responsible to the other for any indirect, special or consequential damages under any tort including lost profits or interruption of business (regardless of whether a party has been advised of the possibility of or could have foreseen such damages). Notwithstanding the foregoing, the limitation of liability provided under this subsection (d) shall not apply with respect to (i) third party claims and/or (ii) the willful misconduct or gross negligence of a party.

(e) This Section 6 and the rights, remedies, obligations and limitations of the parties under such Section shall survive termination or expiration of this Agreement.

Section 7. Books and Records; Audit. CompleteHome shall use commercially reasonable efforts to keep accurate and complete records of the revenues generated by CompleteHome in connection with this Agreement and the System (including without limitation, the Ancillary Services Revenues and Net Advertising Revenues) together with invoices and other payment information relating to CompleteHome's management of the maintenance and support service agreements. All such records shall be available for inspection and audit by Century 21 or its representatives on reasonable notice to CompleteHome during normal business hours throughout the Term of this Agreement and for one (1) year thereafter. CompleteHome shall reasonably cooperate with Century 21 in such inspection and audit. In the event any such inspection or audit establishes an underpayment of commissions, CompleteHome shall pay the amount of the deficit within fifteen (15) days after notification of such deficiency. In the event such audit identifies an overpayment of commissions, such overpayment shall be reconciled against future commissions to become due from CompleteHome to

Century 21 or, if it is determined that future commissions will not become due, Century 21 will remit payment in the amount of the overage within fifteen (15) days from such determination.

Section 8. Acknowledgments. (a) CompleteHome acknowledges that Century 21 is a franchisor and not the owner or operator of real estate brokerage offices and that, as such, Century 21 cannot compel or guarantee any level of participation of the franchisees (including brokers and agents) of the System with CompleteHome or any other third party. Further, despite the recommendation and promotion of CompleteHome by Century 21, CompleteHome acknowledges that the brokers and agents of the System may enter into and maintain agreements or arrangements with third parties which may include listing agreements and marketing agreements. In no event shall any such agreements or arrangements entered into by the brokers or agents of the System be construed to be a violation of the terms of this Agreement, including any obligations or limitations of Century 21 hereunder. Century 21 shall not be responsible for any amounts or obligations owed to CompleteHome by any brokers or agents of the System.

(b) For the purpose of this Agreement, the phrases "affiliates of Century 21" or "Century 21's affiliates" shall not include the franchisees (brokers and agents) of the System.

(c) The parties acknowledge that, as of the date of this Agreement, Century 21's and America Online, Inc. ("AOL") have entered into an Information Provider Agreement dated January 5, 1996 (the "AOL Agreement") whereby AOL supports and distributes on an exclusive basis two Online Areas for Century 21's on the AOL Network. With respect to the AOL Agreement, CompleteHome will conduct CompleteHome business and operations in connection with this Agreement in a manner which will not interfere or conflict with AOL's and Century 21's rights and obligations under the AOL Agreement, as may be amended. Century 21 will cooperate with CompleteHome, in good faith, to discuss the applicable parameters under the AOL Agreement, subject to the non-disclosure provisions therein, if any, and the limitations or restrictions on CompleteHome in providing services to Century 21 under this Agreement.

Section 9. Termination/Force Majeure. (a) When fully executed, this Agreement will constitute a binding obligation of both parties which may not be terminated by either party except that either party may terminate this Agreement (in whole or in part) in the event of a material breach of the terms of this Agreement by the other party. In the event of a material breach as set forth above, the breaching party shall be given written notice of such breach and the opportunity to cure such breach within thirty (30) days of the date of such notice (ten (10) days in the case of a payment default). In the event the breaching party fails to cure such breach within the applicable period stated above, the other party shall have the right to immediately terminate this Agreement upon written notice to the breaching party.

(b) In no event shall either party be liable to the other party for any delay or failure to perform hereunder, which delay or failure to perform is due to causes beyond the reasonable control of said party, including, but not limited to, acts of God; acts of the public enemy; acts of the United States, or any state, territory or political

division of the United States of America, or of the District of Columbia; acts of a judiciary or legislative body; fires; floods; epidemics; quarantine restrictions; strikes or any other labor disputes; and freight embargoes; provided, however, that the delay or failure to perform was not be caused by the negligent acts of the non-performing party and that the non-performing party acts with due diligence to mitigate any such delays in its failure to perform.

Section 10. Representations. (a) Each party has full power and authority and has been duly authorized, to enter into and perform its obligations under this Agreement, all necessary approvals of any Board of Directors, shareholders, partners, co-tenants and lenders having been obtained. The execution, delivery and performance of this Agreement by each party will not violate, create a default under or breach of any charter, bylaws, agreement or other contract, license, permit, indebtedness, certificate, order, decree or security instrument to which such party or any of its principals is a party or is subject. Neither party is the subject of any current or pending dissolution, receivership, bankruptcy, reorganization, insolvency, or similar proceeding on the date this Agreement is executed by such party and was not within the three (3) years proceeding such date. The persons signing this Agreement on behalf of each party are authorized to execute this Agreement for and on behalf of such party and have full authority to so bind such party.

(b) CompleteHome and Century 21 will comply with all applicable local, state and federal laws and regulations in connection with the performance of their respective obligations under this Agreement.

Section 11. Trademarks/Artwork. (a) Except as specifically provided in this Agreement, CompleteHome specifically acknowledges that this Agreement does not confer upon CompleteHome any interest in or right to use any trademark, service mark or other intellectual property right of Century 21 or its affiliates (the "Century 21 Intellectual Property Rights") in connection with this Agreement unless CompleteHome receives the prior written consent of Century 21. CompleteHome further agrees that upon termination or expiration of this Agreement, CompleteHome shall immediately cease and discontinue all use of the Century 21 Intellectual Property Rights. Further, if CompleteHome wishes to utilize the Century 21 Intellectual Property Rights in advertising or promotional materials, it must submit such materials to Century 21 for final approval before utilizing them. In no event may CompleteHome or any affiliated or associated person or entity utilize the Century 21 Intellectual Property Rights for any purpose other than in connection with this Agreement. CompleteHome agrees to comply with all requests of Century 21 with respect to the appearance and use of the Century 21 Intellectual Property Rights, including without limitation, any requests to change the form or style of the Century 21 Intellectual Property Rights and shall at all times consistently use the Century 21 Intellectual Property Rights so as to ensure that Century 21's rights are adequately preserved. Century 21 reserves the right from time to time to require changes to the Century 21 Intellectual Property Rights upon thirty (30) days prior written notice to CompleteHome.

(b) Except as specifically provided in this Agreement, Century 21 specifically acknowledges that this Agreement does not confer upon Century 21 any interest in or right to use any trademark, service mark or other intellectual property right of

CompleteHome or its affiliates (the "CompleteHome Intellectual Property Rights") in connection with this Agreement unless Century 21 receives the prior written consent of CompleteHome. Century 21 further agrees that upon termination or expiration of this Agreement, Century 21 shall immediately cease and discontinue all use of the CompleteHome Intellectual Property Rights. Further, if Century 21 wishes to utilize the CompleteHome Intellectual Property Rights in advertising or promotional materials, it must submit such materials to CompleteHome for final approval before utilizing them. In no event may Century 21 or any affiliated or associated person or entity utilize the CompleteHome Intellectual Property Rights for any purpose other than in connection this Agreement. Century 21 agrees to comply with all requests of CompleteHome with respect to the appearance and use of the CompleteHome Intellectual Property Rights, including without limitation, any request to change the form or style of the CompleteHome Intellectual Property Rights and shall at all times consistently use the CompleteHome Intellectual property Rights so as to ensure that CompleteHome's rights are adequately preserved. CompleteHome reserves the right from time to time to require changes to the CompleteHome Intellectual Property Rights upon thirty (30) days prior written notice to Century 21.

Section 12. Relationship of Parties. The relationship between CompleteHome and Century 21 is one of an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other or any other party for any purpose whatsoever. CompleteHome and Century 21 expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

Section 13. Assignments. This Agreement may not be assigned by either party without the prior written consent of the non-assigning party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement without the consent of the other party to an affiliate or in connection with a merger, consolidation or a sale of substantially all of its assets. This Agreement and the covenants and agreements herein contained shall, subject to the provisions of this Section, inure to the benefit of and be binding on the parties hereto and their respective permitted successors and assigns.

Section 14. Confidentiality. (a) CompleteHome acknowledges that any information conveyed to or obtained by CompleteHome regarding Century 21, its business plans and operations in connection with this Agreement is confidential and proprietary to Century 21 (the "Century 21 Confidential Information"). CompleteHome agrees that in no event shall CompleteHome disclose, transfer, copy, duplicate, or publish any Century 21 Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in Century 21's sole discretion. CompleteHome further agrees that it shall not utilize any Century 21 Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. CompleteHome shall only make available the Century 21 Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such Century 21 Confidential Information. CompleteHome shall be responsible

for the unauthorized disclosure of any Century 21 Confidential Information by its employees.

(b) Century 21 acknowledges that any information conveyed to or obtained by Century 21 regarding CompleteHome, its business, plans and operations in connection with this Agreement is confidential and proprietary to CompleteHome (the "CompleteHome Confidential Information"). Century 21 agrees that in no event shall Century 21 disclose, transfer, copy, duplicate, or publish any CompleteHome Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in CompleteHome's sole discretion. Century 21 further agrees that it shall not utilize any CompleteHome Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. Century 21 shall only make available the CompleteHome Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such CompleteHome Confidential Information. Century 21 shall be responsible for the unauthorized disclosure of any CompleteHome Confidential Information by its employees.

(c) The non-disclosure restrictions set forth in this Section 14 shall not apply to information which (i) is or becomes generally available to the public other than as a result of a disclosure by the receiving party; (ii) was within the receiving party's possession prior to its being furnished by the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information; or (iii) becomes available to the receiving party on a nonconfidential basis from a source other than the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information. With respect to disclosures of the Century 21 Confidential Information or CompleteHome Confidential Information as may be required by law or court order, such disclosures shall be permitted without the consent of the originating party provided that the disclosing party furnishes the originating party prior written notification (as soon as practicably possible after the request for disclosure is made). Upon the termination of this Agreement or upon the earlier written request by the originating party, the receiving party shall return the Century 21 Confidential Information and CompleteHome Confidential Information (as the case may be) to the originating party including any copies relating thereto on whatever media (or alternatively destroy such information if so instructed by the originating party).

(d) The parties acknowledge that Century 21 Confidential Information and CompleteHome Confidential Information, respectively, is a valuable asset of the originating party, the disclosure of which would cause the originating party irreparable harm for which there is no adequate remedy at law. Accordingly, in the event of a breach or alleged breach of this Section 14, the originating party or parties shall be allowed injunctive relief and any other equitable remedies in addition to remedies afforded by law. The obligations of each party pursuant to this Section 14 shall survive the termination or expiration of this Agreement.

Section 15. Partial Invalidity. Should any part of this Agreement, for any reason, be declared invalid, such decision shall not affect the validity of any remaining portion of this Agreement.

Section 16. No Waiver. No failure or delay in requiring strict compliance with any obligation of this Agreement (or in the exercise of any right or remedy provided herein) and no custom or practice at variance with the requirements hereof shall constitute a waiver or modification of any such obligation, requirement, right or remedy or preclude exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein. No waiver of any particular default or any right or remedy with respect to such default shall preclude, affect or impair enforcement of any right or remedy provided herein with respect to any subsequent default. No approval or consent of either party shall be effective unless in writing and signed by an authorized representative of such party, and such party's consent or approval may be withheld for so long as the other party is in default of any of its obligations under this Agreement.

Section 17. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered, by next day delivery service, with proof of delivery, or mailed by certified or registered mail, return receipt requested, to the appropriate party at its address stated below or to such person and at such address as may be designated by notice hereunder. Notices shall be deemed given on the date delivered or date of attempted delivery, if service is refused.

CompleteHome:	Century 21:
CompleteHome. Operations, Inc.	Century 21 Real Estate Corporation
200 Vallejo Street	6 Sylvan Way
San Francisco, California 94111	Parsippany, New Jersey 07054
Attn: President	Attn: President

Section 18. Publicity. Each party shall (a) submit to the other party all advertising, written sales promotions, press releases, and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or which contains language from which a relationship with the other party may be inferred or implied and (b) not publish or use such advertising, sales promotions, press releases or publicity matters without the other party's consent.

Section 19. Miscellaneous. The remedies provided in this Agreement are not exclusive. This Agreement will be construed in accordance with the laws of the State of New Jersey, except for New Jersey's conflict of laws principles. The parties consent to District Court for the District of New Jersey and further waive objection to venue in any such court. This Agreement is exclusively for the benefit of the parties hereto and may not give rise to liability to a third party. No agreement between CompleteHome or Century 21 and anyone else is for the benefit of the other party. Neither party will interfere with contractual relations of the other. The section headings in this Agreement are for convenience of reference only and will not affect its interpretation.

This Agreement, together with all instruments, exhibits, attachments and schedules hereto, constitutes the entire agreement (superseding all prior agreements and understanding, oral or written) of the parties hereto with respect to the subject matter hereof and shall not be modified or amended in any respect unless in writing executed by all such parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

COMPLETEHOME OPERATIONS, INC.	CENTURY 21 REAL ESTATE CORPORATION
By: /S/ Sarah Nolan	By: /S/ Robert Moles
Name: Sarah Nolan	Name: Robert Moles
Title: CEO	Title: President & CEO

EXHIBIT A

THIRD PARTY/INDUSTRY ADVERTISING RESTRICTIONS

The following list identifies the applicable advertising restrictions on CompleteHome in the placing advertising on the System web site. In general, the prohibited advertising is classified either on a "third party advertiser basis" or "industry basis."

- Residential real estate brokerage system or agencies (other than businesses or operations relating to Century 21)
- Advertising relating to residential mortgage service providers
- Corporate relocation providers
- Vehicle rental systems or agencies

INTERNET COOPERATION AGREEMENT

THIS INTERNET COOPERATION AGREEMENT (the "Agreement") is entered into this 1st day of October 1999 by and between CompleteHome Operations, Inc. ("CompleteHome"), a Delaware corporation with an office located at 200 Vallejo Street, San Francisco, California 94111 and Coldwell Banker Real Estate Corporation ("Coldwell Banker"), a California corporation with an office located at 6 Sylvan Way, Parsippany, New Jersey 07054.

W I T N E S S E T H:

WHEREAS, Coldwell Banker is the franchisor of the Coldwell Banker(R) real estate brokerage franchise system (the "System"); and

WHEREAS, CompleteHome is a provider of, among other things, a residential real estate services portal on the Internet ("Internet Portal"); and

WHEREAS, CompleteHome and Coldwell Banker wish to engage in a cooperative marketing effort with each other in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Term. The term of this Agreement (the "Term") shall commence on October 1, 1999 and shall terminate on December 31, 2039, unless earlier terminated in accordance with the terms herein set forth.

Section 2. CompleteHome Obligations. (a) During the Term, CompleteHome shall display the listings of residential real estate offered for sale through Coldwell Banker's franchisees (the "Listings") contained on the System web site operated by Coldwell Banker ("System Listings") on the Internet Portal and, subject to the prior written approval of Coldwell Banker, on the Internet web sites of third parties selected by CompleteHome. The System Listings will be placed as part of the content of the residential property listings pages located on the Internet Portal. The System Listings displayed by CompleteHome will include a detailed description of the property together with the identity of the broker for the particular Listing (including the corresponding agents of such broker as may be required by law or as may be requested by the broker). CompleteHome shall provide Internet traffic access to the Listings on the Internet Portal at no cost to the Internet users. With respect to System Listings, CompleteHome will not without the prior consent of Coldwell Banker (i) display the street address for a particular System Listing and/or (ii) identify the applicable agent of the broker associated with the System Listing. In addition, CompleteHome will not display any System Listing where doing so would violate any restriction imposed on such System Listing or where in the reasonable judgment of Coldwell Banker the display of such System Listing would be detrimental to the System.

(b) CompleteHome shall make available on the Internet Portal broker profile screens (including agent profile screens to the extent requested by the respective broker), which screens shall include general data and information for each broker (and agent as the case may be) in the System, as such information is made available by Coldwell Banker. CompleteHome shall design and develop a profile template to be dedicated for the System which template shall include distinct characteristics, including System-specific attributes, so as to differentiate the profile screens for the System from similar content for other systems. The template design shall be subject to the approval of Coldwell Banker, which approval shall not be unreasonably withheld. The profile screens shall be accessible, via hyperlink, from the System Listings attributable to such broker/agent on the residential property listing pages of the Internet Portal. The profile screens may also be accessed by Internet users through search criteria from other locations on the Internet Portal. Although profile screens shall not include any hyperlinks to web sites or destinations other than the Internet Portal without the prior consent of Coldwell Banker, a profile screen may include a communication link to the listing broker (including the corresponding agents of such broker as may be required by law or as may be requested by broker), such as, customized telephone numbers, e-mail delivery, e-mail-to-fax delivery and other vehicles of communication to reach the broker as such vehicles become generally available for such purpose and are approved by the parties.

(c) CompleteHome will, in cooperation with Coldwell Banker, maintain lines of communication with the brokers and agents (as permitted) of the System to, among other things, promote CompleteHome and the services offered by or through CompleteHome in connection with the Internet Portal. Through the use of communication mediums such as e-mail, fax and telephone, CompleteHome will distribute informational and marketing materials to the brokers and agents of the System. All information disseminated by CompleteHome to the brokers and agents of the System shall be subject to the prior approval of Coldwell Banker. In addition, CompleteHome shall solicit brokers and agents of the System to participate in various listing and other services ("Ancillary Services") which will be offered by or through CompleteHome. For Ancillary Services requested by a broker or agent of the System, CompleteHome will enter into an agreement with such broker or agent which sets forth the terms and conditions of such agreement. CompleteHome shall be solely responsible for honoring its obligations under all such broker and agent agreements including collecting any and all payments due in connection with the Ancillary Services from the particular broker or agent. For Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers, CompleteHome shall be solely responsible for honoring its obligations under all such third party provider agreements, including collecting any and all payments, commissions, rebates or other similar amounts (the "Ancillary Service Revenues") payable to CompleteHome by such third parties relating to the broker's and agent's participation in the Ancillary Services. With respect to the Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers only, CompleteHome agrees that it shall not promote, recommend or offer to the brokers and/or agents of the System any services or products, or providers thereof, which may be the subject of an exclusive marketing agreement (or similar arrangement) entered into or maintained by Coldwell Banker or any affiliate of Coldwell Banker.

(d) CompleteHome will implement and maintain during the Term a system to track and record Internet traffic to the System Listings on a "per broker" basis and "per agent" basis. CompleteHome shall furnish a detailed report to (i) Coldwell Banker with respect to the System Listings and (ii) each broker with respect to the System Listings attributable solely to such broker or its agent, as applicable. The report shall be issued by CompleteHome, via electronic means, in a format and containing substance mutually agreed by the parties. A report shall be issued (i) to Coldwell Banker for each calendar month during the Term within fifteen (15) days from the end of the particular month and (ii) to any broker of the System within fifteen (15) days from the date on which said broker requests a report from CompleteHome (but in no event more than one (1) time in any calendar quarter during the Term with respect to a particular broker). Information to be included in the reports to Coldwell Banker will include information, such as, the total number of System Listings viewed and the total number of leads generated by System Listings to the brokers and agents.

(e) At the request of Coldwell Banker, CompleteHome shall make available to Coldwell Banker various information, data and content prepared by or through CompleteHome for display through the System web site. Display of the information, data and content, including without limitation, any presentation or placement criteria, shall be subject to the mutual agreement of the parties, which approval shall not be unreasonably withheld. Access to all such information, data and content shall be provided to Coldwell Banker, at no cost. Further, all such CompleteHome information, data and content shall remain the property of CompleteHome and shall reside on a CompleteHome-designated server. During the Term, Coldwell Banker shall have a non-exclusive, non-transferable, limited license under this Agreement to access and use such information, data and content from the System web site. The environment in which such CompleteHome information, data and content is displayed on behalf of Coldwell Banker shall maintain a similar "look and feel" with respect to the System web site so as to foster a seamless transfer from the System web site to the CompleteHome server.

(f) CompleteHome will be responsible for the management of maintenance and support services provided by third party providers for the System web site ("Third Party Providers"). Coldwell Banker shall promptly undertake to assign to CompleteHome the agreements with Third Party Providers for such maintenance and support services. CompleteHome will, in cooperation with Coldwell Banker, contact Third Party Providers to notify Third Party Providers of the appointment of CompleteHome under this subsection (f) and each of Coldwell Banker and CompleteHome shall execute the necessary documents, if any, to effectuate CompleteHome's appointment with respect to the management of such services on behalf of Coldwell Banker. Management services shall include, among other things, assisting in negotiations with service providers, reviewing/approving invoices, processing/remittance of payments due to Third Party Providers, monitoring performance and other related services as agreed by the parties. In no event shall CompleteHome have the right (i) to obligate Coldwell Banker to any provider of maintenance and support services for the System web site without the prior written consent of Coldwell Banker or (ii) to modify the terms of the agreements (or terminate such agreements) with Third Party Providers whereby such modifications would not be

in the best interest of Coldwell Banker, including without limitation, reducing the service or performance levels established in any of the agreements with Third Party Providers.

(g)(i) During the Term, CompleteHome shall serve as a non-exclusive business development representative ("BDR") for Coldwell Banker as it relates to third party advertising on the System web site. In its capacity as a BDR, CompleteHome shall offer and provide assistance (e.g. recommendations, strategies and other pertinent information) to Coldwell Banker, at no cost to Coldwell Banker, with respect to Coldwell Banker's planning and development of third party advertising and content on the System web site (the "BDR Services"). Although CompleteHome agrees to perform the BDR Services to acceptable standards as recognized throughout the Internet advertising industry, CompleteHome does not guarantee the success of any idea, concept, plan or design provided by CompleteHome to Coldwell Banker. Coldwell Banker expressly reserves the right to approve in advance any work product, advertising campaign, project or other materials submitted by CompleteHome to Coldwell Banker for display on the System web site or other web site, as applicable. Nothing contained in this Section 2(g) shall be deemed to require CompleteHome to undertake any campaign, prepare any advertising materials or publicity or cause the publication of any Internet advertising which, in CompleteHome's judgment, is misleading, indecent, libelous, unlawful or otherwise prejudicial to either party's interest. To the extent applicable, CompleteHome shall be responsible for obtaining all releases, licenses (including any assignments thereof), permits and other authorizations needed to use or display content (e.g. names, likenesses, endorsements and testimonials) on the System web site; provided, however, that Coldwell Banker shall be solely responsible for the accuracy, completeness and propriety of any and all information furnished to CompleteHome by Coldwell Banker (or on Coldwell Banker's behalf) in connection with the BDR Services. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to prepare and approve an Internet business development agenda and schedule (the "Plan") for the then upcoming calendar year. The Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet business development activities, marketing alliance promotions, restrictions on marketing efforts and the like. The parties will also meet to discuss and evaluate Coldwell Banker's development of Internet business activities and opportunities relating to the placement of advertising on the System web site as such activities and opportunities arise during the Term of this Agreement and prior to Coldwell Banker's commitment to any third party relating thereto.

(g)(ii) As part of the appointment of CompleteHome as the BDR and subject to the provisions in subsection (g)(iii) below, CompleteHome shall place any and all third party advertisements on the System web site. Such appointment by Coldwell Banker of CompleteHome for the placement of third party advertisements shall be exclusive in nature. CompleteHome will enter into and maintain the agreements with third parties for the placement of such advertising and shall be responsible for processing all requirements under such arrangements including the collection of any and all payments due in connection with the placement of such advertising. The presentation and/or location of third party advertising on the System web site shall be subject to the agreement of the parties. Notwithstanding the foregoing, for each six (6) month period during the Term (commencing on the first day of the first full calendar month of

the Term) (the "Period"), Coldwell Banker shall have the right to cause CompleteHome to place, in Coldwell Banker's discretion, third party advertisements on the System web site (the "Allotted Ads"); provided, however, that in no event shall the total number of Coldwell Banker-designated impressions for such advertisements on the System web site in a particular Period exceed six percent (6%) of the total number of impressions placed on the System web site for such Period. Any expenses incurred by Coldwell Banker in reformatting portions of the System web site to accommodate advertising placed by CompleteHome shall be borne solely by CompleteHome. From time to time during the Term of this Agreement, either party may request the other party to review the applicable percentage of Allotted Ads allocated to Coldwell Banker and such percentage may be adjusted subject to such review and the mutual agreement of the parties.

(g)(iii) With respect to the placement of advertisements pursuant to subsection (g)(ii) above, the parties acknowledge that in no event shall any such advertising be placed on the System web site which, in the judgment of Coldwell Banker, would be a violation of any marketing agreement (or similar arrangement) to which Coldwell Banker (or an affiliate of Coldwell Banker) is a party in effect as of the date of this Agreement. If, in the judgment of Coldwell Banker, the placement of any advertising by CompleteHome would be considered a violation of any marketing agreement (or similar arrangement) entered into by Coldwell Banker (or an affiliate of Coldwell Banker), then Coldwell Banker may, upon written notice to CompleteHome, cause CompleteHome to discontinue and remove such advertising from the System web site and take any other steps reasonably required by Coldwell Banker to ensure that Coldwell Banker (or the applicable affiliate of Coldwell Banker) is not in violation of such marketing agreement (or similar arrangement). Further, in no event shall CompleteHome offer for placement or place any advertising of an advertiser on the System web site whereby such advertiser engages in a business which is, directly or indirectly, competitive in nature to any businesses or operations of Coldwell Banker or any Coldwell Banker's affiliates. During the Term, CompleteHome agrees to provide Coldwell Banker with advance notice of advertising which CompleteHome plans to place on the System web site. Such notice shall be sent electronically (e.g. e-mail) to Coldwell Banker's designated project representative (or other method or project contact as may be agreed to by the parties) and shall at least identify the name of the prospective advertiser together with a general description of the nature of the goods and services offered by such advertiser. Coldwell Banker shall have five (5) business days from the date of the notice to object, in writing, to the placement of advertising of the advertiser identified in the notice. In the event that CompleteHome does not receive Coldwell Banker's objection to the advertiser within the stated deadline, then Coldwell Banker's approval of the advertiser shall be deemed granted. The proposed artwork and content of any and all advertising shall be posted on a designated CompleteHome web site for review purposes by Coldwell Banker. Such web site shall be provided to Coldwell Banker at no cost and shall be operational on a 24X7 basis. During the Term, CompleteHome agrees that it shall not place any advertisements on the System web site with respect to the third parties and/or industries identified in Exhibit A, which is attached hereto and made part hereof. From time to time, Coldwell Banker may modify Exhibit A by adding or deleting third parties or industries as the case may be.

(h) CompleteHome shall serve as the non-exclusive advertising placement consultant for Coldwell Banker for the purpose of the placement of Internet general advertising on behalf of Coldwell Banker and the System. CompleteHome shall offer and provide assistance (e.g. advice, recommendations, strategies and other pertinent information) to Coldwell Banker, at no cost to Coldwell Banker, with respect to Coldwell Banker's the negotiation, purchase and placement of Internet media in connection with the promotion of the Systems and/or the System web site. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to discuss and prepare an Internet purchase and placement agenda and schedule (the "Media Plan") for the then upcoming calendar year. The Media Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet purchase and placement activities, marketing alliance promotions, restrictions on marketing efforts and the like. The parties will also meet to discuss and evaluate Coldwell Banker's development of Internet business activities and opportunities relating to the placement of Internet general advertising as such activities and opportunities arise during the Term of this Agreement and prior to Coldwell Banker's commitment to any third party relating thereto, including without limitation, any commitment with a third party to serve as Coldwell Banker's Agency of Record for the placement and purchase of general Internet advertising.

(i) Subject to Section 11 below, CompleteHome shall place the trademarks, logos or other identifying marks of Coldwell Banker (the "Coldwell Banker Marks") on the section(s) of the Internet Portal designated for the System Listings and/or the System. Placement and identification of the Coldwell Banker Marks shall be at least as prominent as the placement and identification of any other real estate brokerage system or company in the property listing pages of the Internet Portal or other locations on the Internet Portal where such systems and companies are collectively displayed. In no event shall CompleteHome state or imply a preference for a particular real estate brokerage system or company over Coldwell Banker or the System. Further, CompleteHome shall provide Coldwell Banker, at CompleteHome's cost, with fifty thousand (50,000) banner advertisement impressions per calendar month. The banner advertisements will be located at the top of the applicable web site pages and will provide a hyperlink from the Internet Portal to the System web site. The design of the banner advertisement will be provided to CompleteHome by Coldwell Banker. From time to time during the Term of this Agreement, either party may request the other party to review the designated number of banner advertisements allocated to Coldwell Banker, among other aspects relating to the hyperlink to the System web site. The number of impressions and other related aspects thereto may be adjusted subject to such review and the mutual agreement of the parties.

(j) On or about the execution of this Agreement, CompleteHome shall appoint a designated project representative who will serve as the primary point of contact with Coldwell Banker for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by Coldwell Banker in performing CompleteHome's obligations under this Agreement.

Section 3. Coldwell Banker Obligations. (a) During the Term, Coldwell Banker shall provide to CompleteHome System Listings which are made available to Coldwell

Banker by or through the brokers of the System. In providing the System Listings, Coldwell Banker shall furnish to CompleteHome detailed property descriptions together with the identity of the broker for the particular System Listings (including the corresponding agents of such broker as may be required by law or as may be requested by the broker) together with the information required to complete/update profile screens for the brokers and agents (as applicable) of the System. The System Listings, including property descriptions and broker/agent information and data (and changes in such information) shall be provided daily, via electronic means, from Coldwell Banker to CompleteHome. The format of such information and the particular time of transfer of the information shall be mutually agreed by the parties. Although Coldwell Banker does not guarantee the accuracy of the information furnished to CompleteHome, Coldwell Banker shall use commercially reasonable efforts to ensure that such information is an accurate and complete reflection of the information provided by the brokers to Coldwell Banker as of the date of the transfer to CompleteHome. Coldwell Banker will promptly notify CompleteHome of any incomplete or inaccurate information discovered by Coldwell Banker so that CompleteHome may issue an updated version of the information.

(b) Coldwell Banker shall use commercially reasonable efforts to promote CompleteHome and its services (including general descriptions of the various features offered by CompleteHome on the Internet Portal) to the brokers and agents of the System and to encourage the brokers and agents to participate in the programs developed and offered by or through CompleteHome in connection with this Agreement. Coldwell Banker will cooperate, in good faith, with CompleteHome to assist CompleteHome in designing and developing marketing materials, literature and other forms of communications to be issued by CompleteHome to the brokers and agents of the System. Although such assistance will include information and recommendations from Coldwell Banker, Coldwell Banker will not be responsible to provide any financial assistance to CompleteHome pursuant to this subsection (b).

(c) From time to time, Coldwell Banker shall submit to CompleteHome for display on the Internet Portal various System-specific information, data and content prepared by or through Coldwell Banker for the System web site. As such information, data and content is considered by Coldwell Banker to be valuable and proprietary in nature, the parties shall, prior to any transfer of such information, data and content to CompleteHome, mutually agree as to the terms of such transfer including the manner in which the information, data and content will be used and/or displayed on the Internet Portal. Among other aspects to be contemplated in reaching such agreement, the parties shall consider (i) the uniqueness of the information, data or content to be transferred to CompleteHome, (ii) the impact on Coldwell Banker and the System, if any, of the display of such information, data or content on the Internet Portal, (iii) the scope and breadth of the proposed display, (iii) the "look and feel" of the proposed display, (iv) the duration of the proposed display, (v) the display of similar information by real estate brokerage systems other than the System and (vi) Coldwell Banker's cost and expense attributable to the design, development and/or publication of such information, data and content. All costs to display and maintain the information, data and content on the Internet Portal shall be the responsibility of CompleteHome. Further, all such Coldwell Banker information, data and content shall remain the property of Coldwell Banker; provided, however, that CompleteHome shall have,

during the Term, a non-exclusive, non-transferable, limited license under this Agreement to receive, use and display such information, data and content on the Internet Portal.

(d) Subject to Section 11 below, Coldwell Banker shall place the trademarks, logos or other identifying marks of CompleteHome (the "CompleteHome Marks") on the System web site. Placement of the CompleteHome Marks shall be in a prominent location as agreed by the parties. Further, through a CompleteHome-identifying icon placed on the System web site, Coldwell Banker will provide, at CompleteHome's expense, a hyperlink connecting the System web site to the section of the Internet Portal designated for the System Listings and the System as agreed to by the parties.

(e) Coldwell Banker agrees to reference CompleteHome and/or its affiliation with Coldwell Banker and the System in all of Coldwell Banker's off-line advertising (as defined below), where appropriate. The placement of such references in off-line advertising shall be at the cost of CompleteHome provided that Coldwell Banker obtains CompleteHome's advance approval prior to incurring any such costs. The location and form of the references to CompleteHome in the off-line advertising shall be subject to the mutual agreement of the parties. Upon the execution of this Agreement or as soon thereafter as commercially practicable, Coldwell Banker and CompleteHome shall meet to review Coldwell Banker's commitments and schedules for off-line advertising in effect as of the date of this Agreement. For the purposes of this subsection (e), the reference to "off-line advertising" shall include, but not be limited to, advertising placed via print, radio, television or other forms of media other than the Internet but shall not include any advertising by the franchisees of the System.

(f) On or about the execution of this Agreement, Coldwell Banker shall appoint a designated project representative who will serve as the primary point of contact with CompleteHome for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by CompleteHome in performing Coldwell Banker's obligations under this Agreement.

Section 4. Commissions/Fees. (a) Ancillary Services Commission. (i) During the Term and to the extent permitted by law, CompleteHome shall pay commissions on the Ancillary Service Revenues attributable to leads originating from the System and the brokers and agents of the System in the amount of ten percent (10%) of such Ancillary Service Revenues. Such commissions shall be paid by CompleteHome to Coldwell Banker with respect to any leads originating from the System web site or to the particular broker with respect to any leads originating from the broker (and such broker's agents), including without limitation, any leads generated from a particular broker's web site. The commissions payable by CompleteHome to Coldwell Banker or the broker (as the case may be) with respect to the Ancillary Service Revenues generated in each calendar quarter shall be paid not more than thirty (30) days after the end of such quarter. CompleteHome shall provide Coldwell Banker with each payment made to Coldwell Banker a report, detailing the Ancillary Service Revenues generated by the System, the Ancillary Services Revenues attributable to the brokers and agents of the System, the origin of the applicable leads and the calculation of the commissions paid thereon. Further, CompleteHome shall provide the broker with each such payment a

report, detailing the Ancillary Service Revenues attributable to the broker and its agents (broken down on a "per agent" basis) and the calculation of the commissions paid thereon.

(a)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or Coldwell Banker may, upon written notice to the other party, initiate a review to determine an equitable adjustment, if any, in the rate of commission payable on Ancillary Service Revenues in effect as of the date on which notice is issued. In the event that it is determined by the parties that an adjustment is warranted based on the totality of the circumstances, then such adjustment shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an adjustment is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an equitable adjustment in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(b) Advertising Commission. (i) During the Term and in consideration of the services provided by CompleteHome pursuant to Section 2(h) above, among other services and value provided by CompleteHome, CompleteHome shall pay to Coldwell Banker commissions on the total amount of the net advertising revenues ("Net Advertising Revenues") generated by and paid to CompleteHome in connection with any and all advertising placed on the System web site in the amount of ten percent (10%) of the Net Advertising Revenues. The commissions payable to Coldwell Banker with respect to the Net Advertising Revenues generated in each calendar month shall be paid not more than thirty (30) days after the end of such month. CompleteHome shall provide Coldwell Banker with each such payment a report, certified as true and correct by a duly authorized representative of CompleteHome, detailing the advertising revenues generated by CompleteHome and the calculation of the commissions paid thereon.

(b)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or Coldwell Banker may, upon written notice to the other party, initiate a review to determine an equitable increase, if any, in the rate of commission payable on Net Advertising Revenues in effect as of the date on which notice is issued. Among other aspects to be considered in making such determination, the parties will review the overall performance of the System web site; increases or decreases in the volume of System Listings posted on the System web site; increases, if any, in the commission rates payable to CompleteHome by third party advertisers for the placement of advertising; rates of commission due to web site owners or operators generally recognized throughout the Internet industry; and any other pertinent information provided by the parties. In the event that it is determined by the parties that an increase is warranted based on the totality of the circumstances, then such increase shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an increase is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an increase in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(c) Web Site Management Service Fees. (i) In consideration for CompleteHome's management of certain maintenance and support services with respect to the System web site and subject to subsection (c)(ii) below, Coldwell Banker shall pay to CompleteHome a service fee (the "Service Fee") based on the actual savings realized under the agreements with Third Party Providers to the extent such savings are attributable to CompleteHome. The Service Fee payable to CompleteHome with respect to the actual savings realized in each calendar month shall be paid by Coldwell Banker not more than thirty (30) days after the end of such month. CompleteHome shall provide Coldwell Banker at the conclusion of each calendar month an invoice for the Service Fee, if any, together with a consolidated, monthly invoice with respect to the payments made to Third Party Providers by CompleteHome for such period and any other related information reasonably requested by Coldwell Banker. Payment of the invoices shall be remitted to CompleteHome by Coldwell Banker within thirty (30) days after the receipt of the invoices.

(c)(ii) For the purpose of calculating the actual savings attributable to CompleteHome's management and support services, the parties acknowledge that from time to time during the Term CompleteHome and the Third Party Providers may modify the commercial terms (e.g. scope, pricing elements) of the agreements with the Third Party Providers or may renew or extend such agreements. In the event of a modification or renewal of an agreement with a Third Party Provider, CompleteHome and Coldwell Banker shall cooperate with each other, in good faith, to determine the price Coldwell Banker would have paid with respect to the scope of the services offered thereunder at the time of the modification of the commercial terms or renewal (or extension) of the agreement (or execution of the agreement with the service provider other than a Third Party Provider) (the "Fair Market Value"). The Service Fee shall be the lesser of the following amounts (y) the difference between the Fair Market Value and the actual billings OR (z) six percent (6%) of the Fair Market Value.

Section 5. Exclusivity. During the Term, Coldwell Banker agrees that it shall not furnish the System Listings to any third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) other than CompleteHome; provided, however that such restriction shall not limit or pertain to any commitments or obligations existing as of the date of this Agreement to provide the System Listings to a third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) and further provided that nothing in this Section 5 shall limit or otherwise affect Coldwell Banker from utilizing the System Listings in any manner in connection with the System web site. With respect to any obligations or commitments existing as of the date of this Agreement to provide System Listings to a third party provider or operator of an Internet portal, Coldwell Banker hereby agrees not to extend or renew any such obligations or commitments.

Section 6. Indemnity/Limitation of Liability. (a) CompleteHome shall indemnify and hold harmless Coldwell Banker and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from any third party claims for (i) CompleteHome's or its employees' or agents' failure to comply with applicable laws and regulations,

negligence or willful misconduct in connection with the performance of this Agreement, or misrepresentation, or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by CompleteHome. In no event shall the indemnity obligation set forth in this subsection (a) apply to any information (including content) furnished to CompleteHome by Coldwell Banker.

(b) Coldwell Banker shall indemnify and hold harmless CompleteHome and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from third party claims for (i) Coldwell Banker's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct in connection with the performance of this Agreement, misrepresentation or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by Coldwell Banker. In no event shall the indemnity obligation set forth in this subsection (b) apply to or include the acts or omissions of any broker or agent of the System or apply to any information (including content) furnished to Coldwell Banker by CompleteHome.

(c) In the event that the indemnified party is required to respond to any claim, action, demand or proceeding, the indemnifying party will, upon reasonable notification, respond and defend the indemnified party against such claims and demands in any such actions or proceedings pursuant to its indemnity obligations under this Section 6. In the event that the indemnifying party fails to defend the indemnified party, the indemnifying party will reimburse the indemnified party for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the indemnified party.

(d) Neither party shall be responsible to the other for any indirect, special or consequential damages under any tort including lost profits or interruption of business (regardless of whether a party has been advised of the possibility of or could have foreseen such damages). Notwithstanding the foregoing, the limitation of liability provided under this subsection (d) shall not apply with respect to (i) third party claims and/or (ii) the willful misconduct or gross negligence of a party.

(e) This Section 6 and the rights, remedies, obligations and limitations of the parties under such Section shall survive termination or expiration of this Agreement.

Section 7. Books and Records; Audit. CompleteHome shall use commercially reasonable efforts to keep accurate and complete records of the revenues generated by CompleteHome in connection with this Agreement and the System (including without limitation, the Ancillary Services Revenues and Net Advertising Revenues) together

with invoices and other payment information relating to CompleteHome's management of the maintenance and support service agreements. All such records shall be available for inspection and audit by Coldwell Banker or its representatives on reasonable notice to CompleteHome during normal business hours throughout the Term of this Agreement and for one (1) year thereafter. CompleteHome shall reasonably cooperate with Coldwell Banker in such inspection and audit. In the event any such inspection or audit establishes an underpayment of commissions, CompleteHome shall pay the amount of the deficit within fifteen (15) days after notification of such deficiency. In the event such audit identifies an overpayment of commissions, such overpayment shall be reconciled against future commissions to become due from CompleteHome to Coldwell Banker or, if it is determined that future commissions will not become due, Coldwell Banker will remit payment in the amount of the overage within fifteen (15) days from such determination.

Section 8. Acknowledgments. (a) CompleteHome acknowledges that Coldwell Banker is a franchisor and not the owner or operator of real estate brokerage offices and that, as such, Coldwell Banker cannot compel or guarantee any level of participation of the franchisees (including brokers and agents) of the System with CompleteHome or any other third party. Further, despite the recommendation and promotion of CompleteHome by Coldwell Banker, CompleteHome acknowledges that the brokers and agents of the System may enter into and maintain agreements or arrangements with third parties which may include listing agreements and marketing agreements. In no event shall any such agreements or arrangements entered into by the brokers or agents of the System be construed to be a violation of the terms of this Agreement, including any obligations or limitations of Coldwell Banker hereunder. Coldwell Banker shall not be responsible for any amounts or obligations owed to CompleteHome by any brokers or agents of the System.

(b) For the purpose of this Agreement, the phrases "affiliates of Coldwell Banker" or "Coldwell Banker's affiliates" shall not include the franchisees (brokers and agents) of the System.

Section 9. Termination/Force Majeure. (a) When fully executed, this Agreement will constitute a binding obligation of both parties which may not be terminated by either party except that either party may terminate this Agreement (in whole or in part) in the event of a material breach of the terms of this Agreement by the other party. In the event of a material breach as set forth above, the breaching party shall be given written notice of such breach and the opportunity to cure such breach within thirty (30) days of the date of such notice (ten (10) days in the case of a payment default). In the event the breaching party fails to cure such breach within the applicable period stated above, the other party shall have the right to immediately terminate this Agreement upon written notice to the breaching party.

(b) In no event shall either party be liable to the other party for any delay or failure to perform hereunder, which delay or failure to perform is due to causes beyond the reasonable control of said party, including, but not limited to, acts of God; acts of the public enemy; acts of the United States, or any state, territory or political division of the United States of America, or of the District of Columbia; acts of a judiciary or legislative body; fires; floods; epidemics; quarantine restrictions; strikes or

any other labor disputes; and freight embargoes; provided, however, that the delay or failure to perform was not be caused by the negligent acts of the non-performing party and that the non-performing party acts with due diligence to mitigate any such delays in its failure to perform.

Section 10. Representations. (a) Each party has full power and authority and has been duly authorized, to enter into and perform its obligations under this Agreement, all necessary approvals of any Board of Directors, shareholders, partners, co-tenants and lenders having been obtained. The execution, delivery and performance of this Agreement by each party will not violate, create a default under or breach of any charter, bylaws, agreement or other contract, license, permit, indebtedness, certificate, order, decree or security instrument to which such party or any of its principals is a party or is subject. Neither party is the subject of any current or pending dissolution, receivership, bankruptcy, reorganization, insolvency, or similar proceeding on the date this Agreement is executed by such party and was not within the three (3) years proceeding such date. The persons signing this Agreement on behalf of each party are authorized to execute this Agreement for and on behalf of such party and have full authority to so bind such party.

(b) CompleteHome and Coldwell Banker will comply with all applicable local, state and federal laws and regulations in connection with the performance of their respective obligations under this Agreement.

Section 11. Trademarks/Artwork. (a) Except as specifically provided in this Agreement, CompleteHome specifically acknowledges that this Agreement does not confer upon CompleteHome any interest in or right to use any trademark, service mark or other intellectual property right of Coldwell Banker or its affiliates (the "Coldwell Banker Intellectual Property Rights") in connection with this Agreement unless CompleteHome receives the prior written consent of Coldwell Banker. CompleteHome further agrees that upon termination or expiration of this Agreement, CompleteHome shall immediately cease and discontinue all use of the Coldwell Banker Intellectual Property Rights. Further, if CompleteHome wishes to utilize the Coldwell Banker Intellectual Property Rights in advertising or promotional materials, it must submit such materials to Coldwell Banker for final approval before utilizing them. In no event may CompleteHome or any affiliated or associated person or entity utilize the Coldwell Banker Intellectual Property Rights for any purpose other than in connection with this Agreement. CompleteHome agrees to comply with all requests of Coldwell Banker with respect to the appearance and use of the Coldwell Banker Intellectual Property Rights, including without limitation, any requests to change the form or style of the Coldwell Banker Intellectual Property Rights and shall at all times consistently use the Coldwell Banker Intellectual Property Rights so as to ensure that Coldwell Banker's rights are adequately preserved. Coldwell Banker reserves the right from time to time to require changes to the Coldwell Banker Intellectual Property Rights upon thirty (30) days prior written notice to CompleteHome.

(b) Except as specifically provided in this Agreement, Coldwell Banker specifically acknowledges that this Agreement does not confer upon Coldwell Banker any interest in or right to use any trademark, service mark or other intellectual property right of CompleteHome or its affiliates (the "CompleteHome Intellectual

Property Rights") in connection with this Agreement unless Coldwell Banker receives the prior written consent of CompleteHome. Coldwell Banker further agrees that upon termination or expiration of this Agreement, Coldwell Banker shall immediately cease and discontinue all use of the CompleteHome Intellectual Property Rights. Further, if Coldwell Banker wishes to utilize the CompleteHome Intellectual Property Rights in advertising or promotional materials, it must submit such materials to CompleteHome for final approval before utilizing them. In no event may Coldwell Banker or any affiliated or associated person or entity utilize the CompleteHome Intellectual Property Rights for any purpose other than in connection this Agreement. Coldwell Banker agrees to comply with all requests of CompleteHome with respect to the appearance and use of the CompleteHome Intellectual Property Rights, including without limitation, any request to change the form or style of the CompleteHome Intellectual Property Rights and shall at all times consistently use the CompleteHome Intellectual property Rights so as to ensure that CompleteHome's rights are adequately preserved. CompleteHome reserves the right from time to time to require changes to the CompleteHome Intellectual Property Rights upon thirty (30) days prior written notice to Coldwell Banker.

Section 12. Relationship of Parties. The relationship between CompleteHome and Coldwell Banker is one of an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other or any other party for any purpose whatsoever. CompleteHome and Coldwell Banker expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

Section 13. Assignments. This Agreement may not be assigned by either party without the prior written consent of the non-assigning party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement without the consent of the other party to an affiliate or in connection with a merger, consolidation or a sale of substantially all of its assets. This Agreement and the covenants and agreements herein contained shall, subject to the provisions of this Section, inure to the benefit of and be binding on the parties hereto and their respective permitted successors and assigns.

Section 14. Confidentiality. (a) CompleteHome acknowledges that any information conveyed to or obtained by CompleteHome regarding Coldwell Banker, its business plans and operations in connection with this Agreement is confidential and proprietary to Coldwell Banker (the "Coldwell Banker Confidential Information"). CompleteHome agrees that in no event shall CompleteHome disclose, transfer, copy, duplicate, or publish any Coldwell Banker Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in Coldwell Banker's sole discretion. CompleteHome further agrees that it shall not utilize any Coldwell Banker Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. CompleteHome shall only make available the Coldwell Banker Confidential Information to its employees on a need-to-know basis and shall advise such employees

of the restriction set forth with respect to the use of such Coldwell Banker Confidential Information. CompleteHome shall be responsible for the unauthorized disclosure of any Coldwell Banker Confidential Information by its employees.

(b) Coldwell Banker acknowledges that any information conveyed to or obtained by Coldwell Banker regarding CompleteHome, its business, plans and operations in connection with this Agreement is confidential and proprietary to CompleteHome (the "CompleteHome Confidential Information"). Coldwell Banker agrees that in no event shall Coldwell Banker disclose, transfer, copy, duplicate, or publish any CompleteHome Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in CompleteHome's sole discretion. Coldwell Banker further agrees that it shall not utilize any CompleteHome Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. Coldwell Banker shall only make available the CompleteHome Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such CompleteHome Confidential Information. Coldwell Banker shall be responsible for the unauthorized disclosure of any CompleteHome Confidential Information by its employees.

(c) The non-disclosure restrictions set forth in this Section 14 shall not apply to information which (i) is or becomes generally available to the public other than as a result of a disclosure by the receiving party; (ii) was within the receiving party's possession prior to its being furnished by the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information; or (iii) becomes available to the receiving party on a nonconfidential basis from a source other than the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information. With respect to disclosures of the Coldwell Banker Confidential Information or CompleteHome Confidential Information as may be required by law or court order, such disclosures shall be permitted without the consent of the originating party provided that the disclosing party furnishes the originating party prior written notification (as soon as practicably possible after the request for disclosure is made). Upon the termination of this Agreement or upon the earlier written request by the originating party, the receiving party shall return the Coldwell Banker Confidential Information and CompleteHome Confidential Information (as the case may be) to the originating party including any copies relating thereto on whatever media (or alternatively destroy such information if so instructed by the originating party).

(d) The parties acknowledge that Coldwell Banker Confidential Information and CompleteHome Confidential Information, respectively, is a valuable asset of the originating party, the disclosure of which would cause the originating party irreparable harm for which there is no adequate remedy at law. Accordingly, in the event of a breach or alleged breach of this Section 14, the originating party or parties shall be allowed injunctive relief and any other equitable remedies in addition to remedies afforded by law. The obligations of each party pursuant to this Section 14 shall survive the termination or expiration of this Agreement.

Section 15. Partial Invalidity. Should any part of this Agreement, for any reason, be declared invalid, such decision shall not affect the validity of any remaining portion of this Agreement.

Section 16. No Waiver. No failure or delay in requiring strict compliance with any obligation of this Agreement (or in the exercise of any right or remedy provided herein) and no custom or practice at variance with the requirements hereof shall constitute a waiver or modification of any such obligation, requirement, right or remedy or preclude exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein. No waiver of any particular default or any right or remedy with respect to such default shall preclude, affect or impair enforcement of any right or remedy provided herein with respect to any subsequent default. No approval or consent of either party shall be effective unless in writing and signed by an authorized representative of such party, and such party's consent or approval may be withheld for so long as the other party is in default of any of its obligations under this Agreement.

Section 17. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered, by next day delivery service, with proof of delivery, or mailed by certified or registered mail, return receipt requested, to the appropriate party at its address stated below or to such person and at such address as may be designated by notice hereunder. Notices shall be deemed given on the date delivered or date of attempted delivery, if service is refused.

CompleteHome:	Coldwell Banker:
CompleteHome Operations, Inc. 200 Vallejo Street San Francisco, California 94111 Attn: President	Coldwell Banker Real Estate Corporation 6 Sylvan Way Parsippany, New Jersey 07054 Attn: President

Section 18. Publicity. Each party shall (a) submit to the other party all advertising, written sales promotions, press releases, and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or which contains language from which a relationship with the other party may be inferred or implied and (b) not publish or use such advertising, sales promotions, press releases or publicity matters without the other party's consent.

Section 19. Miscellaneous. The remedies provided in this Agreement are not exclusive. This Agreement will be construed in accordance with the laws of the State of New Jersey, except for New Jersey's conflict of laws principles. The parties consent to District Court for the District of New Jersey and further waive objection to venue in any such court. This Agreement is exclusively for the benefit of the parties hereto and may not give rise to liability to a third party. No agreement between CompleteHome or Coldwell Banker and anyone else is for the benefit of the other party. Neither party will interfere with contractual relations of the other. The section headings in this Agreement are for convenience of reference only and will not affect its interpretation.

This Agreement, together with all instruments, exhibits, attachments and schedules hereto, constitutes the entire agreement (superseding all prior agreements and understanding, oral or written) of the parties hereto with respect to the subject matter hereof and shall not be modified or amended in any respect unless in writing executed by all such parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

COMPLETEHOME OPERATIONS, INC.	COLDWELL BANKER REAL ESTATE CORPORATION
By: /S/ Sarah Nolan	By: /S/ Alex Perriello
Name: Sarah Nolan	Name: Alex Perriello
Title: CEO	Title: President & CEO

EXHIBIT A

THIRD PARTY/INDUSTRY ADVERTISING RESTRICTIONS

The following list identifies the applicable advertising restrictions on CompleteHome in the placing advertising on the System web site. In general, the prohibited advertising is classified either on a "third party advertiser basis" or "industry basis."

- Residential real estate brokerage system or agencies (other than businesses or operations relating to Coldwell Banker)
- Advertising relating to residential mortgage service providers
- Corporate relocation providers
- Vehicle rental systems or agencies

INTERNET COOPERATION AGREEMENT

THIS INTERNET COOPERATION AGREEMENT (the "Agreement") is entered into this 1st day of October 1999 by and between CompleteHome Operations, Inc. ("CompleteHome"), a Delaware corporation with an office located at 200 Vallejo Street, San Francisco, California 94111 and ERA Franchise Systems, Inc. ("ERA"), a Delaware corporation with an office located at 6 Sylvan Way, Parsippany, New Jersey 07054.

W I T N E S S E T H:

WHEREAS, ERA is the franchisor of the ERA(R) real estate brokerage franchise system (the "System"); and

WHEREAS, CompleteHome is a provider of, among other things, a residential real estate services portal on the Internet ("Internet Portal"); and

WHEREAS, CompleteHome and ERA wish to engage in a cooperative marketing effort with each other in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Term. The term of this Agreement (the "Term") shall commence on October 1, 1999 and shall terminate on December 31, 2039, unless earlier terminated in accordance with the terms herein set forth.

Section 2. CompleteHome Obligations. (a) During the Term, CompleteHome shall display the listings of residential real estate offered for sale through ERA's franchisees (the "Listings") contained on the System web site operated by ERA ("System Listings") on the Internet Portal and, subject to the prior written approval of ERA, on the Internet web sites of third parties selected by CompleteHome. The System Listings will be placed as part of the content of the residential property listings pages located on the Internet Portal. The System Listings displayed by CompleteHome will include a detailed description of the property together with the identity of the broker for the particular Listing (including the corresponding agents of such broker as may be required by law or as may be requested by the broker). CompleteHome shall provide Internet traffic access to the Listings on the Internet Portal at no cost to the Internet users. With respect to System Listings, CompleteHome will not without the prior consent of ERA (i) display the street address for a particular System Listing and/or (ii) identify the applicable agent of the broker associated with the System Listing. In addition, CompleteHome will not display any System Listing where doing so would violate any restriction imposed on such System Listing or where in the reasonable judgment of ERA the display of such System Listing would be detrimental to the System.

(b) CompleteHome shall make available on the Internet Portal broker profile screens (including agent profile screens to the extent requested by the respective broker), which screens shall include general data and information for each broker (and

agent as the case may be) in the System, as such information is made available by ERA. CompleteHome shall design and develop a profile template to be dedicated for the System which template shall include distinct characteristics, including System-specific attributes, so as to differentiate the profile screens for the System from similar content for other systems. The template design shall be subject to the approval of ERA, which approval shall not be unreasonably withheld. The profile screens shall be accessible, via hyperlink, from the System Listings attributable to such broker/agent on the residential property listing pages of the Internet Portal. The profile screens may also be accessed by Internet users through search criteria from other locations on the Internet Portal. Although profile screens shall not include any hyperlinks to web sites or destinations other than the Internet Portal without the prior consent of ERA, a profile screen may include a communication link to the listing broker (including the corresponding agents of such broker as may be required by law or as may be requested by broker), such as, customized telephone numbers, e-mail delivery, e-mail-to-fax delivery and other vehicles of communication to reach the broker as such vehicles become generally available for such purpose and are approved by the parties.

(c) CompleteHome will, in cooperation with ERA, maintain lines of communication with the brokers and agents (as permitted) of the System to, among other things, promote CompleteHome and the services offered by or through CompleteHome in connection with the Internet Portal. Through the use of communication mediums such as e-mail, fax and telephone, CompleteHome will distribute informational and marketing materials to the brokers and agents of the System. All information disseminated by CompleteHome to the brokers and agents of the System shall be subject to the prior approval of ERA. In addition, CompleteHome shall solicit brokers and agents of the System to participate in various listing and other services ("Ancillary Services") which will be offered by or through CompleteHome. For Ancillary Services requested by a broker or agent of the System, CompleteHome will enter into an agreement with such broker or agent which sets forth the terms and conditions of such agreement. CompleteHome shall be solely responsible for honoring its obligations under all such broker and agent agreements including collecting any and all payments due in connection with the Ancillary Services from the particular broker or agent. For Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers, CompleteHome shall be solely responsible for honoring its obligations under all such third party provider agreements, including collecting any and all payments, commissions, rebates or other similar amounts (the "Ancillary Service Revenues") payable to CompleteHome by such third parties relating to the broker's and agent's participation in the Ancillary Services. With respect to the Ancillary Services provided through agreements by and between CompleteHome and third party service/product providers only, CompleteHome agrees that it shall not promote, recommend or offer to the brokers and/or agents of the System any services or products, or providers thereof, which may be the subject of an exclusive marketing agreement (or similar arrangement) entered into or maintained by ERA or any affiliate of ERA.

(d) CompleteHome will implement and maintain during the Term a system to track and record Internet traffic to the System Listings on a "per broker" basis and "per agent" basis. CompleteHome shall furnish a detailed report to (i) ERA with respect

to the System Listings and (ii) each broker with respect to the System Listings attributable solely to such broker or its agent, as applicable. The report shall be issued by CompleteHome, via electronic means, in a format and containing substance mutually agreed by the parties. A report shall be issued (i) to ERA for each calendar month during the Term within fifteen (15) days from the end of the particular month and (ii) to any broker of the System within fifteen (15) days from the date on which said broker requests a report from CompleteHome (but in no event more than one (1) time in any calendar quarter during the Term with respect to a particular broker). Information to be included in the reports to ERA will include information, such as, the total number of System Listings viewed and the total number of leads generated by System Listings to the brokers and agents.

(e) At the request of ERA, CompleteHome shall make available to ERA various information, data and content prepared by or through CompleteHome for display through the System web site. Display of the information, data and content, including without limitation, any presentation or placement criteria, shall be subject to the mutual agreement of the parties, which approval shall not be unreasonably withheld. Access to all such information, data and content shall be provided to ERA, at no cost. Further, all such CompleteHome information, data and content shall remain the property of CompleteHome and shall reside on a CompleteHome-designated server. During the Term, ERA shall have a non-exclusive, non-transferable, limited license under this Agreement to access and use such information, data and content from the System web site. The environment in which such CompleteHome information, data and content is displayed on behalf of ERA shall maintain a similar "look and feel" with respect to the System web site so as to foster a seamless transfer from the System web site to the CompleteHome server.

(f) CompleteHome will be responsible for the management of maintenance and support services provided by third party providers for the System web site ("Third Party Providers"). ERA shall promptly undertake to assign to CompleteHome the agreements with Third Party Providers for such maintenance and support services. CompleteHome will, in cooperation with ERA, contact Third Party Providers to notify Third Party Providers of the appointment of CompleteHome under this subsection (f) and each of ERA and CompleteHome shall execute the necessary documents, if any, to effectuate CompleteHome's appointment with respect to the management of such services on behalf of ERA. Management services shall include, among other things, assisting in negotiations with service providers, reviewing/approving invoices, processing/remittance of payments due to Third Party Providers, monitoring performance and other related services as agreed by the parties. In no event shall CompleteHome have the right (i) to obligate ERA to any provider of maintenance and support services for the System web site without the prior written consent of ERA or (ii) to modify the terms of the agreements (or terminate such agreements) with Third Party Providers whereby such modifications would not be in the best interest of ERA, including without limitation, reducing the service or performance levels established in any of the agreements with Third Party Providers.

(g)(i) During the Term, CompleteHome shall serve as a non-exclusive business development representative ("BDR") for ERA as it relates to third party advertising on

the System web site. In its capacity as a BDR, CompleteHome shall offer and provide assistance (e.g. recommendations, strategies and other pertinent information) to ERA, at no cost to ERA, with respect to ERA's planning and development of third party advertising and content on the System web site (the "BDR Services"). Although CompleteHome agrees to perform the BDR Services to acceptable standards as recognized throughout the Internet advertising industry, CompleteHome does not guarantee the success of any idea, concept, plan or design provided by CompleteHome to ERA. ERA expressly reserves the right to approve in advance any work product, advertising campaign, project or other materials submitted by CompleteHome to ERA for display on the System web site or other web site, as applicable. Nothing contained in this Section 2(g) shall be deemed to require CompleteHome to undertake any campaign, prepare any advertising materials or publicity or cause the publication of any Internet advertising which, in CompleteHome's judgment, is misleading, indecent, libelous, unlawful or otherwise prejudicial to either party's interest. To the extent applicable, CompleteHome shall be responsible for obtaining all releases, licenses (including any assignments thereof), permits and other authorizations needed to use or display content (e.g. names, likenesses, endorsements and testimonials) on the System web site; provided, however, that ERA shall be solely responsible for the accuracy, completeness and propriety of any and all information furnished to CompleteHome by ERA (or on ERA's behalf) in connection with the BDR Services. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to prepare and approve an Internet business development agenda and schedule (the "Plan") for the then upcoming calendar year. The Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet business development activities, marketing alliance promotions, restrictions on marketing efforts and the like. The parties will also meet to discuss and evaluate ERA's development of Internet business activities and opportunities relating to the placement of advertising on the System web site as such activities and opportunities arise during the Term of this Agreement and prior to ERA's commitment to any third party relating thereto.

(g)(ii) As part of the appointment of CompleteHome as the BDR and subject to the provisions in subsection (g)(iii) below, CompleteHome shall place any and all third party advertisements on the System web site. Such appointment by ERA of CompleteHome for the placement of third party advertisements shall be exclusive in nature. CompleteHome will enter into and maintain the agreements with third parties for the placement of such advertising and shall be responsible for processing all requirements under such arrangements including the collection of any and all payments due in connection with the placement of such advertising. The presentation and/or location of third party advertising on the System web site shall be subject to the agreement of the parties. Notwithstanding the foregoing, for each six (6) month period during the Term (commencing on the first day of the first full calendar month of the Term) (the "Period"), ERA shall have the right to cause CompleteHome to place, in ERA's discretion, third party advertisements on the System web site (the "Allotted Ads"); provided, however, that in no event shall the total number of ERA-designated impressions for such advertisements on the System web site in a particular Period exceed six percent (6%) of the total number of impressions placed on the System web site for such Period. Any expenses incurred by ERA in reformatting portions of the System web site to accommodate advertising placed by CompleteHome shall be borne

solely by CompleteHome. From time to time during the Term of this Agreement, either party may request the other party to review the applicable percentage of Allotted Ads allocated to ERA and such percentage may be adjusted subject to such review and the mutual agreement of the parties.

(g)(iii) With respect to the placement of advertisements pursuant to subsection (g)(ii) above, the parties acknowledge that in no event shall any such advertising be placed on the System web site which, in the judgment of ERA, would be a violation of any marketing agreement (or similar arrangement) to which ERA (or an affiliate of ERA) is a party in effect as of the date of this Agreement. If, in the judgment of ERA, the placement of any advertising by CompleteHome would be considered a violation of any marketing agreement (or similar arrangement) entered into by ERA (or an affiliate of ERA), then ERA may, upon written notice to CompleteHome, cause CompleteHome to discontinue and remove such advertising from the System web site and take any other steps reasonably required by ERA to ensure that ERA (or the applicable affiliate of ERA) is not in violation of such marketing agreement (or similar arrangement). Further, in no event shall CompleteHome offer for placement or place any advertising of an advertiser on the System web site whereby such advertiser engages in a business which is, directly or indirectly, competitive in nature to any businesses or operations of ERA or any ERA's affiliates. During the Term, CompleteHome agrees to provide ERA with advance notice of advertising which CompleteHome plans to place on the System web site. Such notice shall be sent electronically (e.g. e-mail) to ERA's designated project representative (or other method or project contact as may be agreed to by the parties) and shall at least identify the name of the prospective advertiser together with a general description of the nature of the goods and services offered by such advertiser. ERA shall have five (5) business days from the date of the notice to object, in writing, to the placement of advertising of the advertiser identified in the notice. In the event that CompleteHome does not receive ERA's objection to the advertiser within the stated deadline, then ERA's approval of the advertiser shall be deemed granted. The proposed artwork and content of any and all advertising shall be posted on a designated CompleteHome web site for review purposes by ERA. Such web site shall be provided to ERA at no cost and shall be operational on a 24X7 basis. During the Term, CompleteHome agrees that it shall not place any advertisements on the System web site with respect to the third parties and/or industries identified in Exhibit A, which is attached hereto and made part hereof. From time to time, ERA may modify Exhibit A by adding or deleting third parties or industries as the case may be.

(h) CompleteHome shall serve as the non-exclusive advertising placement consultant for ERA for the purpose of the placement of Internet general advertising on behalf of ERA and the System. CompleteHome shall offer and provide assistance (e.g. advice, recommendations, strategies and other pertinent information) to ERA, at no cost to ERA, with respect to ERA's the negotiation, purchase and placement of Internet media in connection with the promotion of the Systems and/or the System web site. The parties shall meet on an annual basis, or more frequently as agreed by the parties, to discuss and prepare an Internet purchase and placement agenda and schedule (the "Media Plan") for the then upcoming calendar year. The Media Plan shall be prepared in writing and shall outline, in reasonable detail, anticipated Internet purchase and placement activities, marketing alliance promotions, restrictions on marketing efforts

and the like. The parties will also meet to discuss and evaluate ERA's development of Internet business activities and opportunities relating to the placement of Internet general advertising as such activities and opportunities arise during the Term of this Agreement and prior to ERA's commitment to any third party relating thereto, including without limitation, any commitment with a third party to serve as ERA's Agency of Record for the placement and purchase of general Internet advertising.

(i) Subject to Section 11 below, CompleteHome shall place the trademarks, logos or other identifying marks of ERA (the "ERA Marks") on the section(s) of the Internet Portal designated for the System Listings and/or the System. Placement and identification of the ERA Marks shall be at least as prominent as the placement and identification of any other real estate brokerage system or company in the property listing pages of the Internet Portal or other locations on the Internet Portal where such systems and companies are collectively displayed. In no event shall CompleteHome state or imply a preference for a particular real estate brokerage system or company over ERA or the System. Further, CompleteHome shall provide ERA, at CompleteHome's cost, with twenty five thousand (25,000) banner advertisement impressions per calendar month. The banner advertisements will be located at the top of the applicable web site pages and will provide a hyperlink from the Internet Portal to the System web site. The design of the banner advertisement will be provided to CompleteHome by ERA. From time to time during the Term of this Agreement, either party may request the other party to review the designated number of banner advertisements allocated to ERA, among other aspects relating to the hyperlink to the System web site. The number of impressions and other related aspects thereto may be adjusted subject to such review and the mutual agreement of the parties.

(j) On or about the execution of this Agreement, CompleteHome shall appoint a designated project representative who will serve as the primary point of contact with ERA for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by ERA in performing CompleteHome's obligations under this Agreement.

Section 3. ERA Obligations. (a) During the Term, ERA shall provide to CompleteHome System Listings which are made available to ERA by or through the brokers of the System. In providing the System Listings, ERA shall furnish to CompleteHome detailed property descriptions together with the identity of the broker for the particular System Listings (including the corresponding agents of such broker as may be required by law or as may be requested by the broker) together with the information required to complete/update profile screens for the brokers and agents (as applicable) of the System. The System Listings, including property descriptions and broker/agent information and data (and changes in such information), shall be provided daily, via electronic means, from ERA to CompleteHome. The format of such information and the particular time of transfer of the information shall be mutually agreed by the parties. Although ERA does not guarantee the accuracy of the information furnished to CompleteHome, ERA shall use commercially reasonable efforts to ensure that such information is an accurate and complete reflection of the information provided by the brokers to ERA as of the date of the transfer to

CompleteHome. ERA will promptly notify CompleteHome of any incomplete or inaccurate information discovered by ERA so that CompleteHome may issue an updated version of the information.

(b) ERA shall use commercially reasonable efforts to promote CompleteHome and its services (including general descriptions of the various features offered by CompleteHome on the Internet Portal) to the brokers and agents of the System and to encourage the brokers and agents to participate in the programs developed and offered by or through CompleteHome in connection with this Agreement. ERA will cooperate, in good faith, with CompleteHome to assist CompleteHome in designing and developing marketing materials, literature and other forms of communications to be issued by CompleteHome to the brokers and agents of the System. Although such assistance will include information and recommendations from ERA, ERA will not be responsible to provide any financial assistance to CompleteHome pursuant to this subsection (b).

(c) From time to time, ERA shall submit to CompleteHome for display on the Internet Portal various System-specific information, data and content prepared by or through ERA for the System web site. As such information, data and content is considered by ERA to be valuable and proprietary in nature, the parties shall, prior to any transfer of such information, data and content to CompleteHome, mutually agree as to the terms of such transfer including the manner in which the information, data and content will be used and/or displayed on the Internet Portal. Among other aspects to be contemplated in reaching such agreement, the parties shall consider (i) the uniqueness of the information, data or content to be transferred to CompleteHome, (ii) the impact on ERA and the System, if any, of the display of such information, data or content on the Internet Portal, (iii) the scope and breadth of the proposed display, (iii) the "look and feel" of the proposed display, (iv) the duration of the proposed display, (v) the display of similar information by real estate brokerage systems other than the System and (vi) ERA's cost and expense attributable to the design, development and/or publication of such information, data and content. All costs to display and maintain the information, data and content on the Internet Portal shall be the responsibility of CompleteHome. Further, all such ERA information, data and content shall remain the property of ERA; provided, however, that CompleteHome shall have, during the Term, a non-exclusive, non-transferable, limited license under this Agreement to receive, use and display such information, data and content on the Internet Portal.

(d) Subject to Section 11 below, ERA shall place the trademarks, logos or other identifying marks of CompleteHome (the "CompleteHome Marks") on the System web site. Placement of the CompleteHome Marks shall be in a prominent location as agreed by the parties. Further, through a CompleteHome-identifying icon placed on the System web site, ERA will provide, at CompleteHome's expense, a hyperlink connecting the System web site to the section of the Internet Portal designated for the System Listings and the System as agreed to by the parties.

(e) ERA agrees to reference CompleteHome and/or its affiliation with ERA and the System in all of ERA's off-line advertising (as defined below), where appropriate.

The placement of such references in off-line advertising shall be at the cost of CompleteHome provided that ERA obtains CompleteHome's advance approval prior to incurring any such costs. The location and form of the references to CompleteHome in the off-line advertising shall be subject to the mutual agreement of the parties. Upon the execution of this Agreement or as soon thereafter as commercially practicable, ERA and CompleteHome shall meet to review ERA's commitments and schedules for off-line advertising in effect as of the date of this Agreement. For the purposes of this subsection (e), the reference to "off-line advertising" shall include, but not be limited to, advertising placed via print, radio, television or other forms of media other than the Internet but shall not include any advertising by the franchisees of the System.

(f) On or about the execution of this Agreement, ERA shall appoint a designated project representative who will serve as the primary point of contact with CompleteHome for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by CompleteHome in performing ERA's obligations under this Agreement.

Section 4. Commissions/Fees. (a) Ancillary Services Commission. (i) During the Term and to the extent permitted by law, CompleteHome shall pay commissions on the Ancillary Service Revenues attributable to leads originating from the System and the brokers and agents of the System in the amount of ten percent (10%) of such Ancillary Service Revenues. Such commissions shall be paid by CompleteHome to ERA with respect to any leads originating from the System web site or to the particular broker with respect to any leads originating from the broker (and such broker's agents), including without limitation, any leads generated from a particular broker's web site. The commissions payable by CompleteHome to ERA or the broker (as the case may be) with respect to the Ancillary Service Revenues generated in each calendar quarter shall be paid not more than thirty (30) days after the end of such quarter. CompleteHome shall provide ERA with each payment made to ERA a report, detailing the Ancillary Service Revenues generated by the System, the Ancillary Services Revenues attributable to the brokers and agents of the System, the origin of the applicable leads and the calculation of the commissions paid thereon. Further, CompleteHome shall provide the broker with each such payment a report, detailing the Ancillary Service Revenues attributable to the broker and its agents (broken down on a "per agent" basis) and the calculation of the commissions paid thereon.

(a)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or ERA may, upon written notice to the other party, initiate a review to determine an equitable adjustment, if any, in the rate of commission payable on Ancillary Service Revenues in effect as of the date on which notice is issued. In the event that it is determined by the parties that an adjustment is warranted based on the totality of the circumstances, then such adjustment shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an adjustment is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an equitable adjustment in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(b) Advertising Commission. (i) During the Term and in consideration of the services provided by CompleteHome pursuant to Section 2(h) above, among other services and value provided by CompleteHome, CompleteHome shall pay to ERA commissions on the total amount of the net advertising revenues ("Net Advertising Revenues") generated by and paid to CompleteHome in connection with any and all advertising placed on the System web site in the amount of ten percent (10%) of the Net Advertising Revenues. The commissions payable to ERA with respect to the Net Advertising Revenues generated in each calendar month shall be paid not more than thirty (30) days after the end of such month. CompleteHome shall provide ERA with each such payment a report, certified as true and correct by a duly authorized representative of CompleteHome, detailing the advertising revenues generated by CompleteHome and the calculation of the commissions paid thereon.

(b)(ii) From time to time during the Term (but no more than one (1) time in any calendar quarter), CompleteHome or ERA may, upon written notice to the other party, initiate a review to determine an equitable increase, if any, in the rate of commission payable on Net Advertising Revenues in effect as of the date on which notice is issued. Among other aspects to be considered in making such determination, the parties will review the overall performance of the System web site; increases or decreases in the volume of System Listings posted on the System web site; increases, if any, in the commission rates payable to CompleteHome by third party advertisers for the placement of advertising; rates of commission due to web site owners or operators generally recognized throughout the Internet industry; and any other pertinent information provided by the parties. In the event that it is determined by the parties that an increase is warranted based on the totality of the circumstances, then such increase shall become effective immediately upon such determination without the necessity of further notice. In the event that it is determined that an increase is not warranted based on the totality of the circumstances (or, despite each party's good faith efforts, the parties are unable to reach agreement as to an increase in the rate of commission), then the rate of commission in effect as of the date of the notice shall remain in effect and unchanged.

(c) Web Site Management Service Fees. (i) In consideration for CompleteHome's management of certain maintenance and support services with respect to the System web site and subject to subsection (c)(ii) below, ERA shall pay to CompleteHome a service fee (the "Service Fee") based on the actual savings realized under the agreements with Third Party Providers to the extent such savings are attributable to CompleteHome. The Service Fee payable to CompleteHome with respect to the actual savings realized in each calendar month shall be paid by ERA not more than thirty (30) days after the end of such month. CompleteHome shall provide ERA at the conclusion of each calendar month an invoice for the Service Fee, if any, together with a consolidated, monthly invoice with respect to the payments made to Third Party Providers by CompleteHome for such period and any other related information reasonably requested by ERA. Payment of the invoices shall be remitted to CompleteHome by ERA within thirty (30) days after the receipt of the invoices.

(c)(ii) For the purpose of calculating the actual savings attributable to CompleteHome's management and support services, the parties acknowledge that from

time to time during the Term CompleteHome and the Third Party Providers may modify the commercial terms (e.g. scope, pricing elements) of the agreements with the Third Party Providers or may renew or extend such agreements. In the event of a modification or renewal of an agreement with a Third Party Provider, CompleteHome and ERA shall cooperate with each other, in good faith, to determine the price ERA would have paid with respect to the scope of the services offered thereunder at the time of the modification of the commercial terms or renewal (or extension) of the agreement (or execution of the agreement with the service provider other than a Third Party Provider) (the "Fair Market Value"). The Service Fee shall be the lesser of the following amounts (y) the difference between the Fair Market Value and the actual billings OR (z) six percent (6%) of the Fair Market Value.

Section 5. Exclusivity. During the Term, ERA agrees that it shall not furnish the System Listings to any third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) other than CompleteHome; provided, however that such restriction shall not limit or pertain to any commitments or obligations existing as of the date of this Agreement to provide the System Listings to a third party provider or operator of an Internet portal (in the capacity of aggregating or displaying such real estate listings for online dissemination) and further provided that nothing in this Section 5 shall limit or otherwise affect ERA from utilizing the System Listings in any manner in connection with the System web site. With respect to any obligations or commitments existing as of the date of this Agreement to provide System Listings to a third party provider or operator of an Internet portal, ERA hereby agrees not to extend or renew any such obligations or commitments.

Section 6. Indemnity/Limitation of Liability. (a) CompleteHome shall indemnify and hold harmless ERA and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from any third party claims for (i) CompleteHome's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct in connection with the performance of this Agreement, or misrepresentation, or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by CompleteHome. In no event shall the indemnity obligation set forth in this subsection (a) apply to any information (including content) furnished to CompleteHome by ERA.

(b) ERA shall indemnify and hold harmless CompleteHome and its affiliates, officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from third party claims for (i) ERA's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct in connection with the performance of this

Agreement, misrepresentation or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the System web site, Internet Portal or other approved web site only to the extent that such content or advertising is furnished by ERA. In no event shall the indemnity obligation set forth in this subsection (b) apply to or include the acts or omissions of any broker or agent of the System or apply to any information (including content) furnished to ERA by CompleteHome.

(c) In the event that the indemnified party is required to respond to any claim, action, demand or proceeding, the indemnifying party will, upon reasonable notification, respond and defend the indemnified party against such claims and demands in any such actions or proceedings pursuant to its indemnity obligations under this Section 6. In the event that the indemnifying party fails to defend the indemnified party, the indemnifying party will reimburse the indemnified party for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the indemnified party.

(d) Neither party shall be responsible to the other for any indirect, special or consequential damages under any tort including lost profits or interruption of business (regardless of whether a party has been advised of the possibility of or could have foreseen such damages). Notwithstanding the foregoing, the limitation of liability provided under this subsection (d) shall not apply with respect to (i) third party claims and/or (ii) the willful misconduct or gross negligence of a party.

(e) This Section 6 and the rights, remedies, obligations and limitations of the parties under such Section shall survive termination or expiration of this Agreement.

Section 7. Books and Records; Audit. CompleteHome shall use commercially reasonable efforts to keep accurate and complete records of the revenues generated by CompleteHome in connection with this Agreement and the System (including without limitation, the Ancillary Services Revenues and Net Advertising Revenues) together with invoices and other payment information relating to CompleteHome's management of the maintenance and support service agreements. All such records shall be available for inspection and audit by ERA or its representatives on reasonable notice to CompleteHome during normal business hours throughout the Term of this Agreement and for one (1) year thereafter. CompleteHome shall reasonably cooperate with ERA in such inspection and audit. In the event any such inspection or audit establishes an underpayment of commissions, CompleteHome shall pay the amount of the deficit within fifteen (15) days after notification of such deficiency. In the event such audit identifies an overpayment of commissions, such overpayment shall be reconciled against future commissions to become due from CompleteHome to ERA or, if it is determined that future commissions will not become due, ERA will remit payment in the amount of the overage within fifteen (15) days from such determination.

Section 8. Acknowledgments. (a) CompleteHome acknowledges that ERA is a franchisor and not the owner or operator of real estate brokerage offices and that, as such, ERA cannot compel or guarantee any level of participation of the franchisees (including brokers and agents) of the System with CompleteHome or any other third party. Further, despite the recommendation and promotion of CompleteHome by ERA, CompleteHome acknowledges that the brokers and agents of the System may enter into and maintain agreements or arrangements with third parties which may include listing agreements and marketing agreements. In no event shall any such agreements or arrangements entered into by the brokers or agents of the System be construed to be a violation of the terms of this Agreement, including any obligations or limitations of ERA hereunder. ERA shall not be responsible for any amounts or obligations owed to CompleteHome by any brokers or agents of the System.

(b) For the purpose of this Agreement, the phrases "affiliates of ERA" or "ERA's affiliates" shall not include the franchisees (brokers and agents) of the System.

Section 9. Termination/Force Majeure. (a) When fully executed, this Agreement will constitute a binding obligation of both parties which may not be terminated by either party except that either party may terminate this Agreement (in whole or in part) in the event of a material breach of the terms of this Agreement by the other party. In the event of a material breach as set forth above, the breaching party shall be given written notice of such breach and the opportunity to cure such breach within thirty (30) days of the date of such notice (ten (10) days in the case of a payment default). In the event the breaching party fails to cure such breach within the applicable period stated above, the other party shall have the right to immediately terminate this Agreement upon written notice to the breaching party.

(b) In no event shall either party be liable to the other party for any delay or failure to perform hereunder, which delay or failure to perform is due to causes beyond the reasonable control of said party, including, but not limited to, acts of God; acts of the public enemy; acts of the United States, or any state, territory or political division of the United States of America, or of the District of Columbia; acts of a judiciary or legislative body; fires; floods; epidemics; quarantine restrictions; strikes or any other labor disputes; and freight embargoes; provided, however, that the delay or failure to perform was not be caused by the negligent acts of the non-performing party and that the non-performing party acts with due diligence to mitigate any such delays in its failure to perform.

Section 10. Representations. (a) Each party has full power and authority and has been duly authorized, to enter into and perform its obligations under this Agreement, all necessary approvals of any Board of Directors, shareholders, partners, co-tenants and lenders having been obtained. The execution, delivery and performance of this Agreement by each party will not violate, create a default under or breach of any charter, bylaws, agreement or other contract, license, permit, indebtedness, certificate, order, decree or security instrument to which such party or any of its principals is a party or is subject. Neither party is the subject of any current or pending dissolution, receivership, bankruptcy, reorganization, insolvency, or similar proceeding on the date this Agreement is executed by such party and was not within

the three (3) years proceeding such date. The persons signing this Agreement on behalf of each party are authorized to execute this Agreement for and on behalf of such party and have full authority to so bind such party.

(b) CompleteHome and ERA will comply with all applicable local, state and federal laws and regulations in connection with the performance of their respective obligations under this Agreement.

Section 11. Trademarks/Artwork. (a) Except as specifically provided in this Agreement, CompleteHome specifically acknowledges that this Agreement does not confer upon CompleteHome any interest in or right to use any trademark, service mark or other intellectual property right of ERA or its affiliates (the "ERA Intellectual Property Rights") in connection with this Agreement unless CompleteHome receives the prior written consent of ERA. CompleteHome further agrees that upon termination or expiration of this Agreement, CompleteHome shall immediately cease and discontinue all use of the ERA Intellectual Property Rights. Further, if CompleteHome wishes to utilize the ERA Intellectual Property Rights in advertising or promotional materials, it must submit such materials to ERA for final approval before utilizing them. In no event may CompleteHome or any affiliated or associated person or entity utilize the ERA Intellectual Property Rights for any purpose other than in connection with this Agreement. CompleteHome agrees to comply with all requests of ERA with respect to the appearance and use of the ERA Intellectual Property Rights, including without limitation, any requests to change the form or style of the ERA Intellectual Property Rights and shall at all times consistently use the ERA Intellectual Property Rights so as to ensure that ERA's rights are adequately preserved. ERA reserves the right from time to time to require changes to the ERA Intellectual Property Rights upon thirty (30) days prior written notice to CompleteHome.

(b) Except as specifically provided in this Agreement, ERA specifically acknowledges that this Agreement does not confer upon ERA any interest in or right to use any trademark, service mark or other intellectual property right of CompleteHome or its affiliates (the "CompleteHome Intellectual Property Rights") in connection with this Agreement unless ERA receives the prior written consent of CompleteHome. ERA further agrees that upon termination or expiration of this Agreement, ERA shall immediately cease and discontinue all use of the CompleteHome Intellectual Property Rights. Further, if ERA wishes to utilize the CompleteHome Intellectual Property Rights in advertising or promotional materials, it must submit such materials to CompleteHome for final approval before utilizing them. In no event may ERA or any affiliated or associated person or entity utilize the CompleteHome Intellectual Property Rights for any purpose other than in connection this Agreement. ERA agrees to comply with all requests of CompleteHome with respect to the appearance and use of the CompleteHome Intellectual Property Rights, including without limitation, any request to change the form or style of the CompleteHome Intellectual Property Rights and shall at all times consistently use the CompleteHome Intellectual property Rights so as to ensure that CompleteHome's rights are adequately preserved. CompleteHome reserves the right from time to time to require changes to the CompleteHome Intellectual Property Rights upon thirty (30) days prior written notice to ERA.

Section 12. Relationship of Parties. The relationship between CompleteHome and ERA is one of an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other or any other party for any purpose whatsoever. CompleteHome and ERA expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

Section 13. Assignments. This Agreement may not be assigned by either party without the prior written consent of the non-assigning party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement without the consent of the other party to an affiliate or in connection with a merger, consolidation or a sale of substantially all of its assets. This Agreement and the covenants and agreements herein contained shall, subject to the provisions of this Section, inure to the benefit of and be binding on the parties hereto and their respective permitted successors and assigns.

Section 14. Confidentiality. (a) CompleteHome acknowledges that any information conveyed to or obtained by CompleteHome regarding ERA, its business plans and operations in connection with this Agreement is confidential and proprietary to ERA (the "ERA Confidential Information"). CompleteHome agrees that in no event shall CompleteHome disclose, transfer, copy, duplicate, or publish any ERA Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in ERA's sole discretion. CompleteHome further agrees that it shall not utilize any ERA Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. CompleteHome shall only make available the ERA Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such ERA Confidential Information. CompleteHome shall be responsible for the unauthorized disclosure of any ERA Confidential Information by its employees.

(b) ERA acknowledges that any information conveyed to or obtained by ERA regarding CompleteHome, its business, plans and operations in connection with this Agreement is confidential and proprietary to CompleteHome (the "CompleteHome Confidential Information"). ERA agrees that in no event shall ERA disclose, transfer, copy, duplicate, or publish any CompleteHome Confidential Information to any third party without the prior written consent of CompleteHome, which consent may be withheld in CompleteHome's sole discretion. ERA further agrees that it shall not utilize any CompleteHome Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. ERA shall only make available the CompleteHome Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such CompleteHome Confidential Information. ERA shall be responsible for the unauthorized disclosure of any CompleteHome Confidential Information by its employees.

(c) The non-disclosure restrictions set forth in this Section 14 shall not apply to information which (i) is or becomes generally available to the public other than as a result of a disclosure by the receiving party; (ii) was within the receiving party's possession prior to its being furnished by the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information; or (iii) becomes available to the receiving party on a nonconfidential basis from a source other than the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information. With respect to disclosures of the ERA Confidential Information or CompleteHome Confidential Information as may be required by law or court order, such disclosures shall be permitted without the consent of the originating party provided that the disclosing party furnishes the originating party prior written notification (as soon as practicably possible after the request for disclosure is made). Upon the termination of this Agreement or upon the earlier written request by the originating party, the receiving party shall return the ERA Confidential Information and CompleteHome Confidential Information (as the case may be) to the originating party including any copies relating thereto on whatever media (or alternatively destroy such information if so instructed by the originating party).

(d) The parties acknowledge that ERA Confidential Information and CompleteHome Confidential Information, respectively, is a valuable asset of the originating party, the disclosure of which would cause the originating party irreparable harm for which there is no adequate remedy at law. Accordingly, in the event of a breach or alleged breach of this Section 14, the originating party or parties shall be allowed injunctive relief and any other equitable remedies in addition to remedies afforded by law. The obligations of each party pursuant to this Section 14 shall survive the termination or expiration of this Agreement.

Section 15. Partial Invalidity. Should any part of this Agreement, for any reason, be declared invalid, such decision shall not affect the validity of any remaining portion of this Agreement.

Section 16. No Waiver. No failure or delay in requiring strict compliance with any obligation of this Agreement (or in the exercise of any right or remedy provided herein) and no custom or practice at variance with the requirements hereof shall constitute a waiver or modification of any such obligation, requirement, right or remedy or preclude exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein. No waiver of any particular default or any right or remedy with respect to such default shall preclude, affect or impair enforcement of any right or remedy provided herein with respect to any subsequent default. No approval or consent of either party shall be effective unless in writing and signed by an authorized representative of such party, and such party's consent or approval may be withheld for so long as the other party is in default of any of its obligations under this Agreement.

Section 17. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered, by next day delivery service, with proof of delivery, or mailed by certified or registered mail, return receipt requested, to the appropriate party at its address stated below or to such person and at such address as may be designated by notice hereunder. Notices shall be deemed given on the date delivered or date of attempted delivery, if service is refused.

CompleteHome:	ERA:
CompleteHome Operations, Inc.	ERA Franchise Systems, Inc.
200 Vallejo Street	6 Sylvan Way
San Francisco, California 94111	Parsippany, New Jersey 07054
Attn: President	Attn: President

Section 18. Publicity. Each party shall (a) submit to the other party all advertising, written sales promotions, press releases, and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or which contains language from which a relationship with the other party may be inferred or implied and (b) not publish or use such advertising, sales promotions, press releases or publicity matters without the other party's consent.

Section 19. Miscellaneous. The remedies provided in this Agreement are not exclusive. This Agreement will be construed in accordance with the laws of the State of New Jersey, except for New Jersey's conflict of laws principles. The parties consent to District Court for the District of New Jersey and further waive objection to venue in any such court. This Agreement is exclusively for the benefit of the parties hereto and may not give rise to liability to a third party. No agreement between CompleteHome or ERA and anyone else is for the benefit of the other party. Neither party will interfere with contractual relations of the other. The section headings in this Agreement are for convenience of reference only and will not affect its interpretation.

This Agreement, together with all instruments, exhibits, attachments and schedules hereto, constitutes the entire agreement (superseding all prior agreements and understanding, oral or written) of the parties hereto with respect to the subject matter hereof and shall not be modified or amended in any respect unless in writing executed by all such parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

COMPLETEHOME OPERATIONS, INC.	ERA FRANCHISE SYSTEMS, INC.
By: /S/ Sarah Nolan	By: /S/ Peter Burgdorff
Name: Sarah Nolan	Name: Peter Burgdorff
Title: CEO	Title: President & CEO

EXHIBIT A

THIRD PARTY/INDUSTRY ADVERTISING RESTRICTIONS

The following list identifies the applicable advertising restrictions on CompleteHome in the placing advertising on the System web site. In general, the prohibited advertising is classified either on a "third party advertiser basis" or "industry basis."

- - Residential real estate brokerage system or agencies (other than businesses or operations relating to ERA)
- - Advertising relating to residential mortgage service providers
- - Corporate relocation providers
- - Vehicle rental systems or agencies

INTERNET COOPERATION AGREEMENT

THIS INTERNET COOPERATION AGREEMENT (the "Agreement") is entered into this 30th day of September 1999 by and between COMPLETEHOME.COM, INC. ("Company"), a Delaware corporation with an office located at 200 Vallejo Street, San Francisco, California 94111 and GETKO GROUP, INC. ("Getko"), a Delaware corporation with an office located at 115 South Service Street, Westbury, New York 11590.

W I T N E S S E T H:

WHEREAS, Getko, through its Welcome Wagon division, provides local merchants ("Merchants") with a direct mail directory through which Merchants advertise their products and services and provide discount gift certificates to homeowners (the "Offline Product") and, through its Getko Direct Response division, provides list management services; and

WHEREAS, Company is a provider of, among other things, a residential real estate services portal (the "Internet Portal") which provides information and resources for consumers before, during and after a relocation through internet Web Sites maintained by Company and its Affiliates; and

WHEREAS, Company and Getko wish to engage in a cooperative marketing effort with each other in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" shall mean an entity controlled by, controlling or under common control with Company and/or Getko, as applicable.

(b) "Coupon" shall mean a document containing the Merchant Offering that may be downloaded by a Visitor from the Online Area. Unless otherwise agreed to by the parties, Coupons will provide identical discounts as the Merchant Offering contained in the Offline Product. The appearance of the Coupon shall be identical in form and substance to the discount gift certificates distributed through the Offline Product.

(c) "Link" shall mean the electronic functionality located on a Web Site that may take the form of a colored item of text (such as a URL description), logo or image, and which allows a Visitor to automatically move to or between World Wide Web ("WWW") pages, WWW sites or within a WWW document.

(d) "Merchant Offering" shall mean the discounts off the retail price of a Merchant's product(s) and/or service(s) that are provided through the Offline Product and/or the Online Product (defined below).

(e) Online Area" shall mean the specific areas within the Internet Portal which shall be developed, managed and marketed by Company pursuant to this Agreement on which the Merchant Offerings and promotional information shall be displayed and from which Coupons for the Merchant Offerings can be downloaded. The Online Area shall permit a Visitor to access Merchants based on postal zip codes or specific geographic locations and to download Coupons.

(f) "Registration Information" shall mean information provided by a Visitor who wishes to obtain Coupon(s), including, without limitation the Visitor's full name and e-mail address and such other information as may be reasonably requested by Company.

(g) "Visitor" shall mean any potential customer who has interactively arrived at a web page by entering the URL or hyperlinking.

(h) "Web Site" shall mean a party's multi-media, interactive computer program designed to run on the WWW section of the Internet (including all the information displayed thereby and thereon).

Section 2. Term. The term of this Agreement (the "Term") shall commence on September 30, 1999 and shall terminate on December 31, 2039, unless earlier terminated in accordance with the terms herein set forth.

Section 3. Company Obligations. (a) During the Term, Company shall develop and maintain the Online Area, at Company's sole cost, for the purpose of promoting the Merchant Offerings, for Merchants with whom Getko maintains an agreement for such advertising, and which will permit Visitors to obtain Coupons to be redeemed by the Visitor at a Merchant's place of business, unless otherwise specified on the Coupon. Company shall provide Visitors access to the Online Area through Links from Web Sites operated by Company and its Affiliates through the Internet Portal, as designated by Company in its sole discretion. In the event Company is no longer controlled by, controlling or under common control with Cendant Corporation, Company shall be required to obtain the prior written approval of Getko prior to providing access to the Online Area through Links from Web Sites operated by any party, including Affiliates of Company, other than Company, such approval not to be unreasonably withheld. After the first six (6) months of this Agreement, the parties may mutually agree to provide access to the Online Area through Links from unaffiliated third parties' Web Sites. In no event shall access to the Online Area from a third party Web Site be permitted unless such third party Web Sites are being generated from Company servers. Company shall provide Internet traffic access to the Online Area at no cost to the Visitors. Display of the information, data and content, including without limitation, any presentation or placement criteria, shall be subject to the mutual agreement of the parties, with such parties acting reasonably and in good faith. Company shall provide Getko with unrestricted access to view the Online Area at no cost.

(b) Company shall develop and implement, at its sole cost, a registration system that will require each Visitor to the Online Area who wishes to download a Coupon to register through Company's server by providing Registration Information. This registration system shall also be utilized to prohibit a Visitor from downloading more than one (1) Coupon per Merchant through the use of a tracking mechanism that will not permit more than one (1) download from the same Visitor accessed computer. Each Coupon shall include the Visitor's name, a tracking number and the terms and conditions for use of the Coupon. Company makes no guarantee that a Visitor will not replicate or obtain more than one (1) Coupon for a particular Merchant and Company shall not be responsible for any multiple use of a Coupon by a Visitor.

(c) Company, in cooperation with Getko, shall use commercially reasonable efforts to promote the Online Area to potential Visitors. Any and all marketing activities performed by Company to promote the Online Area shall be at Company's cost and expense. Subject to Section 12 below, Company shall place the trademarks, logos or other identifying marks of Getko (the "Getko Marks"), as may be approved by Getko, on the Online Area section(s) of the Internet Portal designated for advertising the Online Area and the Coupons. Placement and identification of the Getko Marks shall be at least as prominent as the placement and identification of any other similar company in the Web Site pages of the Internet Portal or other locations on the Internet Portal where such companies are collectively displayed. In no event shall Company (i) state or imply a preference for a particular company over Getko, or (ii) place any other merchant offerings and/or coupons or similar type of program or product on the Online Area utilized to display Getko's Merchant Offerings and/or Coupons. Notwithstanding the foregoing, Company shall be permitted to display banner advertisements on the Online Area, provided, however that in the event there are banner advertisements for non-Getko local merchants and retailers displayed on the Online Area, Company must display a notification to Visitors that such merchants are not Getko Welcome Wagon Merchants.

(d) Company will implement and maintain during the Term a system to track and record Internet traffic to the Online Area on a "per postal zipcode" and "per Merchant" basis. For each calendar month during the Term, Company shall furnish a detailed report to Getko, via electronic means, in a format and containing such information as may be mutually agreed to by the parties, including, but not limited to the total number of Visitors who accessed the Online Area, the total number of Visitors who viewed a particular Merchant, the total number of Coupons downloaded and a breakdown of the total number of each Merchant Coupon downloaded.

(e) On or about the date of execution of this Agreement, Company shall appoint a designated project representative who will serve as the primary point of contact with Getko for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the appropriate authority to approve requests made by Getko in performing Company's obligations under this Agreement, including without limitation the ability to make any necessary modifications to the Online Area, Merchant Offerings and/or Coupons within two (2) business days after Getko's request for such modification. Communication between Getko and Company with respect to any modifications shall be made or confirmed via confirmed electronic means.

(f) Company agrees to provide any necessary training and information to Getko sales personnel to market the Online Product, including but not limited to training seminars, marketing packets and telephone support.

(g) Company agrees to be solely responsible for the cost of converting Getko's administrative programs. The estimated cost for the administrative program conversion is $150,000.00. Company and Getko agree that the cost of converting Getko's Merchant database shall be shared equally between the parties. The estimated cost for the Merchant database conversion is $250,000.00. Getko and Company shall cooperate with the other to complete such conversions.

Section 4. Getko Obligations. (a) Commencing on January 1, 2000 and during the remainder of the Term, Getko shall be responsible for marketing and promoting the advertising services available on the Online Area ("Online Product") to the Merchants. The Online Product shall be offered to Merchants as a package with the Offline Product. Merchants shall have the option of purchasing a package of both the Online Product and the Offline Product, or a Merchant may purchase either one of the Products individually. Merchants who purchase both Products shall be offered a discounted rate from the monthly fee charged for the Online Product individually. Getko shall be responsible for maintaining agreements with the Merchants for the purchase of the Online Product and the Offline Product and for collecting and processing payments for the Online Product and Offline Product. The fees charged to the Merchants for the Online Product (individually or as a package with the Offline Product) shall be determined by the mutual agreement of the parties. The parties agree to review these fees from time to time to determine whether to increase or decrease the fees, such review to include, without limitation, administrative costs and success rate of Online Products based upon Merchant feedback. The percentage discounts (including without limitation, multiple zip code representation, prepayment for a one (1) year agreement and multiple discount offerings) and terms and conditions of the Merchant agreements (except for the fee) shall be the same for the Online Product and the Offline Product. Getko acknowledges and agrees that the Online Product is not available and shall not be marketed, promoted or offered to local non-profit organizations or Getko's national accounts.

(b) During the Term, Getko shall provide Company information to be used in developing the display and content of the Online Area including the name of each participating Merchant, complete postal address, telephone number, information relating to the Merchant Offering, Coupon layout and design and any other information as may be reasonably requested by Company to fulfill its obligations under this Agreement (the "Merchant Information"). Getko shall insert an acknowledgment provision in its Offline and Online Products' Merchant contracts that will authorize Getko and Company to use and display the Merchant's trademarks, logo and Merchant Information on the Online Area. The Merchant Information shall be provided to Company at the end of each Merchant file update period, but not less than three (3) times per month, via electronic means, if available, or through other means as agreed to by the parties. The format of such information and the particular time of transfer of the information shall be mutually agreed by the parties.

(c) Company acknowledges that Getko currently maintains or will maintain by the date of implementation of the Online Product agreements with certain Merchants

for the Offline Product. Company agrees that all existing Merchants in good standing shall be offered the opportunity to receive the Online Product. If a Merchant elects to receive the Online Product, the Merchant will be charged the appropriate fees commencing with the March 2000 billing cycle. Getko agrees to distribute marketing materials, prepared by Company, at Company's sole expense, promoting the Online Product to existing Merchants in either the November 1999 or December 1999 Merchant mailings conducted by Getko.

(d) Getko shall use commercially reasonable efforts to promote Company and its services (including general descriptions of the various features offered by Company on the Internet Portal) to the Merchants and to encourage Merchants to list their Merchant Offerings and Coupons on the Online Area in connection with this Agreement. Such promotional efforts shall include, without limitation, inserting marketing materials for the Online Product to the extent there is excess inventory in mailers sent by Getko to the Merchants and/or in mailers sent by Getko to consumers as part of the Offline Product Package Insert Program, subject to Getko's standard size and weight limitations. Getko will cooperate, in good faith, with Company to assist Company in designing and developing marketing materials, literature and other forms of communications to be issued by Company to the Merchants, provided, however, that the content and frequency of all materials sent to or communications with the Merchants must be approved by Getko prior to any distribution, such approval not to be unreasonably withheld. Although such assistance will include information and recommendations from Getko, Getko will not be responsible to provide any financial assistance to Company pursuant to this subsection (d). Notwithstanding anything contained in this Agreement to the contrary, Company, an Affiliate or any third party shall not be permitted to market, advertise or solicit Merchants for any products and/or services other than the Online Product, and the list of Getko's Merchants shall remain the property of Getko and shall only be used by Company or its Affiliates to perform its obligations under this Agreement and for no other purpose.

(e) Subject to Section 6, Getko shall be permitted to maintain an independent Web Site for the purpose of promoting its business, the business of the Merchants (provided that Merchant Offerings and Coupons will not appear on Getko's Web Site), non-profit or national accounts and internal administration. Nothing contained in this Agreement shall be construed to prohibit Getko from advertising offerings including issuance of coupons for any non-profit or national merchant accounts. Subject to Section 12, Getko shall place the trademarks, logos or other identifying marks of Company (the "Company Marks") on Getko's Web Site. Placement and identification of the Company Marks shall be at least as prominent as the placement and identification of any trademarks, logos or links of Cendant Corporation and/or any Affiliate where such companies are collectively displayed. Further, through a Company-identifying icon placed on the Getko Website, Getko may, at Getko's sole expense, insert a Link connecting the Merchant area on the Getko Web Site to the section(s) of the Internet Portal designated for the Online Area.

(f) On or about the execution of this Agreement, Getko shall appoint a designated project representative who will serve as the primary point of contact with Company for the purpose of carrying out the day-to-day activities under this Agreement. The project representative shall be qualified and shall have the

appropriate authority to approve requests made by Company in performing Getko's obligations under this Agreement.

Section 5. Commissions/Fees. (a) Not later than five (5) business days after the end of each calendar month during the Term, Getko will submit a report to Company identifying all revenue (less any taxes, refunds or credits) generated from the sale of Online Products to Merchants ("Gross Revenue") during such month. Within ten (10) business days after the receipt of such report, Company shall invoice Getko for one hundred percent (100%) of the Gross Revenue generated during the previous month, less an amount equal to fifty percent (50%) of the Gross Revenue ("Getko Fee"), which amount shall be retained by Getko as reimbursement of Getko's administrative costs. The fees payable to Company with respect to Gross Revenue generated in each calendar month shall be paid not more than ninety (90) days after the end of such month.

(b) The Getko Fee shall remain fixed for the first six (6) months of the Agreement. After the first six (6) month period and every three (3) months thereafter during the Term, Getko shall provide a report to Company indicating the percentage of Gross Revenue that is subject to bad debt and adjustments ("Bad Debt Percentage"). If the Bad Debt Percentage exceeds fifteen percent (15%), the Getko Fee shall be increased by one hundred (100) basis points for each full percent in excess of twelve percent (12%). If the Bad Debt Percentage is nine percent (9%) or less, the Getko Fee shall be reduced by one hundred (100) basis points for each full percent less than twelve percent (12%). If the Bad Debt Percentage is greater than nine percent (9%) but less than fifteen percent (15%), the Getko Fee shall remain in effect and unchanged.

Section 6. Exclusivity. (a) During the Term, Getko agrees that it shall not enter into any agreements to furnish the Merchant Offerings or Coupons to any third party provider or operator of an Internet portal other than Company nor shall it list the Merchant Offerings or include the Coupons on any internet Web Site operated by Getko, provided that nothing in this Section 6 shall limit or otherwise affect Getko's right to list the names, contact information and business description of the Merchants (as long as no information pertaining to the Merchant Offerings and/or Coupons is contained therein) or to include any information about non-profit or national accounts, including information pertaining to any offering and coupons to be downloaded, on Getko's Web Site.

(b) In the event Getko develops a new product to be offered to its Merchants, Getko shall notify Company of the nature of the new product and the terms and conditions of the proposed offering, including pricing elements. The parties shall mutually determine, in good faith, whether including the new product on the Internet Portal is appropriate. If the parties are unable to agree or determine not to offer the new product through the Internet Portal, Getko shall have the right to offer the new product on its independent Web Site or through an agreement with a third party provider of internet services, and the offering of the new product shall not be deemed a violation of the exclusivity commitment in subsection (a) above. In the event during the Term Getko desires to provide information pertaining to the Merchants and Merchant Offerings to new homeowners via electronic means, Getko shall be required to follow the procedures set forth in this subsection (b).

Section 7. Indemnity/Limitation of Liability. (a) Company shall indemnify and hold harmless Getko and its Affiliates (including Cendant), officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from any third party claims for (i) Company's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct, or misrepresentation, or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the Company Web Site, Internet Portal or other approved Web Site only to the extent that such content or advertising is furnished by Company. In no event shall the indemnity obligation set forth in this subsection (a) apply to any information (including content) furnished to Company by Getko, provided Company has been authorized to use such information and has used such information in accordance with Getko's approval.

(b) Getko shall indemnify and hold harmless Company and its Affiliates (including Cendant), officers, directors, employees, agents, successors and assigns from any claims, damages, liabilities, losses, government procedures and costs, including reasonable attorneys' fees and costs of suit, arising from third party claims for (i) Getko's or its employees' or agents' failure to comply with applicable laws and regulations, negligence or willful misconduct, misrepresentation or breach of any warranty, obligation or covenant of this Agreement and (ii) libel, slander or defamation or violation (or misappropriation) of intellectual property rights, privacy rights, publicity rights or similar rights arising from any content or advertising placed or displayed on the Company Web Site, Internet Portal or other approved Web Site only to the extent that such content or advertising is furnished by Getko. In no event shall the indemnity obligation set forth in this subsection (b) apply to or include the acts or omissions of any Merchant or apply to any information (including content) furnished to Getko by Company, provided Getko has been authorized to use such information and has used such information in accordance with Company's approval.

(c) In the event that the indemnified party is required to respond to any claim, action, demand or proceeding, the indemnifying party will, upon reasonable notification, respond and defend the indemnified party against such claims and demands in any such actions or proceedings pursuant to its indemnity obligations under this Section 7. In the event that the indemnifying party fails to defend the indemnified party, the indemnifying party will reimburse the indemnified party for all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the indemnified party.

(d) Neither party shall be responsible to the other for any indirect, special or consequential damages (including lost profits or interruption of business) regardless of whether a party has been advised of the possibility of or could have foreseen such damages. Notwithstanding the foregoing, the limitation of liability provided under this subsection (d) shall not apply with respect to (i) third party claims and/or (ii) the willful misconduct or gross negligence of a party.

(e) This Section and the rights, remedies, obligations and limitations of the parties under this Section shall survive termination or expiration of this Agreement.

Section 8. Books and Records; Audit. Getko shall use commercially reasonable efforts to keep accurate and complete records of the revenues generated by Getko in connection with this Agreement. All such records shall be available for inspection and audit by Company or its representatives on reasonable notice to Getko during normal business hours throughout the Term of this Agreement and for one (1) year thereafter. Notwithstanding the foregoing, Getko shall only be required to retain records for such period of time as required by law or as retained in standard accounting practices, but not less than three (3) years. Getko shall reasonably cooperate with Company in such inspection and audit. In the event any such inspection or audit establishes an underpayment of commissions, Getko shall, within five (5) business days of notification of such deficiency, (i) pay the amount of the deficit, or (ii) provide Company with written notification disputing the results of the audit. In the event such audit identifies an overpayment of commissions, such overpayment shall be a credit against future commissions to become due from Getko to Company, or if it is determined that future commissions will not become due, Company will remit payment in the amount of the overage within fifteen (15) days from such determination. In the event of a dispute over the result of any such audit, the amount so disputed shall be deposited by the party to be charged with an escrow agent acceptable to both parties and pursuant to an escrow agreement acceptable to both parties and such escrow agent shall retain the disputed amount until such time as the dispute is resolved. The parties agree any such dispute between the parties shall be the subject of a meeting between management representatives authorized to negotiate in good faith a mutually acceptable resolution of such dispute. In the event the parties are unable to resolve such dispute, each party shall be left to its remedies at law or in equity.

Section 9. Acknowledgments. (a) Company acknowledges that the Merchant Offerings and Coupons are being offered by Merchants and not Getko, and that Getko shall not be responsible for the performance or failure to perform or the quality or level of performance of the Merchants with respect to the Merchant Offerings and Coupons.

(b) Company acknowledges and agrees that although Getko will promote and recommend the Online Product to the Merchants, the Merchants will be making an independent buying decision which may or may not be affected by Getko's promotion of the Online Product. Getko cannot compel or guarantee any level of participation by the Merchants.

(c) Company acknowledges and agrees that the Merchants may enter into and maintain agreements or arrangements with third parties which may include marketing agreements. In no event shall any such agreements or arrangements entered into by the Merchants be construed to be a violation of the terms of this Agreement, including any obligations or limitations of Getko hereunder.

Section 10. Termination/Force Majeure. (a) When fully executed, this Agreement will constitute a binding obligation of both parties which may not be terminated by either party except that either party may terminate this Agreement (in whole or in part) (i) in the event of a material breach of the terms of this Agreement by the other party which is not cured during the period described below, or (ii) in the event Getko is no longer controlled by, controlling or under common control with Cendant Corporation, upon notice as defined below. In the event of a material breach

as set forth above, the breaching party shall be given written notice of such breach and the opportunity to cure such breach within thirty (30) days of the date of such notice. In the event the breaching party fails to cure such breach within the applicable period stated above, the other party shall have the right to immediately terminate this Agreement upon written notice to the breaching party. In the event of a termination pursuant to item (ii) above, the terminating party shall provide written notice to the other party one (1) year prior to the effective date of such termination.

(b) In no event shall either party be liable to the other party for any delay or failure to perform hereunder, which delay or failure to perform is due to causes beyond the reasonable control of said party, including, but not limited to, acts of God; acts of the public enemy; acts of the United States, or any state, territory or political division of the United States of America, or of the District of Columbia; acts of a judiciary or legislative body; fires; floods; epidemics; quarantine restrictions; strikes or any other labor disputes; and freight embargoes; provided, however, that the delay or failure to perform by a party shall not be caused by the negligent acts of the such party and that the non-performing party shall act with due diligence to mitigate any such delays in its failure to perform.

Section 11. Representations. (a) Each party has full power and authority and has been duly authorized, to enter into and perform its obligations under this Agreement, all necessary approvals of any Board of Directors, shareholders, partners, co-tenants and lenders having been obtained. The execution, delivery and performance of this Agreement by each party will not violate, create a default under or breach of any charter, bylaws, agreement or other contract, license, permit, indebtedness, certificate, order, decree or security instrument to which such party or any of its principals is a party or is subject. Neither party is the subject of any current or pending dissolution, receivership, bankruptcy, reorganization, insolvency, or similar proceeding on the date this Agreement is executed by such party and was not within the three (3) years proceeding such date. The persons signing this Agreement on behalf of each party are authorized to execute this Agreement for and on behalf of such party and have full authority to so bind such party.

(b) Company and Getko will comply with all applicable local, state and federal laws and regulations in connection with the performance of their respective obligations under this Agreement.

Section 12. Trademarks/Artwork. (a) Except as specifically provided in this Agreement, Company specifically acknowledges that this Agreement does not confer upon Company any interest in or right to use any trademark, service mark or other intellectual property right of Getko, the Merchants or their Affiliates (the "Getko Intellectual Property Rights") in connection with this Agreement unless Company receives the prior written consent of Getko. Company further agrees that upon termination or expiration of this Agreement, Company shall immediately cease and discontinue all use of the Getko Intellectual Property Rights. Further, if Company wishes to utilize the Getko Intellectual Property Rights in advertising or promotional materials, it must submit such materials to Getko for final approval before utilizing them. In no event may Company or any affiliated or associated person or entity utilize the Getko Intellectual Property Rights for any purpose other than in connection with this Agreement. Company agrees to comply with all requests of Getko with respect to

the appearance and use of the Getko Intellectual Property Rights, including without limitation, any requests to change the form or style of the Getko Intellectual Property Rights and shall at all times consistently use the Getko Intellectual Property Rights so as to ensure that Getko's rights are adequately preserved. Getko reserves the right from time to time to require changes to the Getko Intellectual Property Rights upon thirty (30) days prior written notice to Company.

(b) Except as specifically provided in this Agreement, Getko specifically acknowledges that this Agreement does not confer upon Getko any interest in or right to use any trademark, service mark or other intellectual property right of Company or its Affiliates (the "Company Intellectual Property Rights") in connection with this Agreement unless Getko receives the prior written consent of Company. Getko further agrees that upon termination or expiration of this Agreement, Getko shall immediately cease and discontinue all use of the Company Intellectual Property Rights. Further, if Getko wishes to utilize the Company Intellectual Property Rights in advertising or promotional materials, it must submit such materials to Company for final approval before utilizing them. In no event may Getko or any affiliated or associated person or entity utilize the Company Intellectual Property Rights for any purpose other than in connection this Agreement. Getko agrees to comply with all requests of Company with respect to the appearance and use of the Company Intellectual Property Rights, including without limitation, any request to change the form or style of the Company Intellectual Property Rights and shall at all times consistently use the Company Intellectual property Rights so as to ensure that Company's rights are adequately preserved. Company reserves the right from time to time to require changes to the Company Intellectual Property Rights upon thirty (30) days prior written notice to Getko.

Section 13. Relationship of Parties. The relationship between Company and Getko is one of an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other or any other party for any purpose whatsoever. Company and Getko expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement.

Section 14. Assignments. This Agreement may not be assigned by either party without the prior written consent of the non-assigning party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement without the consent of the other party to an Affiliate or in connection with a merger, consolidation or a sale of substantially all of its assets. This Agreement and the covenants and agreements herein contained shall, subject to the provisions of this Section, inure to the benefit of and be binding on the parties hereto and their respective permitted successors and assigns.

Section 15. Confidentiality. (a) Company acknowledges that any information conveyed to or obtained by Company regarding the Merchants, Getko and its business, plans and operations in connection with this Agreement is confidential and proprietary to Getko (the "Getko Confidential Information"). Company agrees that in no event shall Company disclose, transfer, copy, duplicate, or publish any Getko

Confidential Information to any third party without the prior written consent of Company, which consent may be withheld in Getko's sole discretion. Company further agrees that it shall not utilize any Getko Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. Company shall only make available the Getko Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such Getko Confidential Information. Company shall be responsible for the unauthorized disclosure of any Getko Confidential Information by its employees.

(b) Getko acknowledges that any information conveyed to or obtained by Getko regarding Company, its business, plans and operations in connection with this Agreement is confidential and proprietary to Company (the "Company Confidential Information"). Getko agrees that in no event shall Getko disclose, transfer, copy, duplicate, or publish any Company Confidential Information to any third party without the prior written consent of Company, which consent may be withheld in Company's sole discretion. Getko further agrees that it shall not utilize any Company Confidential Information for any purpose whatsoever other than for the purpose of performing its obligations under this Agreement. Getko shall only make available the Company Confidential Information to its employees on a need-to-know basis and shall advise such employees of the restriction set forth with respect to the use of such Company Confidential Information. Getko shall be responsible for the unauthorized disclosure of any Company Confidential Information by its employees.

(c) The non-disclosure restrictions set forth in this Section 15 shall not apply to information which (i) is or becomes generally available to the public other than as a result of a disclosure by the receiving party; (ii) was within the receiving party's possession prior to its being furnished by the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information; or (iii) becomes available to the receiving party on a nonconfidential basis from a source other than the originating party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement or non-disclosure restrictions with respect to such information. With respect to disclosures of the Getko Confidential Information or Company Confidential Information as may be required by law or court order, such disclosures shall be permitted without the consent of the originating party provided that the disclosing party furnishes the originating party prior written notification (as soon as practicably possible after the request for disclosure is made). Upon the termination of this Agreement or upon the earlier written request by the originating party, the receiving party shall return the Getko Confidential Information and Company Confidential Information (as the case may be) to the originating party including any copies relating thereto on whatever media (or alternatively destroy such information if so instructed by the originating party).

(d) The parties acknowledge that Getko Confidential Information and Company Confidential Information, respectively, is a valuable asset of the originating party, the disclosure of which would cause the originating party irreparable harm for which there is no adequate remedy at law. Accordingly, in the event of a breach or alleged breach of this Section 15, the originating party or parties shall be allowed injunctive relief and

any other equitable remedies in addition to remedies afforded by law. The obligations of each party pursuant to this Section 15 shall survive the termination or expiration of this Agreement.

Section 16. Partial Invalidity. Should any part of this Agreement, for any reason, be declared invalid, such decision shall not affect the validity of any remaining portion of this Agreement.

Section 17. No Waiver. No failure or delay in requiring strict compliance with any obligation of this Agreement (or in the exercise of any right or remedy provided herein) and no custom or practice at variance with the requirements hereof shall constitute a waiver or modification of any such obligation, requirement, right or remedy or preclude exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein. No waiver of any particular default or any right or remedy with respect to such default shall preclude, affect or impair enforcement of any right or remedy provided herein with respect to any subsequent default. No approval or consent of either party shall be effective unless in writing and signed by an authorized representative of such party, and such party's consent or approval may be withheld for so long as the other party is in default of any of its obligations under this Agreement.

Section 18. Notices. Notices will be effective hereunder when and only when they are reduced to writing and delivered, by next day delivery service, with proof of delivery, or mailed by certified or registered mail, return receipt requested, or via confirmed facsimile or electronic mail, to the appropriate party at its address stated below or to such person and at such address as may be designated by notice hereunder. Notices shall be deemed given on the date delivered or date of attempted delivery, if service is refused.

Company:	Getko:
CompleteHome.com, Inc.	Getko Group, Inc.
200 Vallejo Street	115 South Service Street
San Francisco, California 94111	Westbury, NY 11590
Attn: President	Attn: President

Section 19. Publicity. Each party shall (a) submit to the other party all advertising, written sales promotions, press releases, and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or which contains language from which a relationship with the other party may be inferred or implied and (b) not publish or use such advertising, sales promotions, press releases or publicity matters without the other party's consent.

Section 20. Miscellaneous. The remedies provided in this Agreement are not exclusive. This Agreement will be construed in accordance with the laws of the State of New York, except for New York's conflict of laws principles. The parties consent to District Court for the Southern District of New York and further waive objection to venue in any such court. This Agreement is exclusively for the benefit of the parties hereto and may not give rise to liability to a third party. No agreement between Company or Getko and anyone else is for the benefit of the other party hereto. Neither party will interfere with contractual relations of the other. The section headings in

this Agreement are for convenience of reference only and will not affect its interpretation.

This Agreement, together with all instruments, exhibits, attachments and schedules hereto, constitutes the entire agreement (superseding all prior agreements and understanding, oral or written) of the parties hereto with respect to the subject matter hereof and shall not be modified or amended in any respect unless in writing executed by all such parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

COMPLETEHOME.COM, INC.	GETKO GROUP, INC.
By: /S/ Jed Katz	By: /S/ Joel Zychick
Name: Jed Katz	Name: Joel Zychick
Title: COO	Title: President

EXHIBIT 12

CENDANT CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

In connection with the Company's discovery and announcement of accounting irregularities, previously reported information for periods prior to December 31, 1994 should not be relied upon. Accordingly, the computation of Ratio of Earnings to Fixed Charges is presented for years subsequent to and including December 31, 1995.

	YEAR ENDED DECEMBER 31,			
	1998	1997	1996	1995
Income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	$315.0	$257.3	$533.5	$350.3
Plus: Fixed charges	676.6	409.4	325.6	291.2
Less: Equity income (loss) in unconsolidated affiliates	13.5	51.3	--	--
Capitalized interest	--	--	0.6	--
Minority interest in mandatorily preferred securities	80.4	--	--	--
Earnings available to cover fixed charges	$897.7	$615.4	$858.5	$641.5
Fixed charges (1):				
Interest, including amortization of deferred financing costs	$509.0	$379.0	$299.9	$270.4
Capitalized interest	--	--	0.6	--
Other charges, financing costs	27.9	--	--	--
Minority interest in mandatorily preferred securities	80.4	--	--	--
Interest portion of rental payment	59.3	30.4	25.1	20.8
Total fixed charges	$676.6	$409.4	$325.6	$291.2
Ratio of earnings to fixed charges (2)	1.33x	1.50x	2.64x	2.20x

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(1) Fixed charges consist of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

(2) For the years ended December 31, 1998, 1997, 1996 and 1995, income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change includes non-recurring other charges of $810.4 million (exclusive of financing costs of $27.9 million), $704.1 million, $109.4 million and $97.0 million, respectively. Excluding such charges, the ratio of earnings to fixed charges for the years ended December 31, 1998, 1997, 1996 and 1995 is 2.52x, 3.22x, 2.97x and 2.54x, respectively.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Cendant Corporation's Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, and 333-86469 on Form S-3, and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303 and 333-78475 on Form S-8 of our report dated January 7, 2000, (which expresses an unqualified opinion and includes explanatory paragraphs relating to a preliminary agreement to settle the securities class action as described in Notes 18 and 27, and the change in the method of recognizing revenue and membership solicitation costs as described in Note 2) appearing in this Annual Report on Form 10-K/A of Cendant Corporation for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP
/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 2, 2000

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
PHH Corporation:

We consent to the incorporation by reference in Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-26927, 333-35709, 333-35707, 333-23063, 333-45155, 333-45227, 333-49405, 333-78447 and 333-86469 on Forms S-3 and in Registration Statement Nos. 33-26875, 33-75682, 33-93322, 33-41823, 33-48175, 33-58896, 33-91656, 333-03241, 33-74068, 33-74066, 33-91658, 333-00475, 333-03237, 33-75684, 33-80834, 33-93372, 333-09633, 333-09637, 333-09655, 333-22003, 333-34517-2, 333-42503, 333-30649, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303 and 333-78475 on Forms S-8 for Cendant Corporation of our report dated April 30, 1997, with respect to the consolidated statements of income, shareholder's equity and cash flows of PHH Corporation and subsidiaries (the "Company") for the year ended December 31, 1996, before the restatement related to the merger of Cendant Corporation's relocation business with the Company and reclassifications to conform to the presentation used by Cendant Corporation, which report is included in the Annual Report on Form 10-K/A of Cendant Corporation for the year ended December 31, 1998.

KPMG LLP
/s/ KPMG LLP
Baltimore, Maryland
February 2, 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 TWELVE MONTHS ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY TO BE
REFERENCED TO SUCH FINANCIAL STATEMENTS. AMOUNTS ARE IN MILLIONS.

1,000,000

12-MOS	12-MOS	12-MOS
DEC-31-1998	DEC-31-1997	DEC-31-1996
JAN-01-1998	JAN-01-1997	JAN-01-1996
DEC-31-1998	DEC-31-1997	DEC-31-1996
1,009	67	0
0	0	0
1,659	1,232	0
123	61	0
0	0	0
4,547	2,634	0
1,923	865	0
490	320	0
20,217	14,073	0
2,872	2,534	0
3,363	1,246	0
1,472	0	0
0	0	0
9	8	0
4,827	3,913	0
20,217	14,073	0
0	0	0
5,284	4,240	3,238
0	0	0
4,017	3,228	2,582
838	704	109
0	0	0
114	51	14
315	257	533
105	191	220
160	66	313
380	(27)	17
0	27	0
0	(283)	0
540	(217)	330
0.64	(0.27)	0.44
0.61	(0.27)	0.41

EXHIBIT 99.1

THE TIMESHARE EXCHANGE BUSINESS
RCI COMPOUND ANNUAL GROWTH RATE
(IN MILLIONS)

	Members at Year end
1998	2.30
1993	1.57*
CAGR**	8%

	Exchanges for the year ending
1998	1.71
1993	1.18*
CAGR**	8%

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* The Company acquired RCI on November 12, 1996. Information utilized for this calculation prior to the acquisition date is unaudited.

** Defined as Compound Annual Growth Rate