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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2001
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 (Address of principal executive office)	10019 (Zip Code)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the Registrant's classes of common stock as of April 30, 2001 was 851,816,810 shares of CD common stock and 1,861,995 shares of Move.com common stock.

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Cendant Corporation and Subsidiaries

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Forward-looking statements in this Quarterly Report on Form 10-Q are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "project", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical acts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements: the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses; the effects of changes in current interest rates, particularly on our real estate franchise and mortgage businesses; the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation; our ability to develop and implement operational and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings; competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors; our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisitions of Avis Group Holdings, Inc. and Fairfield Communities, Inc., the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant; our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and rating agencies; competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry; changes in the vehicle manufacturer repurchase arrangements between vehicle manufacturers and Avis Group in the event that used vehicle values decrease; and changes in laws and regulations, including changes in accounting standards and privacy policy regulation. Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Revenues		
Service fees, net	$ 893	$ 812
Vehicle-related	398	70
Other	12	63
Net revenues	1,303	945
Expenses		
Operating	433	338
Vehicle depreciation, lease charges and interest, net	181	--
Marketing and reservation	158	140
General and administrative	135	107
Non-vehicle depreciation and amortization	95	81
Other charges (credits):		
Restructuring and other unusual charges	186	86
Litigation settlement and related costs	11	(38)
Merger-related costs	8	--
Non-vehicle interest, net	57	25
Total expenses	1,264	739
Net gain (loss) on dispositions of businesses	435	(13)
Income before income taxes, minority interest and equity in Homestore.com	474	193
Provision for income taxes	189	66
Minority interest, net of tax	13	16
Losses related to equity in Homestore.com, net of tax	18	--
Income from continuing operations	254	111
Discontinued operations:		
Income from discontinued operations, net of tax	--	16
Gain on disposal of discontinued operations, net of tax	23	--
Income before extraordinary loss and cumulative effect of accounting change	277	127
Extraordinary loss, net of tax	--	(2)
Income before cumulative effect of accounting change	277	125
Cumulative effect of accounting change, net of tax	(38)	(56)
Net income	$ 239	$ 69
CD common stock income per share		
Basic		
Income from continuing operations	$ 0.29	$0.15
Net income	$ 0.28	$0.10
Diluted		
Income from continuing operations	$ 0.28	$0.15
Net income	$ 0.26	$0.09
Move.com common stock income per share		
Basic		
Income from continuing operations	$ 10.41	
Net income	$ 10.34	
Diluted		
Income from continuing operations	$ 10.13	
Net income	$ 10.07	

See Notes to Consolidated Condensed Financial Statements.

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

	March 31, 2001	December 31, 2000
Assets		
Current assets		
Cash and cash equivalents	$ 2,099	$ 967
Receivables, net	1,370	740
Other current assets	660	677
Total current assets	4,129	2,384
Property and equipment, net	1,433	1,273
Stockholder litigation settlement trust	600	350
Deferred income taxes	1,309	1,060
Franchise agreements, net	1,514	1,462
Goodwill, net	4,787	3,012
Other intangibles, net	760	643
Other assets	1,809	1,471
Total assets exclusive of assets under programs	16,341	11,655
Assets under management and mortgage programs		
Relocation receivables	329	329
Mortgage loans held for sale	917	879
Mortgage servicing rights	1,667	1,653
Vehicle-related, net	7,747	--
	10,660	2,861
Total assets	$ 27,001	$ 14,516
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and other current liabilities	$ 2,003	$ 1,302
Current portion of long-term debt	265	--
Deferred income	344	301
Deferred income taxes	227	--
Net liabilities of discontinued operations	366	308
Total current liabilities	3,205	1,911
Long-term debt	3,903	1,948
Stockholder litigation settlement	2,850	2,850
Other liabilities	706	459
Total liabilities exclusive of liabilities under programs	10,664	7,168
Liabilities under management and mortgage programs		
Debt	9,589	2,040
Deferred income taxes	1,030	476
	10,619	2,516
Mandatorily redeemable preferred interest in a subsidiary	375	375
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	--	1,683
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, $.01 par value - authorized 10 million shares; none issued and outstanding	--	--
CD common stock, $.01 par value - authorized 2 billion shares; issued 1,024,993,334 and 914,655,918 shares	10	9
Move.com common stock, $.01 par value - authorized 500 million shares; issued and outstanding 1,861,995 and 2,181,586 shares; notional issued shares with respect to Cendant Group's retained interest 22,500,000	--	--
Additional paid-in capital	6,861	4,540

Retained earnings	2,266	2,027
Accumulated other comprehensive loss	(234)	(234)
CD treasury stock, at cost, 178,239,362 and 178,949,432 shares	(3,560)	(3,568)
Total stockholders' equity	5,343	2,774
Total liabilities and stockholders' equity	$ 27,001	$ 14,516

See Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended March 31, 2001	2000
Operating Activities		
Net income	$ 239	$ 69
Adjustments to arrive at income from continuing operations	15	42
Income from continuing operations	254	111
Adjustments to reconcile income from continuing operations to net cash used in operating activities from continuing operations:		
Non-vehicle depreciation and amortization	95	81
Non-cash portion of other charges, net	39	27
Net (gain) loss on dispositions of businesses	(435)	13
Deferred income taxes	185	(140)
Proceeds from sales of trading securities	110	--
Net change in assets and liabilities, excluding the impact of acquired businesses:		
Receivables	(174)	(59)
Income taxes	(138)	135
Accounts payable and other current liabilities	(103)	(215)
Deferred income	25	23
Other, net	23	(39)
Net cash used in operating activities from continuing operations exclusive of management and mortgage programs	(119)	(63)
Management and mortgage programs:		
Depreciation and amortization	181	27
Origination of mortgage loans	(7,326)	(3,916)
Proceeds on sale of and payments from mortgage loans held for sale	7,276	3,802
	131	(87)
Net cash provided by (used in) operating activities from continuing operations	12	(150)
Investing Activities		
Property and equipment additions	(60)	(38)
Funding of stockholder litigation settlement trust	(250)	--
Proceeds from sales of marketable securities	7	356
Purchases of marketable securities	(10)	(348)
Net assets acquired (net of cash acquired) and acquisition-related payments	(978)	(8)
Other, net	(14)	(32)
Net cash used in investing activities from continuing operations exclusive of management and mortgage programs	(1,305)	(70)
Management and mortgage programs:		
Investment in vehicles	(832)	--
Payments received on investment in vehicles	681	--
Equity advances on homes under management	(176)	(1,619)
Repayment on advances on homes under management	169	1,655
Additions to mortgage servicing rights	(48)	(139)
Proceeds from sales of mortgage servicing rights	13	35
	(193)	(68)
Net cash used in investing activities from continuing operations	(1,498)	(138)
Financing Activities		
Proceeds from borrowings	1,600	--
Principal payments on borrowings	(316)	(776)
Issuances of common stock	657	499
Repurchases of common stock	(10)	(198)
Proceeds from mandatorily redeemable preferred interest in a subsidiary	--	375
Other, net	(34)	(4)
Net cash provided by (used in) financing activities from continuing operations exclusive of management and mortgage programs	1,897	(104)

Management and mortgage programs:		
Proceeds from borrowings	2,712	776
Principal payments on borrowings	(2,081)	(1,421)
Net change in short-term borrowings	26	672
	657	27
Net cash provided by (used in) financing activities from continuing operations	2,554	(77)
Effect of changes in exchange rates on cash and cash equivalents	(5)	1
Cash provided by discontinued operations	69	151
Net increase (decrease) in cash and cash equivalents	1,132	(213)
Cash and cash equivalents, beginning of period	967	1,168
Cash and cash equivalents, end of period	$ 2,099	$ 955

See Notes to Consolidated Condensed Financial Statements.

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

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Cendant Corporation and its subsidiaries (collectively, the "Company" or "Cendant").

In management's opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. In addition, management is required to make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. The Consolidated Condensed Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

In connection with the Company's previous announcement to complete a tax-free spin-off of its individual membership business, the account balances and activities of the individual membership business were segregated and reported as discontinued operations for all periods presented.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Changes in Accounting Policies

On January 1, 2001, the Company adopted the provisions of the Emerging Issues Task Force ("EITF") Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets." EITF Issue No. 99-20 modified the accounting for interest income and impairment of beneficial interests in securitization transactions, whereby beneficial interests determined to have an other-than-temporary impairment are required to be written down to fair value. The adoption of EITF Issue No. 99-20 resulted in the recognition of a non-cash charge of $46 million ($27 million, after tax) during first quarter 2001 to account for the cumulative effect of the accounting change.

On January 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended and interpreted, established accounting and reporting standards for derivative instruments and hedging activities. As required by SFAS No. 133, the Company has recorded all such derivatives at fair value in the Consolidated Condensed Balance Sheet at January 1, 2001. The adoption of SFAS No. 133 resulted in the recognition of a non-cash charge of $16 million ($11 million, after tax) in the Consolidated Condensed Statement of Income on January 1, 2001 to account for the cumulative effect of the accounting change relating to derivatives designated in fair value type hedges prior to adopting SFAS No. 133, to derivatives not designated as hedges and to certain embedded derivatives. As provided for in SFAS No. 133, the Company also reclassified certain financial investments as trading securities at January 1, 2001, which resulted in a pre-tax benefit of $10 million recorded in other revenues within the Consolidated Condensed Statement of Income.

Derivative Instruments

The Company uses derivative 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, anticipated mortgage loan closings arising from commitments issued and changes in the fair value of its mortgage servicing rights. As a matter of policy, the Company does not use derivatives for trading or speculative purposes.

- All freestanding derivatives are recorded at fair value either as assets or liabilities.
- Changes in fair value of derivatives not designated as hedging instruments and of derivatives designated as fair value hedging instruments are recognized currently in earnings and included in other revenues in the Consolidated Condensed Statement of Income.
- Changes in fair value of the hedged item in a fair value hedge are recorded as an adjustment to the carrying amount of the hedged item and recognized currently in earnings.
- The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments is recorded as a component of other comprehensive income. The ineffective portion is reported currently in earnings.
- Amounts included in other comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings.

The Company is also party to certain contracts containing embedded derivatives. As required by SFAS No. 133, certain embedded derivatives were required to be bifurcated from their host contracts and are recorded at fair value in the Consolidated Condensed Balance Sheet. The total fair value of the Company's embedded derivatives and changes in fair value were not material to the Company's financial position or results of operations.

Recently Issued Accounting Pronouncement

In September 2000, the Financial Accounting Standards Board ("FASB") issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125." SFAS No. 140 revises criteria for accounting for securitizations, other financial-asset transfers and collateral and introduces new disclosures, but otherwise carries forward most of the provisions of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" without amendment. The Company adopted the disclosure requirements of SFAS No. 140 on December 31, 2000, as required. All other provisions of SFAS No. 140 will be adopted after March 31, 2001, as required by the standard. The impact of adopting the remaining provisions of this standard will not be material to the Company's financial position or results of operations.

2. Earnings Per Share

Earnings per share ("EPS") for periods after March 31, 2000, the date of the original issuance of Move.com common stock, has been calculated using the two-class method. Income per common share from continuing operations for each class of common stock was computed as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
CD Common Stock		
Income from continuing operations, including Cendant Group's retained interest in Move.com Group(a)	$ 233	$111
Convertible debt interest, net of tax	3	--
Adjustment to Cendant Group's retained interest in Move.com Group(a)	(6)	--
Income from continuing operations for diluted EPS	$ 230	$111
Weighted average shares outstanding:		
Basic	790	717
Stock options, warrants and non-vested shares	22	34
Convertible debt	18	--
Diluted	830	751

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(a) Represents the change in Cendant Group's retained interest in Move.com Group due to the dilutive impact of Move.com common stock options.

	Three Months Ended March 31, 2001
Move.com Common Stock	
Income from continuing operations, excluding Cendant Group's retained interest in Move.com Group	$21
Adjustment to Cendant Group's retained interest in Move.com Group(a)	6
Income from continuing operations for diluted EPS	$27
Weighted average shares outstanding:	
Basic	2
Stock options	1
Diluted	3

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(a) Represents the change in Cendant Group's retained interest in Move.com Group due to the dilutive impact of Move.com common stock options

Income per share of CD common stock from discontinued operations is summarized as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Income from discontinued operations:		
Basic	$ --	$0.03
Diluted	--	0.02
Gain on disposal of discontinued operations:		
Basic	$0.04	--
Diluted	0.03	--

Basic and diluted loss per share of CD common stock from the cumulative effect of an accounting change was $0.05 and $0.08 for the three months ended March 31, 2001 and 2000, respectively.

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

	March 31, 2001	March 31, 2000
CD Common Stock		
Options(a)	109	79
Warrants(b)	2	31
Convertible debt	--	18
FELINE PRIDES	--	61
Move.com Common Stock		
Options(c)	2	

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(a) The weighted average exercise prices for antidilutive options at March 31, 2001 and 2000 were $22.00 and $24.53, respectively.
(b) The weighted average exercise prices for antidilutive warrants at March 31, 2001 and 2000 were $21.31 and $22.91, respectively.
(c) The weighted average exercise price for antidilutive options at March 31, 2001 was $24.21.

3. Acquisitions and Dispositions of Businesses

Acquisitions

Avis Group Holdings, Inc. On March 1, 2001, the Company acquired all of the outstanding shares of Avis Group Holdings, Inc. ("Avis Group") that it did not already own for $33.00 per share in cash, or approximately $994 million, including $40 million of transaction costs and expenses. The acquisition has been accounted for using the purchase method of accounting; accordingly, assets acquired and liabilities assumed were recorded based upon their estimated fair values at the date of acquisition. The results of operations of Avis Group have been included in the Consolidated Condensed Statement of Income since the date of acquisition.

The excess of the purchase price over the estimated fair value of the underlying net assets acquired was allocated to goodwill which will be amortized over 40 years on a straight-line basis. The allocation of the excess purchase price is based upon preliminary estimates and assumptions and is subject to revision when appraisals have been finalized. Accordingly, revisions to the allocation, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocation. The preliminary allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 937
Fair value of converted options	17
Transaction costs and expenses	40
Total purchase price	994
Book value of Cendant's existing net investment in Avis Group	406
Cendant's basis in Avis Group	1,400
Historical value of liabilities assumed in excess of assets acquired	207
Fair value adjustments	108
Unallocated excess purchase price over assets acquired and liabilities assumed	$1,715

In connection with the acquisition, the Company continues to evaluate the integration of the operations of Avis Group and believes that it may incur transition costs relating to such integration. Transition costs may result from integrating operating systems, relocating employees, closure of facilities, reducing duplicative efforts and exiting and consolidating certain other activities. These costs will be recorded on the Company's Consolidated Condensed Balance Sheet as adjustments to the purchase price or on the Company's Consolidated Condensed Statement of Income as expenses.

Pro forma net revenues, income from continuing operations, net income and the related per share data would have been as follows had the acquisition of Avis Group occurred on January 1, for each of the periods presented:

	Three Months Ended March 31,	
	2001	2000
Net revenues	$ 1,910	$ 1,835
Income from continuing operations	230	123
Net income	207	81
CD common stock income per share:		
Basic		
Income from continuing operations	$ 0.26	$ 0.17
Net income	0.24	0.11
Diluted		
Income from continuing operations	$ 0.25	$ 0.16
Net income	0.22	0.11

The pro forma results do not give effect to any synergies expected to result from the acquisition of Avis Group. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been consummated on January 1, 2001 and 2000, nor are they necessarily indicative of future consolidated results.

Fairfield Communities, Inc. On April 2, 2001, the Company acquired all of the outstanding shares of Fairfield Communities, Inc., one of the largest vacation ownership companies in the United States, for approximately $750 million, including transaction costs and expenses and the conversion of Fairfield employee stock options into CD common stock options.

Dispositions

On February 16, 2001, the Company completed the sale of its real estate Internet portal, move.com, along with certain ancillary businesses to Homestore.com, Inc. ("Homestore") in exchange for approximately 21 million shares of Homestore common stock valued at $718 million. The operations of these businesses were not material to the Company's financial position, results of operations or cash flows. The Company recorded a gain of $548 million on the sale of these businesses, of which $436 million ($262 million, after tax) was recognized at the time of closing. The Company deferred $112 million of the gain, which represents the portion that was equivalent to its common equity ownership percentage in Homestore at the time of closing. The deferred gain is included in deferred income within the Consolidated Condensed Balance Sheet at March 31, 2001 and is being recognized into income over five years. The amortization of the deferred gain is included as a component of equity in Homestore.com within the Consolidated Condensed Statement of Income for the three months ended March 31, 2001. The Company's investment in Homestore is included in other assets within the Consolidated Condensed Balance Sheet. The difference between the value of this investment and the underlying equity in the net assets of Homestore was $431 million, which is being amortized over five years as a component of equity in Homestore.com within the Consolidated Condensed Statement of Income. During first quarter 2001, such amount was reduced by $30 million due to the contribution of approximately 2 million shares of Homestore to Travel Portal, Inc. ("Travel Portal"), a company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees.

4. Discontinued Operations

Summarized results of operations for discontinued operations was as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net revenues	$--	$187
Income before income taxes	$--	$ 28
Provision for income taxes	--	12
Income from discontinued operations, net of tax	--	16
Gain on disposal of discontinued operations	39	--
Provision for income taxes	16	--
Gain on disposal of discontinued operations, net of tax	23	--
	$23	$ 16

The results of operations of the Company's individual membership business have been included in gain on disposal of discontinued operations for the three months ended March 31, 2001.

5. Other Charges (Credits)

Restructuring and Other Unusual Charges

During first quarter 2001, the Company incurred unusual charges totaling $186 million. Such charges primarily consisted of (i) $95 million to fund an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of current and future franchisees at Century 21, Coldwell Banker and ERA and (ii) $85 million incurred in connection with the creation of Travel Portal.

Merger-related Costs

During first quarter 2001, the Company incurred charges of $8 million related to the acquisition and integration of Avis Group.

Litigation Settlement and Related Costs

During first quarter 2001, the Company recorded a $25 million charge for litigation settlement and related costs in connection with previously discovered accounting irregularities in the former business units of CUC International, Inc. and resulting investigations into such matters. Such charge was partially offset by a non-cash credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded in fourth quarter 1998 primarily for Rights that expired unexercised.

6. Debt Issuances and Redemption

Debt Issuances

Senior Convertible Notes. During first quarter 2001, the Company issued approximately $1.5 billion aggregate principal amount at maturity of zero coupon senior convertible notes for aggregate gross proceeds of approximately $900 million. The notes mature in 2021 and were issued at a price representing a yield-to-maturity of 2.5%. The Company will not make periodic payments of interest on the notes, but may be required to make nominal cash payments in specified circumstances. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into 33.4 shares of CD common stock.

Term Loan. During first quarter 2001, the Company entered into a $650 million term loan agreement with terms similar to its other revolving credit facilities. This term loan amortizes in three equal installments on August 22, 2002, May 22, 2003 and February 22, 2004. Borrowings under this facility bear interest at LIBOR plus a margin of 125 basis points.

Medium-Term Notes. During first quarter 2001, PHH Corporation ("PHH"), a wholly-owned subsidiary of the Company, issued $650 million of medium-term notes under an existing shelf registration statement. These notes bear interest at a rate of 8 1/8% per annum and mature in February 2003. During first quarter 2001, the Company's Avis car rental subsidiary issued $750 million of floating rate rental car asset backed notes. The notes are secured by rental vehicles owned by such subsidiary. The notes bear interest at a rate of LIBOR plus 20 basis points per annum and mature in April 2004.

Debt Redemption

During first quarter 2001, the Company made a principal payment of $250 million to extinguish outstanding borrowings under its then existing term loan facility.

Credit Facilities

During first quarter 2001, PHH renewed its $750 million syndicated revolving credit facility, which was due in 2001. The new facility bears interest at LIBOR plus an applicable margin, as defined in the agreement, and terminates on February 21, 2002. PHH is required to pay a per annum utilization fee of .25% if usage under the facility exceeds 25% of aggregate committments. Under the new facility, any loans outstanding as of February 21, 2002 may be converted into a term loan with a final maturity of February 21, 2003.

7. Commitments and Contingencies

In June 1999, the Company disposed of certain businesses. The dispositions were structured as a tax-free reorganization and, accordingly, no tax provision was recorded on a majority of the gain. However, pursuant to a recent interpretive ruling, the Internal Revenue Service ("IRS") has taken the position that similarly structured transactions do not qualify as tax-free reorganizations under the Internal Revenue Code Section 368(a)(1)(A). If the transaction is not considered a tax-free reorganization, the resultant incremental liability could range between $10 million and $170 million depending upon certain factors, including utilization of tax attributes. Notwithstanding the IRS interpretive ruling, the Company believes that, based upon analysis of current tax law, its position would prevail, if challenged.

The Company is involved in litigation asserting claims associated with the accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation. The Company does not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

The Company is 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.

8. Stockholders' Equity

Issuances of CD Common Stock

During first quarter 2001, the purchase contracts underlying the Company's Feline PRIDES settled. Accordingly, the Company issued approximately 61 million shares of its CD common stock in satisfaction of its obligation to deliver common stock to beneficial owners of the PRIDES.

During first quarter 2001, the Company also issued 46 million shares of its CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million.

Comprehensive Income

The components of comprehensive income are summarized as follows:

	Three Months Ended March 31,	
	2001	2000
Net income	$ 239	$ 69
Other comprehensive income (loss):		
Currency translation adjustments	(74)	(21)
Unrealized gains (losses) on marketable securities, net of tax:		
Unrealized gains (losses) arising during period	32	(12)
Reclassification adjustment for losses realized in net income	45	--
Unrealized losses on cash flow hedges, net of tax	(3)	--
Total comprehensive income	$ 239	$ 36

The after-tax components of accumulated other comprehensive loss for the three months ended March 31, 2001 are as follows:

	Currency Translation Adjustments	Unrealized Gains/(Losses) on Marketable Securities	Unrealized Losses on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance, January 1, 2001	$(165)	$(69)	$--	(234)
Current period change	(74)	77	(3)	--
Balance, March 31, 2001	$(239)	$ 8	$(3)	$(234)

9. Derivatives

Consistent with its historical risk management policies, the Company entered into foreign currency forwards during first quarter 2001 to manage currency fluctuation risks during fiscal year 2001. The Company also entered into interest rate swaps and instruments with option features to hedge interest rate risks on certain car rental, fleet management and mortgage-related asset and liability accounts, as well as the interest expense associated with its $2.85 billion principal common stockholder litigation settlement liability. Such instruments were also used by the Company to create a desired mix of fixed and floating rate debt.

Foreign Currency Risk

The Company uses forward contracts to manage its exposure to changes in foreign currency exchange rates. These risks include non-functional currency receivables, earnings of foreign entities and forecasted royalty streams in non-functional currencies. The Company primarily hedges its foreign currency exposure to the British pound, Canadian dollar and Euro. The majority of the forward contracts do not qualify for hedge accounting treatment under SFAS No. 133. The fluctuations in the value of these foreign currency forwards do, however, effectively offset the impact of changes in the value of the underlying risk that they are intended to hedge. Forward contracts that are used to hedge certain forecasted transactions do qualify for hedge accounting treatment as cash flow hedges. The impact of those foreign currency forwards is not material to the Company's results of operations or financial position at March 31, 2001.

Interest Rate Risk

The debt used to finance much of the Company's operations, its car rental business and its mortgage-related assets is subject to volatility due to interest rate fluctuations. The Company uses various hedging strategies and derivative financial instruments to create a desired mix of fixed and floating rate debt and interest rate related assets. Derivative instruments currently used in managing the Company's exposure to interest rate fluctuations include swaps and instruments with option features. A combination of fair value hedges, cash flow hedges and financial instruments that do not qualify for hedge accounting treatment under SFAS No. 133 are used to manage the Company's portfolio of interest sensitive assets and liabilities.

Fair value hedges are used to manage the Company's mortgage servicing rights, mortgage loans held for sale and medium-term notes. During first quarter 2001, the Company recorded a loss of $4 million to reflect the ineffective portion of its fair value hedges. Such amount is included in net revenues within the Consolidated Condensed Statement of Income.

Cash flow hedges are used to manage the interest expense incurred on the Company's floating rate debt and on a portion of its principal common stockholder litigation settlement liability. No ineffectiveness resulted from these cash flow hedging relationships during first quarter 2001. Derivative gains and losses included in other comprehensive income are reclassified into earnings when interest payments or other liability-related accruals are made. During first quarter 2001, the amount of gains or losses reclassified from other comprehensive income to earnings was not material. Over the next 12 months, derivative losses of approximately $8 million are expected to be reclassified into earnings. Certain of the Company's forecasted cash flows are hedged up to three years into the future.

10. Segment Information

In connection with the acquisition of Avis Group and the disposition of certain businesses during first quarter 2001, the Company realigned the operations and management of certain of its businesses. Accordingly, the Company's segment reporting structure now encompasses the following four reportable segments: Real Estate Services, Hospitality, Vehicle Services and Financial Services. Segment information for the three months ended March 31, 2000 has been restated to conform to the current reporting structure.

A description of services provided within each of the Company's reportable segments is as follows:

- Real Estate Services - consists of the Company's three real estate brands and its mortgage and relocation businesses.
- Hospitality - consists of the Company's nine lodging brands and its timeshare, travel agency and cottage rental businesses.
- Vehicle Services - consists of the Company's car rental franchise and operations business and its fleet management and car park facility businesses.
- Financial Services - consists of the Company's insurance-related and tax preparation services businesses.

Management evaluates each segment's performance based upon a modified earnings before interest, income taxes, depreciation and amortization and minority interest calculation. For this purpose, Adjusted EBITDA is defined as earnings before non-operating interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, adjusted to exclude certain items which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific.

	Three Months Ended March 31,			
	2001		2000	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Real Estate Services	$ 339	$ 132	$289	$114
Hospitality	264	104	242	91
Vehicle Services	454	93	137	72
Financial Services	203	84	194	82
Total Reportable Segments	1,260	413	862	359
Corporate and Other	43	(17)	83	1
Total Company	$1,303	$ 396	$945	$360

Included in Corporate and Other are the results of operations of the Company's non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

Provided below is a reconciliation of Adjusted EBITDA to income before income taxes, minority interest and equity in Homestore.com.

	Three Months Ended March 31,	
	2001	2000
Adjusted EBITDA	$ 396	$ 360
Non-vehicle depreciation and amortization	(95)	(81)
Other (charges) credits:		
Restructuring and other unusual charges	(186)	(86)
Litigation settlement and related costs	(11)	38
Merger-related costs	(8)	--
Non-vehicle interest, net	(57)	(25)
Net gain (loss) on dispositions of businesses	435	(13)
Income before income taxes, minority interest and equity in Homestore.com	$ 474	$ 193

11. Subsequent Event

During May 2001, the Company issued zero-coupon zero-yield convertible senior notes to a qualified institutional buyer in a private offering for gross proceeds of $1 billion. The notes mature in 2021. The Company may be required to repurchase these notes on May 4, 2002. The Company is not required to pay interest on the notes unless an interest adjustment becomes payable, which may occur in specified circumstances commencing in 2004. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into approximately 39 shares of CD common stock.

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

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein. Unless otherwise noted, all dollar amounts are in millions.

RESULTS OF CONSOLIDATED OPERATIONS - 2001 vs. 2000

On March 1, 2001, we acquired all of the outstanding shares of Avis Group Holdings, Inc. that we did not already own for $33.00 per share in cash, or approximately $994 million, including $40 million of transaction costs and expenses (referred to herein as "the Acquisition"). Avis Group is one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions. The consolidated results of operations of Avis Group have been included in our consolidated results of operations since the date of acquisition.

Strong contributions from many of our businesses and the addition of the operations of Avis Group to our Vehicle Services segment contributed to revenue growth of $358 million, or 38%. As a result of the Acquisition and certain unusual charges, our expenses increased $525 million, or 71%. Such unusual charges primarily consisted of (i) $95 million to fund an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of current and future franchisees at Century 21, Coldwell Banker and ERA, (ii) $85 million incurred in connection with the creation of Travel Portal, Inc., a company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees, (iii) $25 million of professional fees and settlement costs incurred in connection with accounting irregularities in the former business units of CUC International, Inc. and resulting investigations into such matters and (iv) $8 million related to the acquisition and integration of Avis Group. Such charges were partially offset by a non-recurring non-cash credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded in the fourth quarter of 1998 primarily for Rights that expired unexercised. Our non-vehicle interest expense increased $32 million primarily as a result of interest expense accrued on our stockholder litigation settlement liability, which was partially offset by interest income earned on our deposits to an escrow fund established for the benefit of the plaintiffs in such litigation.

Also during first quarter 2001, we sold our real estate Internet portal, move.com, along with certain ancillary businesses to Homestore.com, Inc. in exchange for approximately 21 million shares of Homestore common stock valued at $718 million. We recorded a gain of $548 million on the sale of these businesses, of which $436 million ($262 million, after tax) was recognized at the time of closing. We deferred $112 million of the gain, which represents the portion that was equivalent to our common equity ownership percentage in Homestore at the time of closing.

Our overall effective tax rate for continuing operations was 40% in first quarter 2001 and 34% in first quarter 2000. The higher tax rate in 2001 was primarily due to higher state income taxes on the net gain on dispositions of businesses discussed above.

As a result of the above-mentioned items, income from continuing operations increased $143 million.

RESULTS OF REPORTABLE SEGMENTS

In connection with the Acquisition and the disposition of certain businesses during first quarter 2001, we realigned the operations and management of certain of our businesses. Accordingly, our segment reporting structure now encompasses the following four reportable segments: Real Estate Services, Hospitality, Vehicle Services and Financial Services. Segment information for March 31, 2000 has been restated to conform to the current reporting structure.

The underlying discussions of each segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before non-operating interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, adjusted to exclude certain items which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific. Our management believes such discussions are 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.

Three Months Ended March 31, 2001 vs. Three Months Ended March 31, 2000

	Revenues			Adjusted EBITDA			Adjusted EBITDA Margin	
	2001	2000	% Change	2001	2000(a)	% Change	2001	2000
Real Estate Services	$ 339	$289	17%	$ 132(d)	$114	16%	39%	39%
Hospitality	264	242	9	104	91(g)	14	39	38
Vehicle Services	454	137	231	93(e)	72	29	20(b)	53
Financial Services	203	194	5	84	82	2	41	42
Total Reportable Segments	1,260	862		413	359			
Corporate and Other(c)	43	83	*	(17)(f)	1(h)	*	*	*
Total Company	$1,303	$945		$ 396	$360			

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* Not meaningful.

(a) Excludes a charge of $86 million in connection with restructuring and other initiatives ($63 million, $11 million, $2 million and $10 million within Real Estate Services, Hospitality, Financial Services and Corporate and Other, respectively).

(b) The decrease in the Adjusted EBITDA Margin is primarily due to the inclusion of the consolidated results of operations of Avis Group in connection with the Acquisition. Prior to the Acquisition, revenue and Adjusted EBITDA of this segment consisted principally of earnings from our equity investment in Avis Group, royalties received from Avis Group and the operations of our National Car Parks subsidiary.

(c) Included in Corporate and Other are the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

(d) Excludes a charge of $95 million to fund an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of current and future franchisees at Century 21, Coldwell Banker and ERA.

(e) Excludes a charge of $4 million related to the acquisition and integration of Avis Group and includes $5 million of interest expense related to debt used in the Acquisition.

(f) Excludes (i) a net gain of $435 million related to the dispositions of businesses and (ii) a non-cash credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded in the fourth quarter of 1998 primarily for Rights that expired unexercised. Such amounts were partially offset by charges of (i) $85 million incurred in connection with the creation of Travel Portal, Inc., a company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees, (ii) $25 million for investigation-related costs, (iii) $7 million related to a non-cash contribution to the Cendant Charitable Foundation and (iv) $4 million related to the acquisition and integration of Avis Group.

(g) Excludes $4 million of losses related to the dispositions of businesses.

(h) Excludes a non-cash credit of $41 million in connection with a change to the original estimate of the number of Rights to be issued in connection with the PRIDES settlement resulting from unclaimed and uncontested Rights. Such credit was partially offset by (i) $9 million of losses related to the dispositions of businesses and (ii) $3 million of investigation-related costs.

Real Estate Services

Revenues and Adjusted EBITDA increased $50 million (17%) and $18 million (16%), respectively. Our brands continue to hold leading market positions in residential real estate brokerage and employee relocation services, and Cendant Mortgage is now one of the largest retail mortgage lenders in the United States. The increase in operating results was principally driven by a significant increase in mortgage loan production, mortgage servicing portfolio growth and increased service based fees generated from client relocations.

Revenues from mortgage loans sold increased $34 million (64%), driven by significant increases in both purchase and refinancing volume during first quarter 2001. Collectively, mortgage loans sold increased $2.2 billion (59%) to $5.9 billion. Beginning in January 2001, Merrill Lynch has outsourced its mortgage originations and servicing operations to us. On a pro forma basis, inclusive of Merrill Lynch's loan volume, we would have ranked as the second largest retail mortgage lender in 2000. Closed mortgage loans increased $3.7 billion (97%) to $7.6 billion. This growth consisted of a $2.5 billion (approximately 700%) increase in refinancings and a $1.3 billion (36%) increase in purchase mortgage closings. New Merrill Lynch business accounted for 13% of our mortgage closings in first quarter 2001. A significant portion of mortgages closed in any quarter will generate revenues in future periods as such loans are packaged and sold (revenues are recognized upon the sale of the loan, typically 45-60 days after closing). Loan servicing revenues increased $8 million (34%) due to a $29 billion (56%) increase in the average servicing portfolio. In conjunction with Merrill Lynch outsourcing its mortgage origination operations to us, we added $11.3 billion to the servicing portfolio in first quarter 2001.

Service based fees from relocation activities also contributed to the increase in revenues and Adjusted EBITDA. Relocation referral fees increased $5 million due to increased market penetration and higher average fees. During first quarter 2001, we increased our global client base by 46 clients and increased services to over 100 clients. Royalties from real estate franchising remained relatively unchanged in first quarter 2001 despite soft industry-wide conditions, particularly in California. A 3% reduction in home sales volume, was offset by a 5% increase in the average price of homes sold, increased unit growth from franchise sales and acquisitions by NRT Incorporated, our largest franchisee.

Hospitality

Revenues and Adjusted EBITDA increased $22 million (9%) and $13 million (14%), respectively. Timeshare subscription and exchange revenues grew $9 million (10%), primarily due to a 10% increase in average members and a 8% increase in the number of exchange transactions. In January 2001, we acquired Holiday Cottages Group Limited, the leading UK brand in the holiday cottage rental sector. Holiday Cottages generated $9 million of revenues and $4 million of Adjusted EBITDA in first quarter 2001. The Adjusted EBITDA margin increased from 38% to 39% as increased timeshare call and exchange volume was achieved with lesser increases in expenses due to the operating leverage we have within our timeshare exchange operations.

Vehicle Services

Prior to the Acquisition, revenue and Adjusted EBITDA of this segment consisted principally of earnings from our equity investment in Avis Group, royalties received from Avis Group and the operations of our National Car Parks subsidiary. Subsequent to the Acquisition, the operations of Avis Group were added to this segment. The operations of Avis Group are comprised of the car rental business, which provides vehicle rentals to business and leisure customers, and the fleet management business, which provides fully integrated fleet management services to corporate customers including vehicle leasing, advisory services, fuel and maintenance cards, other expense management programs and productivity enhancement. Avis Group contributed revenue and Adjusted EBITDA of $346 million and $35 million, respectively, for the one-month period ended March 31, 2001. Adjusted EBITDA for Avis Group included $5 million of interest expense on vehicle-related debt incurred to fund the Acquisition. Partially offsetting the operating results of Avis Group was a $13 million income reduction at National Car Parks, of which $9 million was due to reduced income from financial investments.

Financial Services

Revenues and Adjusted EBITDA increased $9 million (5%) and $2 million (2%), respectively. Jackson Hewitt, our tax preparation franchise business experienced strong quarter over quarter growth in revenues of $10 million (20%) principally due to a 20% increase in tax return volume. Reduced billings and collections of insurance premiums at our FISI/BCI subsidiary partially offset the favorable results of Jackson Hewitt

Individual Membership (Discontinued Operations)

Revenues were constant while Adjusted EBITDA decreased $6 million. Fewer expirations of memberships during first quarter 2001 (revenue is generally recognized upon expiration of the membership) were partially mitigated by a favorable mix of products and programs with marketing partners. In addition, the integration of Netmarket Group, an online membership business, during fourth quarter 2000, contributed $16 million and $3 million to first quarter 2001 revenues and Adjusted EBITDA, respectively.

Corporate and Other

Revenues and Adjusted EBITDA growth were negatively impacted by $30 million less income recognized from financial investments during first quarter 2001.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

	March 31, 2001	December 31, 2000	Change
Total assets exclusive of assets under programs	$16,341	$11,655	$ 4,686
Assets under programs	10,660	2,861	7,799
Total liabilities exclusive of liabilities under programs	$10,664	$ 7,168	$ 3,496
Liabilities under programs	10,619	2,516	8,103
Mandatorily redeemable securities	375	2,058	(1,683)
Stockholders' equity	5,343	2,774	2,569

Total assets exclusive of assets under programs increased primarily due to cash proceeds provided by financing activities during first quarter 2001, an increase in goodwill resulting from the Acquisition and various other increases in assets also due to the Acquisition. Assets under programs increased primarily due to vehicles acquired in the Acquisition.

Total liabilities exclusive of liabilities under programs increased primarily due to first quarter 2001 debt issuances aggregating $1.6 billion, approximately $900 million of debt assumed as a result of the Acquisition and various other increases in liabilities also due to the Acquisition. Liabilities under programs increased primarily due to approximately $6.8 billion of debt assumed in the Acquisition and first quarter 2001 debt issuances aggregating $1.4 billion.

Mandatorily redeemable securities decreased due to the settlement of the purchase contracts underlying the Feline PRIDES during first quarter 2001, which resulted in the issuance of approximately 61 million shares of CD common stock.

Stockholders' equity increased primarily due to the above-mentioned issuance of approximately 61 million shares of CD common stock, the issuance during first quarter 2001 of 46 million shares of CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million and first quarter 2001 net income of $239 million.

Liquidity and Capital Resources

Based upon cash flows provided by our operations and access to liquidity through various other sources, including public debt and equity markets and financial institutions, we have sufficient liquidity to fund our current business plans and obligations.

Cash Flows

	Three Months Ended March 31,		
	2001	2000	Change
Cash provided by (used in) continuing operations:			
Operating activities	$ 12	$(150)	$ 162
Investing activities	(1,498)	(138)	(1,360)
Financing activities	2,554	(77)	2,631
Effects of exchange rate changes on cash and cash equivalents	(5)	1	(6)
Net cash provided by discontinued operations	69	151	(82)
Net change in cash and cash equivalents	$ 1,132	$(213)	$ 1,345

Cash flows from operating activities resulted in an inflow of $12 million in first quarter 2001 compared to an outflow of $150 million in first quarter 2000, primarily due to the impact of the Acquisition.

Cash flows used in investing activities increased primarily due to the utilization of cash to fund the Acquisition and the funding of $250 million to the stockholder litigation settlement trust during first quarter 2001.

Cash flows from financing activities resulted in an inflow of $2.6 billion in first quarter 2001 compared to an outflow of $77 million in first quarter 2000, primarily due to proceeds of $2.2 billion received from the issuances of debt and CD common stock during first quarter 2001.

Capital Expenditures

Capital expenditures during first quarter 2001 amounted to $60 million and were utilized to support operational growth, enhance marketing opportunities and develop operating efficiencies through technological improvements. We anticipate a capital expenditure investment during 2001 ranging from $275 million to $325 million. Such amount represents an increase from 2000 primarily due to the acquisitions of Avis Group and Fairfield Communities, Inc.

Debt Financing

Activities of our management and mortgage programs include the former fleet management business and car rental operations of Avis Group, as well as our mortgage and relocation businesses. Such activities are autonomous and distinct from our other activities. Therefore, management believes it is more useful to review the debt financing of management and mortgage programs separately from the debt financing of our other activities

Exclusive of Management and Mortgage Programs

Our total long-term debt increased $2.2 billion to $4.2 billion at March 31, 2001. Such increase was primarily attributable to the assumption of Avis Group debt of approximately $900 million and additional debt issuances of $1.6 billion. During first quarter 2001, we issued $1.5 billion aggregate principal amount at maturity of zero-coupon convertible senior notes for aggregate gross proceeds of approximately $900 million and borrowed $650 million under a new term loan agreement.

During May 2001, we issued zero-coupon zero-yield convertible senior notes to a qualified institutional buyer in a private offering for gross proceeds of $1 billion. We expect to utilize the proceeds for general corporate purposes and to reduce certain borrowings. The notes mature in 2021. We are not required to pay interest on the notes unless an interest adjustment becomes payable, which may occur in specified circumstances. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into approximately 39 shares of CD common stock.

Coincident with the acquisition of Avis Group, we assumed and guaranteed a $450 million six-year revolving credit facility maturing in June 2005. Borrowings under the six-year credit facility bear interest at LIBOR plus a margin of approximately 175 basis points. We are required to pay a per annum facility fee of 37.5 basis points. Also issued under this facility are letters of credit of $130 million as of March 31, 2001. At March 31, 2001, we had approximately $20 million of availability under this facility and, in addition, we had approximately $1 billion available under existing credit facilities.

Related to Management and Mortgage Programs

Activities of our management and mortgage programs are primarily supported by the issuance of commercial paper and medium-term notes and by maintaining secured obligations, depending upon asset growth and financial market conditions.

Debt related to our management and mortgage programs increased $7.5 billion to $9.6 billion at March 31, 2001. Such increase was primarily attributable to the assumption of Avis Group debt principally comprising $3.7 billion of medium-term notes, $1.6 billion of interest bearing notes and $957 million of commercial paper and also additional medium-term notes issuances aggregating $1.4 billion during first quarter 2001. Medium-term notes of $650 million were issued under an existing shelf registration statement filed by our PHH subsidiary. We have approximately $2.4 billion remaining available for issuing medium-term notes under this shelf registration statement. The remaining $750 million consisted of floating rate rental car asset backed notes which were issued through our Avis car rental subsidiary.

Strategic Business Initiatives

On April 2, 2001, we consummated the acquisition of all of the outstanding common stock of Fairfield, one of the largest vacation ownership companies in the United States, for approximately $750 million, including transaction costs and expenses and the conversion of Fairfield employee stock options into CD common stock options. The acquisition was funded from available cash.

We continually explore and conduct discussions with regard to acquisitions and other strategic corporate transactions in our industries and in other franchise, franchisable or service businesses in addition to transactions previously announced. As part of our regular on-going evaluation of acquisition opportunities, we currently are engaged in a number of separate, unrelated preliminary discussions concerning possible acquisitions. The purchase price for the possible acquisitions may be paid in cash, through the issuance of CD common stock or other of our securities, borrowings, or a combination thereof. Prior to consummating any such possible acquisition, we will need to, among other things, initiate and complete satisfactorily our due diligence investigations; negotiate the financial and other terms (including price) and conditions of such acquisitions; obtain appropriate Board of Directors, regulatory and other necessary consents and approvals; and, if necessary, secure financing. No assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. In the past, we have been involved in both relatively small acquisitions and acquisitions which have been significant.

Item 3. Quantitative And Qualitative Disclosures About Market Risks

As previously discussed in our 2000 Annual Report on Form 10-K, we assess our 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 our market risk sensitive positions. We used March 31, 2001 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index

(b) Reports on Form 8-K

On January 9, 2001, we filed a current report on Form 8-K to report under Item 5 changes in our management.

On January 18, 2001, we filed a current report on Form 8-K to report under Item 5 the prospectus covering the issuance and sale of new and additional Feline PRIDES.

On January 19, 2001, we filed a current report of Form 8-K/A to report under Item 5 the reclassification of our individual membership business as a discontinued operation.

On February 8, 2001, we filed a current report on Form 8-K to report under Item 5 the issuance of CD common stock, our agreement to issue debt securities in a private offering and our projected adjusted earnings per share from continuing operations for 2001.

On February 8, 2001, we filed a current report on Form 8-K to report under Item 5 our fourth quarter and full year 2000 financial results.

On February 20, 2001, we filed a current report on Form 8-K to report under Item 5 the issuance of debt securities.

On March 9, 2001, we filed a current report on Form 8-K to report under Item 2 the acquisition of Avis Group Holdings, Inc. on March 1, 2001.

On March 12, 2001, we filed a current report on Form 8-K to report under Item 5 our Consolidated Schedule of Free Cash Flow for the years ended December 31, 2000 and 1999.

On March 21, 2001, we filed a current report on Form 8-K/A to report under Item 7 the final Indenture relating to the issuances of debt securities in February 2001.

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

/s/ Kevin M. Sheehan

Kevin M. Sheehan
Senior Executive Vice President and
Chief Financial Officer

/s/ John T. McClain

John T. McClain
Senior Vice President, Finance and
Corporate Controller

Date: May 11, 2001

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's 10-Q/A for the quarterly period ended March 31, 2000, dated July 28, 2000).
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's 10-Q/A for the quarterly period ended March 31, 2000, dated July 28, 2000).
4.1	Indenture dated as of February 11, 1997, between CUC International Inc. and Marine Midland Bank, as Trustee (Incorporated by reference to Exhibit 4(a) to the Company's Current Report on Form 8-K dated February 13, 1997).
4.2	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 4.2 to the Company's Registration Statement on Form S-3, Registration No. 333-45227, dated January 29, 1998).
4.3	Global Note (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 1998).
4.4	Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.0 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000).
4.5	Supplemental Indenture No. 1 dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000).
4.6	Supplemental Indenture No. 2 dated January 30, 2001 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated February 8, 2001).
4.7	Indenture dated February 13, 2001 between the Company and The Bank of New York, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 20, 2001).
4.8	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 (Incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
4.9	Resale Registration Rights Agreement dated as of February 13, 2001 between the Company and Lehman Brothers Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
4.10	Indenture dated as of May 4, 2001 between the Company and The Bank of New York, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2001).
10.1	Consulting Agreement with Martin L. Edelman, dated March 21, 2001.
10.2	Employment Agreement with Kevin M. Sheehan, dated March 1, 2001.
10.3	Amendment to the Five Year Competitive Advance and Revolving Credit Agreement dated as of February 22, 2001, among the Company, the financial institutions parties thereto and The Chase

Manhattan Bank, as Administrative Agent (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).

10.4	Amendment to the Three Year Competitive Advance and Revolving Credit Agreement, dated as of February 22, 2001, among the Company, the lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
10.5	$650,000,000 Term Loan Agreement dated as of February 22, 2001, among the Company, the lenders therein and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
10.6	364-Day Competitive Advance and Revolving Credit Agreement dated March 4, 1997, as amended and restated through February 22, 2001, among PHH Corporation, the lenders thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
99.1	Segment Information.

Exhibit 10.1

March 21, 2001

Martin L. Edelman, Esq.
55 Hillside Road
Rye, New York 10580

Dear Mr. Edelman:

I am pleased to confirm that Cendant Corporation ("Cendant") is retaining you as a consultant. The scope of your consulting engagement will relate primarily to advising Cendant with respect to real estate transactions, including transactions involving properties currently owned or leased by Avis Group Holdings, Inc. and its subsidiaries. You will report directly to Henry R. Silverman, Chairman and Chief Executive Officer. You will not be asked to perform more than twenty (20) hours in any calendar month.

In consideration for providing such consulting services, Cendant will pay you a monthly consulting fee equal to $8,400 per month, payable on the last day of each month. In addition, Cendant will reimburse you for all reasonable costs and expenses incurred by you in performing such consulting services. As you will not be an employee of Cendant, but rather an independent contractor, you will not be eligible to participate in any Cendant employee benefit or compensation plans (except in connection with your service as a member of Cendant's Board of Directors).

Cendant agrees to indemnify you and hold you harmless from all liability and damages (including reasonable attorneys fees) arising out of or resulting from your performance of such consulting services, other than liabilities and damages arising out of or resulting from your willful misconduct, gross negligence or actions or inactions which are outside the course and scope of your engagement hereunder.

You agree to immediately notify Cendant should you determine that your consulting engagement may result in any conflict of interest. Further, you acknowledge that during the course of your engagement you will be given access to Cendant's confidential and proprietary information, and that you agree to protect and maintain the confidentiality of such information.

This agreement may be terminated by either you or Cendant upon not less than 60 days prior written notice from the party seeking to terminate the agreement to the other party. This agreement supersedes all prior agreements or understandings, written or oral, relating to the matters set forth herein.

I trust that the foregoing accurately reflects your understanding with respect to the matters set forth herein. In order to evidence your agreement to such provisions, I would

appreciate your signing a copy of this letter and returning it to me by fax at 212-413-1922. If you have any questions concerning anything set forth herein, please feel free to call me at 212-413-1836.

On behalf of Mr. Silverman and Cendant's management team, we look forward to working with you in the future.

Very truly yours,

/s/ Eric J. Bock

Eric J. Bock

Acknowledged and Agreed:

/s/ Martin L. Edelman
- --------------------------------
Martin L. Edelman

cc: Henry R. Silverman
James E. Buckman
Thomas D. Christopoul

Exhibit 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement dated as of March 1, 2001, but subject to and contingent upon the closing of the transactions (the "Transaction") contemplated by that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of November 11, 2000, by and among Cendant Corporation, PHH Corporation, Avis Acquisition Corp. and Avis Group Holdings, Inc., is hereby made by and between Cendant Corporation, a Delaware corporation ("Cendant") and Kevin M. Sheehan (the "Executive").

WHEREAS, Subject to the closing of the Transaction, Cendant desires to employ the Executive as a full-time employee of Cendant and the Executive desires to serve Cendant in such capacity.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I
EMPLOYMENT

Subject to the closing of the Transaction, Cendant agrees to employ the Executive and the Executive agrees to be employed by Cendant for the Period of Employment as provided in Section III below and upon the terms and conditions provided in this Agreement.

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as a full-time employee of Cendant and will report directly to, and serve at the discretion of, the Chief Executive Officer of Cendant Corporation (the "CEO"). The Executive will, during the Period of Employment, serve Cendant in the capacity of Chief Financial Officer. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant, or as otherwise reasonably directed by the CEO from time to time. The Executive will maintain a primary office and conduct his business in New York, New York, except for normal and reasonable business travel in connection with his duties hereunder.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement will begin on the Closing Date (as defined in the Merger Agreement) and end on the third anniversary of such date, subject to earlier termination as provided herein (the "Period of Employment").

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For services rendered by the Executive pursuant to this Agreement during the Period of Employment, Cendant will pay the Executive base salary for the Period of Employment at an annual rate equal to five hundred thousand dollars ($500,000.00) (the "Base Salary"). The Executive will be eligible to receive annual increases in Base Salary in accordance with Cendant's customary procedures regarding the salaries of senior officers with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area.

B. Annual Incentive Awards.

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus for each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 100% of Base Salary, subject to Cendant's attainment of applicable performance targets established and certified by the Compensation Committee of the Board (the "Committee"). The parties acknowledge that it is currently contemplated that such performance targets will be stated in terms of "earnings before interest, depreciation and taxes" of Cendant, however such targets may relate to such other financial and business criteria of Cendant or any of its subsidiaries or business units as determined by the Committee in its sole discretion (each such annual bonus, an "Incentive Compensation Award"). Notwithstanding the foregoing, subject to the Executive's continuing employment with Cendant through the date of payment, and such other terms and condition relating to such bonus program, the Executive's Incentive Compensation Award in respect of fiscal year 2001 will be paid at no less than 100% of target (i.e., 100% of earned Base Salary).

C. Employee Benefits.

During the Period of Employment, Cendant will provide the Executive with employee benefits generally offered to all eligible full-time employees of Cendant, and with perquisites generally offered to all eligible senior officers of Cendant (including without limitation the Cendant Corporation Deferred Compensation Plan and any senior officer travel policies pertaining to first class air travel and use of corporate-owned planes), subject to the terms of the applicable employee benefit plans or policies of Cendant.

D. Expenses.

During the Period of Employment, Cendant will reimburse the Executive for reasonable business expenses incurred and timely submitted in accordance with any applicable policy of Cendant.

E. Stock Options.

Subject to the approval of the Committee, the Executive will be granted, as soon as practicable following the Closing Date, options to purchase 1,050,000 shares of Cendant common stock (of the series designated CD Stock). Such options will vest in three equal tranches on each of the first three anniversaries of the date of grant, and will have a per share exercise price equal to the fair market value of such common stock as of the date of grant. Such options will have such other terms and conditions as the Committee determines in its sole discretion.

F. Avis Obligation.

The Executive hereby represents and agrees that all financial and monetary obligations owing to the Executive from Avis and its subsidiaries (including without limitation any and all bonus and potential bonus entitlements under each and every bonus, incentive, retention and similar compensation schemes sponsored by Avis and each of its subsidiaries and affiliates, and under each and every other actual or purported compensation entitlement pursuant to any agreement or otherwise) have been paid to the Executive in full, and that the Executive has no further financial claims against Avis or its subsidiaries (other than accrued benefits under any tax qualified employee pension plan). The Executive acknowledges that Cendant entered into this Agreement in reliance of the accuracy of the foregoing representation.

SECTION V
DISABILITY

A. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for earned but unpaid Base Salary and any earned but unpaid Incentive Compensation Awards. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder as a result of serious physical or mental illness or injury for a period of no less than 90 days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of an additional 90 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VI
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid Incentive Compensation Awards, and except for a pro rata Incentive Compensation Award for the year in which the death occurs, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable.

SECTION VII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment is terminated during the Period of Employment by Cendant due to a Without Cause Termination or by the Executive due to a Constructive Discharge (each as defined below), Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge (i) a lump sum amount equal to the Executive's then current Base Salary plus then targeted Incentive Compensation Award, multiplied by 300% and (ii) any and all Base Salary earned but unpaid through the date of such termination. In addition, upon such event, each option to purchase shares of Cendant common stock granted to the Executive on or after the date hereof shall, upon such event, become fully vested and exercisable and shall remain exercisable until the first to occur of the second anniversary of such termination of employment or the original expiration date of such option. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

B. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary and any Incentive Compensation Awards earned but unpaid as of the date of such termination will be paid to the Executive in a lump sum. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. For purposes of this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means (i) the Executive's willful failure to substantially perform his duties as an employee of Cendant or any of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against Cendant or any of its subsidiaries, (iii) the Executive's conviction of a felony or any crime involving moral turpitude (which conviction, due to the passage of time or otherwise, is not subject to further appeal) or (iv) the Executive's gross negligence in the performance of his duties hereunder.

ii. "Constructive Discharge" means any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other material element of compensation). The Executive will provide Cendant a written notice which describes the circumstances being relied on for such termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "Terminated Without Cause" means termination of the Executive's employment by Cendant other than due to death, Disability, or Termination for Cause.

iv. "Resignation" means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

D. Conditions to Payment and Acceleration. All payments and benefits due to the Executive under this Section VII shall be made as soon as practicable; provided, however, that such payments and benefits shall be subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form determined by Cendant in its sole discretion. The payments due to the Executive under this Section VII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates.

SECTION VIII
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be reasonably requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party, and Cendant shall reimburse the Executive for any expenses incurred by the Executive in connection therewith.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

C. i. During the Period of Employment and for an eighteen (18) month period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of Cendant or any of its affiliates or in any way injuring the interests of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board, will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of Cendant or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that Cendant's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

iii. During the Restricted Period, the Executive, without express prior written approval from the Board, will not solicit any members or the then-current clients of Cendant or any of its affiliates for any existing business of Cendant or any of its affiliates or discuss with any employee of Cendant or any of its affiliates information or operation of any business intended to compete with Cendant or any of its affiliates.

iv. During the Restricted Period, the Executive will not interfere with the employees or affairs of Cendant or any of its affiliates or solicit or induce any person who is an employee of Cendant or any of its affiliates to terminate any relationship such person may have with Cendant or any of its affiliates, nor will the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of Cendant or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of Cendant or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" means all subsidiaries and licensees of the applicable entity.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to Cendant if the Executive violates the terms of this Agreement and that Cendant will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section VIII without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies Cendant may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section VIII.

E. The period of time during which the provisions of this Section VIII will be in effect will be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on Cendant's application for injunctive relief.

F. The Executive agrees that the restrictions contained in this Section VIII are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, Cendant would not have entered into this Agreement.

SECTION IX
WITHHOLDING TAXES

The Executive acknowledges and agrees that Cendant may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation.

SECTION X
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede and replace each prior employment or consultant agreement between Cendant (and/or its affiliates) and the Executive, and any such agreement shall be deemed terminated and of no further force or effect.

SECTION XI
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of

Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation and this Agreement will continue in full force and effect.

SECTION XII
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver will operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XIII
REPRESENTATIONS

Cendant represents and warrants that this Agreement has been authorized by all necessary corporate action of Cendant and is a valid and binding agreement of Cendant enforceable against it in accordance with its terms.

SECTION XIV
INDEMNIFICATION AND MITIGATION

Cendant will indemnify the Executive to the fullest extent permitted under the Certificate of Incorporation and By-Laws of Cendant. The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XV
GOVERNING LAW

This Agreement has been executed and delivered in the State of [New Jersey] and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state.

SECTION XVI
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section VIII for which Cendant may, but will not be required to, seek injunctive relief) will be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVI has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVI will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XVII
SURVIVAL

Sections VII, VIII, IX, X, XIV, XV and XVI will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XVIII
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding will in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision will be deemed modified so that it will be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

/s/ Terence P. Conley

By: Terence P. Conley
Title: Senior Vice President,
Human Resources

KEVIN M. SHEEHAN

/s/ Kevin M. Sheehan

Exhibit 12

Cendant Corporation and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Earnings before fixed charges:		
Income before income taxes, minority interest and equity in Homestore.com	$ 474	$193
Plus: Fixed charges	199	107
Less: Equity income in unconsolidated affiliates	(3)	--
Minority interest	22	25
Earnings available to cover fixed charges	$ 655	$275
Fixed charges (1):		
Interest, including amortization of deferred financing costs	$ 165	$ 68
Minority interest	22	25
Interest portion of rental payment	13	14
Total fixed charges	$ 199	$107
Ratio of earnings to fixed charges	$3.28 (2)	$2.56 (3)

- ----------

(1) Fixed charges consist of interest expense on all indebtedness (including amortization of deferred financing costs and capitalized interest) and the portion of operating lease rental expense that is representative of the interest factor.

(2) Income before income taxes, minority interest and equity in Homestore.com includes a net gain on the dispositions of businesses of $435 million, partially offset by other charges of $205 million. Excluding such amounts, the ratio of earnings to fixed charges is 2.14x.

(3) Income before income taxes, minority interest and equity in Homestore.com includes net restructuring charges of $86 million and a net loss on the dispositions of businesses of $13 million, partially offset by litigation related credits of $38 million. Excluding such amounts, the ratio of earnings to fixed charges is 3.13x.

Exhibit 99.1

Cendant Corporation and Subsidiaries
SEGMENT INFORMATION
(in millions)

In connection with the acquisition of Avis Group and the disposition of certain businesses during first quarter 2001, the Company realigned the operations and management of certain of its businesses. Accordingly, the Company's segment reporting structure now encompasses the following four reportable segments: Real Estate Services, Hospitality, Vehicle Services and Financial Services. Segment information for the years ended December 31, 2000, 1999 and 1998 has been restated to conform to the current reporting structure.

Year ended December 31, 2000

	Real Estate Services	Hospitality	Financial Services	Vehicle Services	Corporate and Other	Total
Net revenues	$1,461	$1,013	$638	$ 568	$ 250	$ 3,930
Adjusted EBITDA	752	394	200	305	(108)	1,543
Non-vehicle depreciation and amortization	103	82	37	52	56	330
Segment assets	6,560	1,928	520	2,694	2,814	14,516
Capital expenditures	39	39	44	55	40	217

Year ended December 31, 1999

	Real Estate Services	Hospitality	Financial Services	Vehicle Services	Corporate and Other	Total
Net revenues	$1,383	$1,011	$622	$ 756	$ 749	$ 4,521
Adjusted EBITDA	727	427	184	364	81	1,783
Non-vehicle depreciation and amortization	95	78	34	68	72	347
Segment assets	5,951	1,929	893	2,762	2,996	14,531
Capital expenditures	69	53	22	62	48	254

Year ended December 31, 1998

	Real Estate Services	Hospitality	Financial Services	Vehicle Services	Corporate and Other	Total
Net revenues	$1,253	$ 949	$598	$ 822	$ 843	$ 4,465
Adjusted EBITDA	661	394	165	404	23	1,647
Non-vehicle depreciation and amortization	79	69	27	65	63	303
Segment assets	6,649	1,848	884	7,181	2,485	19,047
Capital expenditures	112	82	20	69	48	331