SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4
ISSUER TENDER OFFER STATEMENT
(PURSUANT TO SECTION 13(e)(1) OF THE SECURITIES EXCHANGE ACT OF 1934)

CENDANT CORPORATION
(Name of Issuer)
CENDANT STOCK CORPORATION
(Name of Person(s) Filing Statement)

Common Stock, par value $.01 per share
(Title of Class of Securities)
151313 10 3
(CUSIP Number of Class of Securities)

James E. Buckman
Cendant Stock Corporation
9 West 57(th) Street
New York, New York 10019
(212) 413-1800
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of the Person(s) Filing Statement)

COPIES TO:

Eric J. Friedman
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
(212) 735-3000

Eric J. Bock
Cendant Corporation
9 West 57th Street
New York, New York 10019
(212) 413-1836

June 16, 1999
(Date Tender Offer First Published, Sent or Given to Security Holders)

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE
$1,125,000,000	$225,000

* Calculated solely for purposes of determining the filing fee in accordance with Section 13(e)(3) of the Securities Exchange Act of 1934, as amended, and Rule 0-11 thereunder. This amount assumes the purchase of 50,000,000 shares of Cendant Corporation common stock, par value $.01 per share, at the maximum tender offer price per share of $22.50.

/ / Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: N/A
Form of Registration No.: N/A
Filing Party: N/A
Date File: N/A

This Issuer Tender Offer Statement on Schedule 13E-4 (the "Statement") relates to the tender offer by Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), at prices, net to the seller in cash, without interest thereon, not greater than $22.50 nor less than $19.75 per Share, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase") and the related Letter of Transmittal (which, as they may be amended from time to time, are herein collectively referred to as the "Offer"). Copies of the Offer to Purchase and Letter of Transmittal are filed as Exhibits (a)(1) and (a)(2), respectively, to this Statement.

ITEM 1. SECURITY AND ISSUER.

(a) The name of the issuer is Cendant Corporation. The address of its principal executive offices is 9 West 57(th) Street, New York, New York 10019.

(b) The information set forth in the "Introduction", "Section 1. Number of Shares; Proration" and "Section 9. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares" in the Offer to Purchase is incorporated herein by reference. The Offer is being made to all holders of Shares, including executive officers, directors and affiliates of Purchaser and Cendant, although Purchaser and Cendant have been advised that, except as set forth in the "Section 9. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares" in the Offer to Purchase, no director or executive officer of Purchaser, Cendant or any of their subsidiaries intends to tender any Shares pursuant to the Offer.

(c) The information set forth in the "Introduction" and "Section 7. Price Range of Shares; Dividends" in the Offer to Purchase is incorporated herein by reference.

(d) This Statement is being filed by Purchaser, a wholly owned subsidiary of Cendant. The address of Purchaser's executive office is 9 West 57(th) Street, New York, New York 10019.

ITEM 2. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) The information set forth in "Section 10. Source and Amount of Funds" in the Offer to Purchase is incorporated herein by reference.

(b) Inapplicable.

ITEM 3. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

(a)--(j) The information set forth in the "Introduction," "Section 8. Background and Purpose of the Offer; Certain Effects of the Offer", "Section 9. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares", "Section 10. Source and Amount of Funds" and "Section 12. Effects of the Offer on the Market for Shares; Registration under the Exchange Act" in the Offer to Purchase is incorporated herein by reference.

ITEM 4. INTEREST IN SECURITIES OF THE ISSUER.

The information set forth in "Section 9. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares" and "Schedule I--Certain Transactions Involving Shares" in the Offer to Purchase is incorporated herein by reference.

ITEM 5. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE ISSUER'S SECURITIES.

The information set forth in the "Introduction", "Section 8. Background and Purpose of the Offer; Certain Effects of the Offer", "Section 9. Interest of Directors and Executive Officers; Transactions and Arrangements Concerning Shares" and "Schedule I--Certain Transactions Involving Shares" in the Offer to Purchase is incorporated herein by reference.

ITEM 6. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the "Introduction" and "Section 16. Fees and Expenses" in the Offer to Purchase is incorporated herein by reference.

ITEM 7. FINANCIAL INFORMATION.

(a)--(b) The information set forth in "Section 11. Certain Information about Cendant" and "ANNEX A--Cendant Corporation Unaudited Pro Forma Consolidated Financial Statements" in the Offer to Purchase is incorporated herein by reference. The information set forth on (i) pages F-1 through F-59 of Cendant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998, filed as exhibit (g)(1) hereto and (ii) pages 3 through 15 of Cendant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 filed as exhibit (g)(2) hereto, in each case, is incorporated herein by reference.

ITEM 8. ADDITIONAL INFORMATION.

(a) Inapplicable.

(b) Inapplicable.

(c) The information set forth in "Section 12. Effects of the Offer on the Market for Shares; Registration under the Exchange Act" in the Offer to Purchase is incorporated herein by reference.

(d) Inapplicable.

(e) The information set forth in the Offer to Purchase and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, is incorporated herein by reference.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS.

(a)(l)	Form of Offer to Purchase dated June 16, 1999.
(a)(2)	Form of Letter of Transmittal.
(a)(3)	Form of Notice of Guaranteed Delivery.
(a)(4)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(5)	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(6)	Form of Letter dated June 16, 1999, to shareholders from Henry R. Silverman, the Chairman, President and Chief Executive Officer of Cendant.
(a)(7)	Form of Letter dated June 16, 1999, from Cendant to participants in the Cendant Corporation Employee Savings Plan, the Cendant Corporation Deferred Compensation Plan and the PHH Corporation Directors Deferred Compensation Plan, including the form of Direction Form to Merrill Lynch Trust Company of New Jersey, as trustees of the savings plans, from participants in the savings plans.
(a)(8)	Form of Letter dated June 16, 1999, from Merrill Lynch Trust Company of New Jersey to participants in Cendant's savings plans.
(a)(9)	Form of Letter dated June 16, 1999, from Cendant to participants in Cendant's Membership Services, Inc. Savings Incentive Plan, including the form of Direction Form to Neuberger & Berman Trust Company, as trustees of the plan, from participants in the savings plan.
(a)(10)	Form of Letter dated June 16, 1999, from Cendant to Unexchanged Holders of Shares.
(a)(11)	Form of Press Release issued by Cendant and Purchaser dated June 16, 1999.
(a)(12)	Form of Summary Advertisement dated June 17, 1999.
(a)(13)	Guidelines for Certification of Taxpayer Identification Number on Form W-9.
(c)	Agreement and Plan of Merger and Reorganization dated May 22, 1999, by and among PHH Corporation, a Maryland corporation and a wholly owned subsidiary of Cendant, PHH Holdings Corporation, a Texas corporation and a wholly-owned subsidiary of PHH, Avis Rent A Car, Inc., a Delaware corporation, and Avis Fleet Leasing and Management Corporation, a Texas corporation and a wholly owned subsidiary of Avis Rent A Car, Inc.
(f)	Exhibits (a)(1) through (a)(13) are incorporated herein by reference.
(g)(1)	Pages F-1 through F-59 of Cendant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998.
(g)(2)	Pages 3 through 15 of Cendant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

CENDANT STOCK CORPORATION

By: /s/ JAMES E. BUCKMAN

Name: James E. Buckman
Title: Executive Vice President

Dated: June 16, 1999

INDEX TO EXHIBITS

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OFFER TO PURCHASE FOR CASH
UP TO 50,000,000 SHARES OF COMMON STOCK, PAR VALUE $.01
OF
CENDANT CORPORATION
AT A PURCHASE PRICE NOT GREATER THAN $22.50
NOR LESS THAN $19.75 PER SHARE
BY
CENDANT STOCK CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

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THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.

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Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), invites the shareholders of Cendant to tender shares of Cendant common stock, par value $.01 per share ("Shares"), to Purchaser at prices not greater than $22.50 nor less than $19.75 per Share in cash, as specified by tendering shareholders, upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share price (not greater than $22.50 nor less than $19.75 per Share), net to the seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to buy 50,000,000 Shares validly tendered and not properly withdrawn pursuant to the Offer (or such lesser number of Shares as are validly tendered and not properly withdrawn at prices not greater than $22.50 nor less than $19.75 per Share). Purchaser will pay the Purchase Price for all Shares validly tendered at prices at or below the Purchase Price and not properly withdrawn, upon the terms and subject to the conditions of the Offer, including the proration terms hereof. Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer. Shares tendered at prices in excess of the Purchase Price and Shares not purchased because of proration will be returned at Purchaser's expense. See Section 15.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

Shares are listed and principally traded on the New York Stock Exchange, Inc. (the "NYSE") under the symbol "CD." On June 15, 1999, the last full trading day on the NYSE prior to the announcement of the Offer, the closing per Share sales price as reported on the NYSE Composite Tape was $19.75. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR SHARES. SEE SECTION 7.

EACH OF THE RESPECTIVE BOARDS OF DIRECTORS OF PURCHASER AND CENDANT HAS APPROVED THE OFFER. HOWEVER, SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH SHARES SHOULD BE TENDERED. NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITORY MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. EXCEPT AS SET FORTH IN SECTION 9, PURCHASER AND CENDANT HAVE BEEN ADVISED THAT NONE OF THEIR RESPECTIVE DIRECTORS OR EXECUTIVE OFFICERS INTENDS TO TENDER ANY SHARES PURSUANT TO THE OFFER. SEE SECTION 9.

The Dealer Manager for the Offer is:

[LOGO]

The Information Agent for the offer is:
CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

June 16, 1999

IMPORTANT

Any shareholders desiring to tender all or any portion of their Shares should either (i) complete and sign the Letter of Transmittal or a facsimile thereof in accordance with the instructions in the Letter of Transmittal, mail or deliver it with any required signature guarantee and any other required documents to ChaseMellon Shareholder Services, L.L.C. (the "Depositary"), and either mail or deliver the stock certificates for such Shares to the Depositary (with all such other documents required by the Letter of Transmittal), (ii) follow the procedure for book-entry delivery set forth in Section 3, or (iii) request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact that broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Shares. Shareholders who desire to tender Shares and whose certificates for such Shares are not immediately available or who cannot comply with the procedure for book-entry transfer on a timely basis or whose other required documentation cannot be delivered to the Depositary, in any case, by the expiration of the Offer should tender such Shares by following the procedures for guaranteed delivery set forth in Section 3.

TO EFFECT A VALID TENDER OF THEIR SHARES, SHAREHOLDERS MUST VALIDLY COMPLETE THE LETTER OF TRANSMITTAL, INCLUDING THE SECTION RELATING TO THE PRICE AT WHICH THEY ARE TENDERING SHARES.

Questions and requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Information Agent or to the Dealer Manager at their addresses and telephone numbers set forth on the back cover of this Offer to Purchase.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF PURCHASER OR CENDANT AS TO WHETHER SHAREHOLDERS SHOULD TENDER OR REFRAIN FROM TENDERING SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL. DO NOT RELY ON ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION, IF GIVEN OR MADE, AS HAVING BEEN AUTHORIZED BY PURCHASER OR CENDANT.

TABLE OF CONTENTS

SUMMARY

THIS GENERAL SUMMARY IS PROVIDED FOR THE CONVENIENCE OF HOLDERS OF SHARES AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT AND MORE SPECIFIC DETAILS OF THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL AND ANY AMENDMENTS OR SUPPLEMENTS HERETO OR THERETO. CAPITAL TERMS USED IN THIS SUMMARY WITHOUT DEFINITION SHALL HAVE THE RESPECTIVE MEANINGS ASCRIBED TO SUCH TERMS IN THIS OFFER TO PURCHASE.

Purchaser	Cendant Stock Corporation, a Delaware corporation with principal executive offices at 9 West 57(th) Street, 37(th) Floor, New York, New York 10019.
Cendant	Cendant Corporation, a Delaware corporation with principal executive offices at 9 West 57(th) Street, 37(th) Floor, New York, New York 10019.
Shares	Shares of Cendant common stock, par value $.01 per share.
Number of Shares to be Purchased	50,000,000 Shares (or such lesser number of Shares as are validly tendered and not properly withdrawn) pursuant to the Offer.
Purchase Price	Purchaser will select the lowest single per Share net cash price, not greater than $22.50 nor less than $19.75 per Share, that will allow it to buy 50,000,000 Shares (or such lesser number of Shares as are validly tendered and not properly withdrawn) pursuant to the Offer. All Shares acquired in the Offer will be acquired at the Purchase Price even if tendered below the Purchase Price. Each shareholder desiring to tender Shares must specify in the Letter of Transmittal the minimum price (not greater than $22.50 nor less than $19.75 per Share) at which such shareholder is willing to have Shares purchased by Purchaser or must check the box in the Letter of Transmittal indicating that the shareholder is tendering Shares at the Purchase Price.
How to Tender Shares	See Section 3. Call the Information Agent, the Dealer Manager or consult your broker for assistance.
Brokerage Commissions	None for registered shareholders who tender their Shares directly to the Depositary. Shareholders holding Shares through brokers or banks are urged to consult the brokers or banks to determine whether transaction costs are applicable if shareholders tender Shares through the brokers or banks and not directly to the Depositary.
Stock Transfer Tax	None, if payment is made to the registered holder.
Expiration and Proration Dates	Thursday, July 15, 1999, at 12:00 Midnight, New York City time, unless extended by Purchaser.
Proration	In the event that proration of tendered Shares is required, proration for each shareholder tendering Shares, other than Odd Lot Owners, shall be based on the ratio of the number of Shares tendered by such shareholder at or below the Purchase Price to the total number of Shares tendered by all shareholders, other than Odd Lot Owners, at or below the Purchase Price.
Payment Date	As soon as practicable after the Expiration Date.

Position of Purchaser, Cendant and their Respective Directors.....	Neither Purchaser, Cendant nor any of their respective Directors makes any recommendation to any shareholder as to whether to tender or refrain from tendering Shares. Except as set forth in Section 9, Purchaser and Cendant have been advised that none of their respective directors or executive officers intends to tender any Shares pursuant to the Offer.
Withdrawal Rights.....	Tendered Shares may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Thursday, July 15, 1999, unless the Offer is extended by Purchaser and unless previously purchased, after August 12, 1999. See Section 4.
Odd Lots.....	There will be no proration of Shares tendered by any shareholder owning beneficially fewer than 100 Shares in the aggregate (including Shares reflecting interests in the Savings Plans (as defined)) as of June 15, 1999, who continues to beneficially own fewer than 100 Shares on the Expiration Date, and who tenders all such Shares at or below the Purchase Price prior to the Expiration Date and who checks the "Odd Lots" box in the Letter of Transmittal and, if applicable, on the Notice of Guaranteed Delivery. See Section 1.
Further Developments Regarding the Offer.....	Call the Information Agent, the Dealer Manager or consult your broker.

TO THE HOLDERS OF SHARES OF
COMMON STOCK OF CENDANT CORPORATION:

INTRODUCTION

Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), invites the shareholders of Cendant to tender shares of Cendant common stock, par value $.01 per share ("Shares"), to Purchaser at prices not greater than $22.50 nor less than $19.75 per Share in cash, as specified by tendering shareholders, upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer").

Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share price (not greater than $22.50 nor less than $19.75 per Share), net to the seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to buy 50,000,000 Shares validly tendered and not properly withdrawn pursuant to the Offer (or such lesser number of Shares as are validly tendered and not properly withdrawn at prices not greater than $22.50 nor less than $19.75 per Share). Purchaser will pay the Purchase Price for all Shares validly tendered prior to the Expiration Date (as defined in Section 1) at prices at or below the Purchase Price and not properly withdrawn, upon the terms and subject to the conditions of the Offer, including the proration terms hereof. Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

If, prior to the Expiration Date, more than 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase) are validly tendered at or below the Purchase Price and not properly withdrawn, Purchaser will, upon the terms and subject to the conditions of the Offer, purchase Shares first from all Odd Lot Owners (as defined in Section 2) who validly tender all their Shares at or below the Purchase Price (and do not properly withdraw them prior to the Expiration Date) and then on a PRO RATA basis from all other shareholders who validly tender Shares at prices at or below the Purchase Price (and do not properly withdraw them prior to the Expiration Date). Purchaser will return at its own expense all Shares not purchased pursuant to the Offer, including Shares tendered at prices greater than the Purchase Price and Shares not purchased because of proration. The Purchase Price will be paid net to the tendering shareholder in cash, without interest thereon, for all Shares purchased. Tendering shareholders who hold Shares in their own name and who tender their Shares directly to the Depositary will not be obligated to pay brokerage commissions, solicitations fees or, subject to Instruction 7 of the Letter of Transmittal, stock transfer taxes on Purchaser's purchase of Shares pursuant to the Offer. HOWEVER, ANY TENDERING SHAREHOLDER OR OTHER PAYEE WHO FAILS TO COMPLETE, SIGN AND RETURN TO THE DEPOSITARY (AS DEFINED BELOW) THE SUBSTITUTE FORM W-9 THAT IS INCLUDED WITH THE LETTER OF TRANSMITTAL OR OTHERWISE ESTABLISH AN EXEMPTION MAY BE SUBJECT TO A REQUIRED FEDERAL BACKUP WITHHOLDING TAX OF 31% OF THE GROSS PROCEEDS PAYABLE TO SUCH SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE OFFER. SEE SECTION 3. IN ADDITION, THE DEPOSITARY WILL WITHHOLD UNITED STATES FEDERAL INCOME TAX AT A RATE OF 30% FROM THE GROSS PROCEEDS PAID PURSUANT TO THE OFFER TO A FOREIGN SHAREHOLDER (AS DEFINED IN SECTION 3) OR HIS AGENT, UNLESS THE DEPOSITARY DETERMINES THAT AN EXEMPTION FROM, OR A REDUCED RATE OF, WITHHOLDING TAX IS AVAILABLE PURSUANT TO A TAX TREATY OR THAT AN EXEMPTION FROM WITHHOLDING OTHERWISE APPLIES. SEE SECTION 3 FOR A DISCUSSION OF THE APPLICABLE U.S. FEDERAL INCOME TAX WITHHOLDING RULES AND THE POTENTIAL FOR BEING SUBJECT TO REDUCED WITHHOLDING AND FOR OBTAINING A REFUND OF ALL OR A PORTION OF ANY TAX WITHHELD. In addition, Purchaser will pay all fees and expenses of Banc of America Securities LLC, as Dealer Manager ("Banc of America" or the "Dealer Manager"), and ChaseMellon Shareholder Services, L.L.C., as Information Agent and as Depositary (the "Information Agent" and the "Depositary", respectively) in connection with the Offer. See Section 16.

EACH OF THE RESPECTIVE BOARDS OF DIRECTORS OF PURCHASER AND CENDANT HAS APPROVED THE OFFER. HOWEVER, SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH SHARES SHOULD BE TENDERED. NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. EXCEPT AS SET FORTH IN SECTION 9, PURCHASER AND CENDANT HAVE BEEN ADVISED THAT NONE OF THEIR RESPECTIVE DIRECTORS OR EXECUTIVE OFFICERS INTENDS TO TENDER ANY SHARES PURSUANT TO THE OFFER. SEE SECTION 9.

Purchaser's and Cendant's respective Boards of Directors believe that Cendant's financial condition and outlook and current market conditions make this an attractive time to repurchase a portion of the outstanding Shares. In addition, Purchaser's and Cendant's respective Boards of Directors believe that the Offer is in the best interest of their companies and their shareholders and they further believe that it will enhance shareholder value in the short term and the long term. Purchaser is making the Offer to (i) improve Cendant's capital structure for the benefit of Cendant shareholders, by using certain of the proceeds to be realized by Cendant from the disposition (the "Merger") of Cendant's fleet management and fuel card businesses (the "Fleet Business") to Avis Rent A Car, Inc., a Delaware corporation ("Avis") and (ii) afford to those shareholders who desire liquidity an opportunity to sell all or a portion of their Shares without the usual transaction costs associated with open market sales. The Offer also gives shareholders an opportunity to sell their Shares at a price equal to or greater than the prevailing market prices of the Shares immediately prior to the announcement of the Offer. After the Offer is completed, Cendant expects to have sufficient cash flow and access to other sources of capital to fund its businesses.

As of the close of business on June 11, 1999, there were 768,183,412 Shares outstanding and 107,042,510 Shares issuable upon exercise of outstanding stock options currently execisable or exercisable within 60 days hereof ("Options") under Cendant's stock option plans. As of the close of business on June 11, 1999 there were 28,573,000 Income PRIDES and 1,327,000 Growth PRIDES outstanding (the "FELINE PRIDES"). The FELINE PRIDES are convertible into Shares by operation of forward purchase contracts which call for the holder of FELINE PRIDES to purchase a minimum of 1.0395 Shares and a maximum of 1.3514 Shares per FELINE PRIDE, depending upon the average of the closing price per Share for a 20 consecutive trading day period ending in mid-February of 2001. Cendant intends to issue additional FELINE PRIDES in connection with the settlement of the class action claims brought by holders of existing FELINE PRIDES (the "New FELINE PRIDES"). In addition, as of the close of business on June 11, 1999 there was $550 million aggregate principal amount of 3% Convertible Subordinated Notes ("3% Notes") outstanding, with each $1,000 principal amount of 3% Notes convertible into 32.6531 Shares (subject to adjustment in certain events). The 50,000,000 Shares that Purchaser is offering to purchase represent approximately 7% of the outstanding Shares (approximately 5% assuming the exercise of all outstanding Options, the conversion of all outstanding FELINE PRIDES and 3% Notes and the conversion of the New FELINE PRIDES). On June 11, 1999, there were 10,585 holders of record of Shares.

The Cendant Corporation Employee Savings Plan (the "Employee Savings Plan"), the Cendant Corporation Deferred Compensation Plan (the "Deferred Compensation Plan"), the PHH Corporation Directors Deferred Stock Retirement Plan (the "PHH Plan") and the Cendant Membership Services, Inc. Savings Incentive Plan (the "Savings Incentive Plan" and together with the Employee Savings Plan, the Deferred Compensation Plan and the PHH Plan, the "Savings Plans") hold Shares in accounts for participants thereunder. Participants may instruct the trustees of the Savings Plans to tender all or part of the Shares reflecting the participant's interest in Shares held in the Savings Plans by following the instructions set forth in "Procedure for Tendering Shares--Savings Plans" in Section 3.

Shares are listed and principally traded on the New York Stock Exchange, Inc. (the "NYSE") under the symbol "CD." On June 15, 1999, the last full trading day on the NYSE prior to the announcement of the Offer, the closing per Share sales price as reported on the NYSE Composite Tape was $19.75. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT QUOTATIONS ON THE MARKET PRICE OF SHARES.

THE OFFER

1. NUMBER OF SHARES; PRORATION

Upon the terms and subject to the conditions of the Offer, Purchaser will purchase 50,000,000 Shares or such lesser number of Shares as are validly tendered before the Expiration Date (and not properly withdrawn in accordance with Section 4) at a price (determined in the manner set forth below) not greater than $22.50 nor less than $19.75 per Share, net to the seller in cash, without interest thereon. The term "Expiration Date" means 12:00 Midnight, New York City time, on Thursday, July 15, 1999, unless and until Purchaser in its sole discretion shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by Purchaser, shall expire. See Section 15 for a description of Purchaser's right to extend the time during which the Offer is open and to delay, terminate or amend the Offer. Subject to the terms and conditions set forth herein, if the Offer is oversubscribed, Shares tendered at or below the Purchase Price before the Expiration Date will be purchased on a pro rata basis, except for Odd Lots. The proration period also expires on the Expiration Date.

Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share Purchase Price that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to buy 50,000,000 Shares validly tendered and not properly withdrawn pursuant to the Offer (or such lesser number as are validly tendered and not properly withdrawn at prices not greater than $22.50 nor less than $19.75 per Share). Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer. See Section 15. In accordance with applicable regulations of the Securities and Exchange Commission (the "Commission"), Purchaser may purchase pursuant to the Offer an additional amount of Shares not to exceed 2% of the outstanding Shares without amending or extending the Offer. See Section 15. If (i) Purchaser increases or decreases the price to be paid for Shares, Purchaser increases or decreases the Dealer Manager's fee, Purchaser increases the number of Shares being sought and such increase in the number of Shares being sought exceeds 2% of the outstanding Shares, or Purchaser decreases the number of Shares being sought and (ii) the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in Section 15, the Offer will be extended until the expiration of such period of ten business days. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6.

In accordance with Instruction 5 of the Letter of Transmittal, each shareholder desiring to tender Shares must specify the price (not greater than $22.50 nor less than $19.75 per Share) at which such shareholder is willing to have Purchaser purchase Shares (in multiples of $0.25). As promptly as practicable following the Expiration Date, Purchaser will, in its sole discretion, determine the Purchase Price (not greater than $22.50 nor less than $19.75 per Share) that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will pay the Purchase Price, even if such Shares were tendered below the Purchase Price, for all Shares validly tendered prior to the Expiration Date at prices at or below the Purchase Price and not properly withdrawn, upon the terms and subject to the conditions of the Offer. All Shares not purchased pursuant to the Offer, including Shares tendered at prices greater than the Purchase Price and Shares not purchased because of proration, will be returned to the tendering shareholders at Purchaser's expense as promptly as practicable following the Expiration Date.

If the number of Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date is less than or equal to 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase pursuant to the Offer), Purchaser will, upon the terms and subject to the conditions of the Offer, purchase all Shares so tendered at the Purchase Price.

PRIORITY. Upon the terms and subject to the conditions of the Offer, in the event that prior to the Expiration Date more than 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase pursuant to the Offer) are validly tendered at or below the Purchase Price and not withdrawn, Purchaser will purchase such validly tendered Shares in the following order of priority:

(i) all Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date by any Odd Lot Owner (as defined in Section 2) who:

(a) tenders all Shares (including Shares attributable to individual accounts under the Savings Plans) beneficially owned by such Odd Lot Owner at or below the Purchase Price (tenders of fewer than all Shares beneficially owned by such shareholder will not qualify for this preference); and

(b) completes the box captioned "Odd Lots" on the Letter of Transmittal (or, in the case of Savings Plans Participants (as defined below) holding Odd Lots, the Direction Form (as defined below) sent to such Participants (see Section 3)) and, if applicable, on the Notice of Guaranteed Delivery, and

(ii) after purchase of all of the foregoing Shares, all other Shares validly tendered at or below the Purchase Price and not withdrawn prior to the Expiration Date on a PRO RATA basis.

PRORATION. In the event that proration of tendered Shares is required, Purchaser will determine the final proration factor as promptly as practicable after the Expiration Date. Proration for each shareholder tendering Shares (other than Odd Lot Owners) shall be based on the ratio of the number of Shares tendered by such shareholder at or below the Purchase Price to the total number of Shares tendered by all shareholders (other than Odd Lot Owners) at or below the Purchase Price. This ratio will be applied to shareholders tendering Shares (other than Odd Lot Owners) to determine the number of Shares that will be purchased from each such shareholder pursuant to the Offer. Although Purchaser does not expect to be able to announce the final results of such proration until approximately seven business days after the Expiration Date, it will announce preliminary results of proration by press release as promptly as practicable after the Expiration Date. Shareholders can obtain such preliminary information from the Information Agent or Dealer Manager and may be able to obtain such information from their brokers.

As described in Section 14, the number of Shares that Purchaser will purchase from a shareholder may affect the United States federal income tax consequences to the shareholder of such purchase and therefore may be relevant to a shareholder's decision whether to tender Shares. The Letter of Transmittal affords each tendering shareholder the opportunity to designate the order of priority in which Shares tendered are to be purchased in the event of proration.

This Offer to Purchase and the related Letter of Transmittal will initially be mailed to record holders of Shares as of June 15, 1999 and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on Cendant's shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. TENDERS BY OWNERS OF FEWER THAN 100 SHARES

Purchaser, upon the terms and subject to the conditions of the Offer, will accept for purchase, without proration, all Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date by or on behalf of shareholders who beneficially owned as of the close of business on June 15, 1999, and continue to beneficially own as of the Expiration Date, an aggregate of fewer than 100 Shares, including Shares attributable to individual accounts under the Savings Plans ("Odd Lot Owners").

See Section 1. To avoid proration, however, an Odd Lot Owner must validly tender at or below the Purchase Price all such Shares (including Shares attributable to individual accounts under the Savings Plans) that such Odd Lot Owner beneficially owns; partial tenders will not qualify for this preference. This preference is not available to partial tenders or to owners of 100 or more Shares in the aggregate (including Shares attributable to individual accounts under the Savings Plans), even if such owners have separate stock certificates for fewer than 100 of such Shares. Any Odd Lot Owner wishing to tender all such Shares beneficially owned by such shareholder pursuant to this Offer must complete the box captioned "Odd Lots" in the Letter of Transmittal (or, with respect to Participants in the Savings Plans who are Odd Lot Owners, the Direction Form (as defined below) sent to such Participants) and, if applicable, on the Notice of Guaranteed Delivery and must properly indicate in the section entitled "Price (In Dollars) Per Share At Which Shares Are Being Tendered" in the Letter of Transmittal (or the Direction Form, if applicable) the price at which such Shares are being tendered, except that a shareholder may check the box under the section entitled "Odd Lots" indicating that the shareholder is tendering all of shareholder's Shares (including Shares attributable to individual accounts under the Savings Plans) at the Purchase Price. See Section 3. Odd Lot Owners whose Shares are purchased pursuant to the Offer will avoid both the payment of brokerage commissions (provided the shareholder's Shares are held in their own name and the shareholder tenders directly to the Depositary) and any applicable odd lot discounts payable on a sale of their Shares in transactions on a stock exchange, including the NYSE.

Purchaser also reserves the right, but will not be obligated, to purchase all Shares validly tendered by all shareholders who tendered any Shares beneficially owned at or below the Purchase Price and who, as a result of proration, would then beneficially own an aggregate of, fewer than 100 Shares. If Purchaser exercises this right, it will increase the number of Shares that it is offering to purchase in the Offer by the number of Shares purchased through the exercise of such right.

3. PROCEDURE FOR TENDERING SHARES

PROPER TENDER OF SHARES. For Shares to be validly tendered pursuant to the Offer:

(i) the certificates for such Shares (or confirmation of receipt of such Shares pursuant to the procedures for book-entry transfer set forth below), together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantees, and any other documents required by the Letter of Transmittal, must be received prior to 12:00 Midnight, New York City time, on the Expiration Date by the Depositary at its address set forth on the back cover of this Offer to Purchase; or

(ii) the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

AS SPECIFIED IN INSTRUCTION 5 OF THE LETTER OF TRANSMITTAL, EACH SHAREHOLDER DESIRING TO TENDER SHARES PURSUANT TO THE OFFER MUST PROPERLY INDICATE IN THE SECTION CAPTIONED "PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES ARE BEING TENDERED" IN THE LETTER OF TRANSMITTAL THE PRICE (IN MULTIPLES OF $0.25) AT WHICH SUCH SHAREHOLDER'S SHARES ARE BEING TENDERED, EXCEPT THAT A SHAREHOLDER MAY CHECK THE BOX IN THE SECTION OF THE LETTER OF TRANSMITTAL UNDER THE ONE ENTITLED "ODD LOTS" INDICATING THAT THE SHAREHOLDER IS TENDERING SUCH SHAREHOLDER'S SHARES AT THE PURCHASE PRICE. Shareholders desiring to tender Shares at more than one price must complete separate Letters of Transmittal for each price at which Shares are being tendered, except that the same Shares cannot be tendered (unless properly withdrawn previously in accordance with the terms of the Offer) at more than one price. IN ORDER TO VALIDLY TENDER SHARES, ONE AND ONLY ONE PRICE BOX MUST BE CHECKED IN THE APPROPRIATE SECTION ON EACH LETTER OF TRANSMITTAL.

In addition, Odd Lot Owners who tender all Shares must complete the section entitled "Odd Lots" on the Letter of Transmittal (or, in the case of Savings Plans Participants holding Odd Lots, the Direction Form sent to such Participants (see SAVINGS PLANS, below)) and, if applicable, on the Notice of Guaranteed Delivery, in order to qualify for the preferential treatment available to Odd Lot Owners as set forth in Section 2.

SIGNATURE GUARANTEES AND METHOD OF DELIVERY. No signature guarantee is required on the Letter of Transmittal if (i) the Letter of Transmittal is signed by the registered holder(s) of Shares (which term, for purposes of this Section, includes any participant in The Depository Trust Company (the "Book-Entry Transfer Facility") whose name appears on a security position listing as the holder(s) of Shares) tendered therewith and payment and delivery are to be made directly to such registered holder(s), or (ii) if Shares are tendered for the account of a firm or other entity that is a member in good standing of the Security Transfer Agent's Medallion Program, the New York Stock Exchange Medallion Program, the Stock Exchange Medallion Program or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each such entity, an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a certificate representing Shares is registered in the name of a person other than the signer of a Letter of Transmittal, or if payment is to be made, or Shares not purchased or tendered are to be issued, to a person other than the registered holder, the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered holder appears on the certificate, with the signature on the certificate or stock power guaranteed by an Eligible Institution. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares (or a timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility as described below), a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any other documents required by the Letter of Transmittal.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING SHARE CERTIFICATES, THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS, IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.

BOOK-ENTRY DELIVERY. The Depositary will establish an account with respect to Shares at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing the facility to transfer such Shares into the Depositary's account in accordance with the facility's procedure for such transfer. Even though delivery of Shares may be effected through book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), with any required signature guarantees and other required documents must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the guaranteed delivery procedure set forth below must be followed. DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

GUARANTEED DELIVERY. If a shareholder desires to tender Shares pursuant to the Offer and such shareholder's Share certificates cannot be delivered to the Depositary prior to the Expiration Date (or the procedures for book-entry transfer cannot be completed on a timely basis) or time will not permit all required documents to reach the Depositary before the Expiration Date, such Shares may nevertheless be tendered provided that all of the following conditions are satisfied:

(i) such tender is made by or through an Eligible Institution;

(ii) the Depositary receives (by hand, mail, overnight courier, telegram or facsimile transmission), on or prior to the Expiration Date, a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form Purchaser has provided with this Offer to Purchase (indicating the price at which Shares are being tendered), including (where required) a signature guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery; and

(iii) the certificates for all tendered Shares in proper form for transfer (or confirmation of book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility), together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any required signature guarantees or other documents required by the Letter of Transmittal, are received by the Depositary no later than 5:00 p.m., New York City time, on the third NYSE trading day after the date the Depositary receives such Notice of Guaranteed Delivery.

RETURN OF TENDERED SHARES. If any tendered shares are not purchased, or if less than all Shares evidenced by a shareholder's certificates are tendered, certificates for unpurchased Shares will be returned as promptly as practicable after the expiration or termination of the Offer or, in the case of Shares tendered by book-entry transfer at the Book-Entry Transfer Facility, such Shares will be credited to the appropriate account maintained by the tendering shareholder at the Book-Entry Transfer Facility, in each case without expense to such shareholder.

FEDERAL BACKUP WITHHOLDING TAX. Under the United States federal backup withholding tax rules, 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer must be withheld and remitted to the United States Treasury, unless the shareholder or other payee provides such person's taxpayer identification number (employer identification number or social security number) to the Depositary and certifies under penalties of perjury that such number is correct or otherwise establishes an exemption. If the Depository is not provided with the correct taxpayer identification number ("TIN") or another adequate basis for exemption, the holder may be subject to a $50 penalty imposed by the Internal Revenue Service (the "IRS") in addition to the backup withholding. Therefore, each tendering shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding, unless such shareholder otherwise establishes to the satisfaction of the Depositary that the shareholder is not subject to backup withholding. If backup withholding applies, the Depository is required to withhold 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of the tax withheld. If backup withholding results in overpayment of taxes, a refund may be obtained from the IRS. Certain shareholders (including, among others, all corporations and certain foreign shareholders (in addition to foreign corporations)) are not subject to these backup withholding and reporting requirements rules. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit an IRS Form W-8 or a Substitute Form W-8, signed under penalties of perjury, attesting to that shareholder's exempt status. The applicable form can be obtained from the Depositary. See Instructions 10 and 11 of the Letter of Transmittal.

TO PREVENT FEDERAL BACKUP WITHHOLDING TAX EQUAL TO 31% OF THE GROSS PAYMENTS MADE TO SHAREHOLDERS FOR SHARES PURCHASED PURSUANT TO THE OFFER, EACH SHAREHOLDER WHO DOES NOT OTHERWISE ESTABLISH AN EXEMPTION FROM SUCH WITHHOLDING MUST PROVIDE THE DEPOSITARY WITH THE SHAREHOLDER'S CORRECT TAXPAYER IDENTIFICATION NUMBER AND PROVIDE CERTAIN OTHER INFORMATION BY COMPLETING THE SUBSTITUTE FORM W-9 INCLUDED WITH THE LETTER OF TRANSMITTAL.

For a discussion of certain United States federal income tax consequences to tendering shareholders, see Section 14.

FEDERAL INCOME TAX WITHHOLDING ON FOREIGN SHAREHOLDERS. Even if a foreign shareholder has provided the required certification as described in the preceding paragraph to avoid backup withholding, the Depositary will withhold United States federal income taxes at a rate of 30% of the gross payment payable to a foreign shareholder or his or her agent unless the Depositary determines that an exemption from, or a reduced rate of, withholding tax is available pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business of the foreign shareholder within the United States. For this purpose, a foreign shareholder is any shareholder that is not (i) a citizen or resident of the United States; (ii) a corporation, partnership, or

other entity created or organized in or under the laws of the United States, any State or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of the source of such income; or (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all of its substantial decisions. In order to obtain a reduced rate of withholding pursuant to a tax treaty, a foreign shareholder must deliver to the Depositary before the payment a properly completed and executed IRS Form 1001. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depositary a properly completed and executed IRS Form 4224. The Depositary will determine a shareholder's status as a foreign shareholder and eligibility for a reduced rate of, or exemption from, withholding by reference to any outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (E.G., IRS Form 1001 or IRS Form 4224) unless facts and circumstances indicate that such reliance is not warranted. A foreign shareholder may be eligible to obtain a refund of all or a portion of any tax withheld if such shareholder satisfies one of the "Section 302 tests" for capital gain treatment described in Section 14 (e.g., the "complete redemption", "substantially disproportionate" or "not essentially equivalent to a dividend" tests) or is otherwise able to establish that no withholding or a reduced amount of withholding is due. Federal backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of federal income tax withholding. Foreign shareholders are urged to consult their own tax advisors regarding the application of United States federal income tax withholding, including eligibility for a reduction of or an exemption form withholding tax, and the refund procedure. See Instructions 10 and 11 of the Letter of Transmittal.

SAVINGS PLANS. As of June 10, 1999, the Employee Savings Plan held 2,967,044 Shares, the Deferred Compensation Plan held 52,520 Shares, the PHH Plan held 46,756 Shares and the Savings Incentive Plan held 1,491,423 Shares. Interests in the Savings Plans are credited to the individual accounts of the Savings Plans' participants, beneficiaries of deceased participants and alternate payees pursuant to qualified domestic relations orders (collectively referred to as "Participants"). Such Shares will, subject to the limitations of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to the extent applicable, and applicable regulations thereunder, be tendered (or not tendered) by Merrill Lynch Trust Company of New Jersey ("Merrill Lynch"), as trustee of the Employee Savings Plan, the Deferred Compensation Plan and the PHH Plan, and by Neuberger & Berman Trust Company, as trustee of the Savings Incentive Plan, according to the instructions of Participants. Shares for which the trustees of the Savings Plans have not received timely instructions from Participants will not be tendered. The trustees will make available to Participants whose individual accounts are credited with Shares all documents furnished to shareholders generally in connection with the Offer. Each such Participant will also receive a form (the "Direction Form") upon which the Participant may instruct the trustees of the Savings Plans regarding the Offer. Each Participant may direct that all, some or none of the Shares attributable to such Participant's account under the Savings Plans be tendered and the price at which such Shares are to be tendered. Purchaser, upon the terms and subject to the conditions of the Offer, will accept for purchase, without proration, all Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date by or on behalf of shareholders who beneficially owned as of the close of business on June 15, 1999, and continue to beneficially own as of the Expiration Date, an aggregate of fewer than 100 Shares, including Shares attributable to individual accounts under the Savings Plans. See Section 2. Purchaser will also provide additional information in a separate letter with respect to the application of the Offer to Participants in the Savings Plans. PARTICIPANTS IN SAVINGS PLANS MAY NOT USE THE LETTER OF TRANSMITTAL TO DIRECT THE TENDER OF SHARES ATTRIBUTABLE TO THEIR INDIVIDUAL ACCOUNTS, BUT MUST USE THE DIRECTION FORM SENT TO THEM. PARTICIPANTS IN THE SAVINGS PLANS ARE URGED TO READ THE DIRECTION FORM AND RELATED MATERIALS CAREFULLY. All proceeds received by the trustees on account of Shares purchased from the Savings Plans will be reinvested in the Stable Value Fund Account for Participants in the Employee Savings

Plan, in the Merrill Lynch Retirement Reserves Fund Account for Participants in the Deferred Compensation Plan and the PHH Plan and in the Evergreen Select Money Market Fund Account for Participants in the Savings Incentive Plan as soon as administratively possible and such investments will be credited to Participants' individual accounts. Participants may contact either the Metropolitan Life Insurance Company, the plan administrator, or Merrill Lynch, as applicable, after the reinvestment is complete at (800) I GOT MET and (800) 228-401K, respectively, to have any proceeds of the sale of Shares that were reinvested in their respective accounts invested in a different manner subject to the provisions of the Savings Plans.

TENDERING SHAREHOLDER'S REPRESENTATION AND WARRANTY; PURCHASER'S ACCEPTANCE CONSTITUTES AN AGREEMENT. It is a violation of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a person acting alone or in concert with others, directly or indirectly, to tender Shares for such person's own account unless at the time of tender and at the Expiration Date such person has a "net long position" equal to or greater than the amount tendered in (a) Shares and will deliver or cause to be delivered such Shares for the purpose of tender to Purchaser within the period specified in the Offer, or (b) other securities immediately convertible into, exercisable for or exchangeable into Shares ("Equivalent Securities") and, upon the acceptance of such tender, will acquire such Shares by conversion, exchange or exercise of such Equivalent Securities to the extent required by the terms of the Offer and will deliver or cause to be delivered such Shares so acquired for the purpose of tender to Purchaser within the period specified in the Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of Shares made pursuant to any method of delivery set forth herein will constitute the tendering shareholder's representation and warranty to Purchaser that (a) such shareholder has a "net long position" in Shares or Equivalent Securities being tendered within the meaning of Rule 14e-4, and (b) such tender of Shares complies with Rule 14e-4. Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and Purchaser upon the terms and subject to the conditions of the Offer.

DETERMINATIONS OF VALIDITY; REJECTION OF SHARES; WAIVER OF DEFECTS; NO OBLIGATION TO GIVE NOTICE OF DEFECTS. All questions as to the number of Shares to be accepted, the price to be paid therefor and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser, in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of or payment for which may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right to waive any of the conditions of the Offer and any defect or irregularity in the tender of any particular Shares or any particular shareholder. No tender of Shares will be deemed to be properly made until all defects or irregularities have been cured or waived. None of Purchaser, Cendant, the Dealer Manager, the Depositary, the Information Agent or any other person is or will be obligated to give notice of any defects or irregularities in tenders, and none of them will incur any liability for failure to give any such notice.

CERTIFICATES FOR SHARES, TOGETHER WITH A PROPERLY COMPLETED LETTER OF TRANSMITTAL AND ANY OTHER DOCUMENTS REQUIRED BY THE LETTER OF TRANSMITTAL, MUST BE DELIVERED TO THE DEPOSITARY AND NOT TO PURCHASER, CENDANT, THE DEALER MANAGER OR THE INFORMATION AGENT. ANY SUCH DOCUMENTS DELIVERED TO PURCHASER, CENDANT, THE DEALER MANAGER OR THE INFORMATION AGENT WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT BE DEEMED VALIDLY TENDERED.

4. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section 4, tenders of Shares pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless accepted for payment by Purchaser as provided in this Offer to Purchase, may also be withdrawn after August 12, 1999.

For a withdrawal to be effective, the Depositary must receive (at its address set forth on the back cover of this Offer to Purchase) a notice of withdrawal in written, telegraphic or facsimile transmission form on a timely basis. Such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares tendered, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If the certificates have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the tendering shareholder must also submit the serial numbers shown on the particular certificates evidencing the Shares and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (except in the case of Shares tendered by an Eligible Institution). If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in Section 3, the notice of withdrawal must specify the name and the number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with procedures of such facility. All questions as to the form and validity, including time of receipt, of notices of withdrawal will be determined by Purchaser, in its sole discretion, which determination shall be final and binding on all parties. None of Purchaser, Cendant, the Dealer Manager, the Depositary, the Information Agent or any other person is or will be obligated to give any notice of any defects or irregularities in any notice of withdrawal, and none of them will incur any liability for failure to give any such notice. Withdrawals may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered before the Expiration Date by again following any of the procedures described in Section 3.

If Purchaser extends the Offer, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, subject to applicable law, retain on behalf of Purchaser all tendered Shares, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in this Section 4.

Participants in the Savings Plans should disregard the foregoing procedures with respect to Shares attributable to their individual accounts in the Savings Plans and should follow the procedures for withdrawal included in the letter furnished to such participants by Purchaser.

5. PURCHASE OF SHARES AND PAYMENT OF PURCHASE PRICE

Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share Purchase Price that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders, and will accept for payment and pay for (and thereby purchase) Shares validly tendered at or below the Purchase Price and not properly withdrawn as soon as practicable after the Expiration Date. For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and therefore purchased), subject to proration, Shares that are validly tendered at or below the Purchase Price and not properly withdrawn when, as and if it gives oral or written notice to the Depositary of its acceptance of such Shares for payment pursuant to the Offer. Purchaser may purchase pursuant to the Offer an additional amount of Shares not to exceed 2% of the outstanding Shares without amending or extending the Offer. If (i) Purchaser increases or decreases the price to be paid for Shares, Purchaser increases or decreases the Dealer Manager's fee, Purchaser increases the number of Shares being sought and such increase in the number of Shares being sought exceeds 2% of the outstanding Shares, or Purchaser decreases the number of Shares being sought and (ii) the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in Section 15, the Offer will be extended until the expiration of such period of ten business days. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

Upon the terms and subject to the conditions of the Offer, Purchaser will purchase and pay a single per Share Purchase Price for all Shares accepted for payment pursuant to the Offer as soon as practicable after the Expiration Date. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly (subject to possible delay in the event of proration) but only after timely receipt by the Depositary of certificates for Shares (or of a timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility), a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any other required documents.

Payment for Shares purchased pursuant to the Offer will be made by depositing the aggregate Purchase Price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from Purchaser and transmitting payment to the tendering shareholders. In the event of proration, Purchaser will determine the proration factor and pay for those tendered Shares accepted for payment as soon as practicable after the Expiration Date. However, Purchaser does not expect to be able to announce the final results of any such proration until approximately seven business days after the Expiration Date. UNDER NO CIRCUMSTANCES WILL PURCHASER PAY INTEREST ON THE PURCHASE PRICE INCLUDING, WITHOUT LIMITATION, BY REASON OF ANY DELAY IN MAKING PAYMENT. Certificates for all Shares not purchased, including all Shares tendered at prices greater than the Purchase Price and Shares not purchased due to proration, will be returned (or, in the case of Shares tendered by book-entry transfer, such Shares will be credited to the account maintained with the Book-Entry Transfer Facility by the participant who so delivered such Shares) as promptly as practicable following the Expiration Date or termination of the Offer without expense to the tendering shareholder. In addition, if certain events occur, Purchaser may not be obligated to purchase Shares pursuant to the Offer. See Section 6.

Purchaser will pay all stock transfer taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer, provided, however, that if payment of the Purchase Price is to be made to, or (in the circumstances permitted by the Offer) if unpurchased Shares are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or such other person), payable on account of the transfer to such person will be deducted from the Purchase Price unless evidence satisfactory to Purchaser of the payment of such taxes or exemption therefrom is submitted. See Instruction 7 of the Letter of Transmittal.

ANY TENDERING SHAREHOLDER OR OTHER PAYEE WHO FAILS TO COMPLETE FULLY, SIGN AND RETURN TO THE DEPOSITARY THE SUBSTITUTE FORM W-9 INCLUDED WITH THE LETTER OF TRANSMITTAL MAY BE SUBJECT TO REQUIRED FEDERAL INCOME TAX BACKUP WITHHOLDING OF 31% OF THE GROSS PROCEEDS PAID TO SUCH SHAREHOLDER OR OTHER PAYEE PURSUANT TO THE OFFER. SEE SECTION 3. ALSO SEE SECTION 3 REGARDING FEDERAL INCOME TAX CONSEQUENCES FOR FOREIGN SHAREHOLDERS.

6. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment, purchase or pay for any Shares tendered, and may terminate or amend the Offer or may postpone the acceptance for payment of, or the purchase of and the payment for Shares tendered, subject to Rule 13e-4 (f) promulgated under the Exchange Act, if at any time on or after June 16, 1999 and prior to the Expiration Date (whether any Shares have theretofore been accepted for payment, purchased or paid for pursuant to the Offer) (i) the Closing (as defined in the Agreement and Plan of Merger and Reorganization, by and among PHH Corporation, a Maryland corporation and a wholly owned subsidiary of Cendant ("PHH"), PHH Holdings Corporation, a Texas corporation and a wholly-owned subsidiary of PHH ("Holdings"), Avis and Avis Fleet Leasing and Management Corporation, a Texas corporation and a wholly owned subsidiary of Avis ("Avis Fleet"), dated as of May 22, 1999 (the "Merger Agreement")) pursuant to the Merger Agreement shall not have been consummated in accordance with the terms of the Merger Agreement, or (ii) any of the following events shall have occurred (or shall have been determined

by Purchaser to have occurred) that, in Purchaser's judgment in any such case and regardless of the circumstances giving rise thereto (including any action or omission to act by Purchaser or Cendant), makes it inadvisable to proceed with the Offer or with such acceptance for payment or payment:

(a) there shall have been threatened, instituted or be pending before any court, agency, authority or other tribunal any action, suit or proceeding by any government or governmental, regulatory or administrative agency or authority or by any other person, domestic or foreign, or any judgment, order or injunction entered, enforced or deemed applicable by any such court, authority, agency or tribunal, which (i) challenges or seeks to make illegal, or to delay or otherwise directly or indirectly to restrain, prohibit or otherwise affect the making of the Offer, the acquisition of Shares pursuant to the Offer or is otherwise related in any manner to, or otherwise affects, the Offer, or (ii) could, in the reasonable judgment of Purchaser, materially affect the business, condition (financial or other), income, operations or prospects of Cendant and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of Cendant and its subsidiaries, taken as a whole, or materially impair the Offer's contemplated benefits to Purchaser or Cendant; or

(b) there shall have been any action threatened or taken, or any approval withheld, or any statute, rule or regulation invoked, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Offer or Cendant or any of its subsidiaries, by any government or governmental, regulatory or administrative authority or agency or tribunal, domestic or foreign, which, in the reasonable judgment of Purchaser, would or might directly or indirectly result in any of the consequences referred to in clause (i) or (ii) of paragraph (a) above; or

(c) there shall have occurred (i) the declaration of any banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory); (ii) any general suspension of trading in, or limitation on prices for, securities on any United States national securities exchange or in the over-the-counter market; (iii) the commencement of a war, armed hostilities or any other national or international crisis directly or indirectly involving the United States; (iv) any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event which, in the reasonable judgment of Purchaser might materially affect, the extension of credit by banks or other lending institutions in the United States; (v) any significant decrease in the market price of Shares or in the market prices of equity securities generally in the United States or any change in the general political, market, economic or financial conditions in the United States or abroad that could have in the reasonable judgment of Purchaser a material adverse effect on the business, condition (financial or otherwise), income, operations or prospects of Cendant and its subsidiaries, taken as a whole, or on the trading in Shares or on the proposed financing of the Offer; (vi) in the case of any of the foregoing existing at the time of the announcement of the Offer, a material acceleration or worsening thereof; or (vii) any decline in either the Dow Jones Industrial Average or the S&P 500 Composite Index by an amount in excess of 10% measured from the close of business on June 16, 1999; or

(d) any change or changes shall have occured or be threatened in the business, condition (financial or other), income, operations or prospects of Cendant and its subsidiaries, taken as a whole, which in the reasonable judgment of Purchaser is or may be material to Cendant and its subsidiaries taken as a whole; or

(e) a tender or exchange offer with respect to some or all Shares (other than the Offer), or a merger or acquisition proposal for Cendant, shall have been proposed, announced or made by another person or shall have been publicly disclosed, or Purchaser shall have learned that a person or "group" (within the meaning of Section 13(d)(3) of the Exchange Act) shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding Shares, or any new group shall have been formed that beneficially owns more than 5% of the outstanding Shares; or

(f) any person or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 reflecting an intent to acquire Cendant or any Shares; or

(g) the Merger Agreement shall have been terminated.

The foregoing conditions are for Purchaser's sole benefit and may be asserted by Purchaser regardless of the circumstances giving rise to any such condition (including any action or omission by Purchaser) or may be waived by Purchaser in whole or in part. Purchaser's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time. In certain circumstances, if Purchaser waives any of the foregoing conditions, it may be required to extend the Expiration Date of the Offer. Any determination by Purchaser concerning the events described above and any related judgment or decision by Purchaser regarding the inadvisability of proceeding with the purchase of or payment for any Shares tendered will be final and binding on all parties.

7. PRICE RANGE OF SHARES; DIVIDENDS

Shares are listed and principally traded on the NYSE under the symbol "CD". The high and low sales prices per Share on the NYSE Composite Tape as compiled from published financial sources for the periods indicated are listed below:

	HIGH	LOW
1997		
1st Quarter	$27 1/2	$22 1/2
2nd Quarter	27	19 1/4
3rd Quarter	31 7/8	23 5/16
4th Quarter	34 3/8	25 1/2
1998		
1st Quarter	41 1/2	32 1/8
2nd Quarter	41 11/16	17
3rd Quarter	22 7/8	10 1/16
4th Quarter	20 3/4	6 1/2
1999		
1st Quarter	22 9/16	14 7/8
2nd Quarter (through June 15, 1999)	20 3/4	15 1/2

The closing per Share sales price as reported on the NYSE Composite Tape on June 15, 1999, the last full trading day before the announcement of the Offer, was $19.75. SHAREHOLDERS ARE URGED TO OBTAIN CURRENT QUOTATIONS OF THE MARKET PRICE OF THE SHARES.

Cendant's dividend policy is to retain its earnings for the development and expansion of its business and the repayment of indebtedness and it does not anticipate paying dividends on Shares in the foreseeable future.

8. BACKGROUND AND PURPOSE OF THE OFFER; CERTAIN EFFECTS OF THE OFFER

Purchaser is making the Offer to (i) improve Cendant's capital structure for the benefit of Cendant shareholders, by using certain of the proceeds to be realized by Cendant upon the disposition of the Fleet Business and (ii) afford to those shareholders who desire liquidity an opportunity to sell all or a portion of their Shares without the usual transaction costs associated with open market sales. After the Offer is completed, Purchaser expects Cendant to have sufficient cash flow and access to other sources of capital to fund its businesses.

Cendant's Board of Directors believes that Cendant's financial condition and outlook and current market conditions make this an attractive time to repurchase a portion of the outstanding Shares. In addition, Cendant's Board of Directors believes that, given Cendant's business, assets and prospects, the purchase of Shares pursuant to the Offer by Purchaser is an attractive investment that will benefit Cendant and its remaining shareholders. The Offer provides shareholders who are considering a sale of all or a portion of their Shares the opportunity to determine the price or prices (not greater than $22.50 nor less

than $19.75 per Share) at which they are willing to sell their Shares and, if any such Shares are purchased pursuant to the Offer, to sell those Shares for cash to Purchaser without the usual costs associated with a market sale. The Offer gives shareholders an opportunity to sell their Shares at a price equal to or greater than the prevailing market prices of the Shares immediately prior to the announcement of the Offer. The Offer would also allow Odd Lot Owners (whose Shares are held in their own name and who tender directly to the Depositary) whose Shares are purchased pursuant to the Offer to avoid both the payment of brokerage commissions and any applicable odd lot discounts payable on sales of odd lots on a securities exchange. To the extent the purchase of Shares in the Offer results in a reduction in the number of shareholders of record, the costs to Cendant for services to shareholders should be reduced. Shareholders who determine not to accept the Offer will increase their proportionate interest in Cendant's equity, and therefore in Cendant's future earnings and assets, subject to Cendant's right to issue additional Shares and other equity securities in the future.

EACH OF THE RESPECTIVE BOARDS OF DIRECTORS OF PURCHASER AND CENDANT HAS APPROVED THE OFFER. HOWEVER, SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH SHARES SHOULD BE TENDERED. NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES AND NEITHER PURCHASER, CENDANT NOR THEIR RESPECTIVE BOARDS OF DIRECTORS HAS AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION. EXCEPT AS SET FORTH IN SECTION 9, PURCHASER AND CENDANT HAVE BEEN ADVISED THAT NONE OF THEIR RESPECTIVE DIRECTORS OR EXECUTIVE OFFICERS INTENDS TO TENDER ANY SHARES PURSUANT TO THE OFFER. SEE SECTION 9.

As of June 11, 1999, except as described below, no person was known by Purchaser or Cendant to be the beneficial owner of more than 5% of the outstanding Shares. Purchaser and Cendant understand from publicly available reports to the Commission that Capital Research and Management Company may be deemed to beneficially own 105,145,240 outstanding Shares or approximately 14% (11% assuming the exercise of all outstanding Options, the conversion of all outstanding FELINE PRIDES and 3% Notes and the conversion of the New FELINE PRIDES) of the outstanding Shares; and Massachusetts Financial Services Company may be deemed to beneficially own 55,904,878 outstanding Shares or approximately 7% (6% assuming the exercise of all outstanding Options, the conversion of all outstanding FELINE PRIDES and 3% Notes and the conversion of the New FELINE PRIDES) of the outstanding Shares. If Purchaser purchases 50,000,000 Shares pursuant to the Offer, assuming no Shares owned by Capital Research and Management Company or Massachusetts Financial Services Company are tendered in the Offer, 105,145,240 and 55,904,878 Shares would represent 15% and 8%, respectively, of the outstanding Shares (12% and 6%, respectively, assuming the exercise of all outstanding Options, the conversion of all outstanding FELINE PRIDES and 3% Notes and the conversion of the New FELINE PRIDES).

In November 1998, Cendant's Board of Directors had authorized the repurchase of up to $1.0 billion of the then outstanding Shares (the "Repurchase Program"). Shares were to be purchased from time to time in the open market or unsolicited negotiated transactions, including block purchases. The timing of the Repurchase Program and number of Shares repurchased was to be dictated by overall financial and market conditions. During the first quarter of 1999, Cendant's Board of Directors authorized an additional $600 million for Share repurchases under the Repurchase Program. Since December 1998, Cendant has repurchased 83,892,700 Shares for approximately $1.6 billion under the Repurchase Program. Rule 13e-4 under the Exchange Act prohibits Purchaser and Cendant from making any purchases of Shares until 10 business days after the Expiration Date, other than pursuant to the Offer. Thereafter, Cendant may resume the Repurchase Program if further authorization is received by the Board of Directors. Any Share purchases under the Repurchase Program or otherwise may be on the same terms as, or on terms more or less favorable to shareholders than, the terms of the Offer. Any future purchases by Cendant, either

pursuant to the Repurchase Program or otherwise, will depend on numerous factors, including the market price of Shares, the results of the Offer, Cendant's business and financial condition and general economic and market conditions. The consideration paid for Shares purchased in the Offer will not be counted in the aggregate amount of the repurchase authorization under the Repurchase Program.

Any Shares purchased pursuant to the Offer will be transferred directly to Purchaser from the Depositary and retained by Purchaser as treasury stock (unless and until Cendant and Purchaser determine to retire such Shares) and be available for issue without further shareholder action (except as required by applicable law or, if retired, the rules of any securities exchange on which Shares are listed) for purposes including, but not limited to, the acquisition of other businesses, raising of additional capital for use in Cendant's businesses, and satisfaction of obligations under existing or future employee benefit plans. Cendant and Purchaser have no current plan for issuance of Shares repurchased pursuant to the Offer.

Except as disclosed in this Offer to Purchase, neither Purchaser nor Cendant currently has any plans or proposals that relate to or would result in (a) the acquisition by any person of additional securities of Cendant or the disposition of securities of Cendant; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Cendant or any or all of its subsidiaries; (c) other than as previously publicly announced, a sale or transfer of a material amount of assets of Cendant or any of its subsidiaries; (d) any change in the present Board of Directors or management of Cendant; (e) any material change in the present dividend rate or policy, or indebtedness or capitalization of Cendant; (f) any other material change in Cendant's corporate structure or business; (g) any change in Cendant's Certificate of Incorporation or By-Laws or any actions which may impede the acquisition of control of Cendant by any person; (h) a class of equity security of Cendant being delisted from a national securities exchange; (i) a class of equity security of Cendant becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act; or (j) the suspension of Cendant's obligation to file reports pursuant to Section 15(d) of the Exchange Act.

9. INTEREST OF DIRECTORS AND EXECUTIVE OFFICERS; TRANSACTIONS AND ARRANGEMENTS CONCERNING SHARES

As of June 11, 1999, there were 768,183,412 Shares outstanding and 107,042,510 Shares issuable upon exercise of all outstanding vested Options. As of June 11, 1999, all directors and executive officers of Cendant and its subsidiaries (including Purchaser) as a group beneficially owned an aggregate of 41,442,592 Shares (including 38,659,719 Shares issuable upon the exercise of Options exercisable within 60 days of such date), which constituted approximately 5% of the outstanding Shares (including Shares issuable if Options held by Cendant's directors and executive officers exercisable within 60 days of such date were exercised) at such time. Purchaser has been advised that Robert D. Kunisch, Vice Chairman and Director of Cendant (who intends to retire within 30 days of the Offer in connection with the divestiture of the Fleet Business), intends to tender Shares in the Offer. If Purchaser purchases 50,000,000 Shares pursuant to the Offer (approximately 7% of the outstanding Shares as of June 11, 1999), and assuming the repurchase of all Shares tendered by Mr. Kunisch and that no other director or executive officer tenders Shares pursuant to the Offer (as is intended by the directors and executive officers), then after the purchase of Shares pursuant to the Offer, all directors and executive officers of Cendant and its subsidiaries as a group would beneficially own approximately 5% of the outstanding Shares (including 38,659,719 Shares issuable if Options held by Cendant's directors and executive officers exercisable within 60 days of such date were exercised).

As of June 11, 1999, no director or executive officer of Cendant and its subsidiaries had beneficial ownership of more than 1% of the outstanding Shares, except Henry R. Silverman, Chairman of the Board, President and Chief Executive Officer of Cendant, whose beneficial ownership was approximately 3% of the outstanding Shares (including Shares issuable if Options held by Cendant's directors and executive officers exercisable within 60 days of such date were exercised). If Purchaser purchases 50,000,000 Shares pursuant to the Offer, assuming no Shares beneficially owned by Mr. Silverman are tendered in the Offer (as is intended by Mr. Silverman) Shares beneficially owned by Mr. Silverman would

represent approximately 3% of the outstanding Shares (including Shares issuable if Options held by Cendant's directors and executive officers exercisable within 60 days of such date were exercised).

Except as set forth in Section 8 hereof or in Schedule I hereto, based on the Purchaser's and Cendant's records and information provided to Purchaser and Cendant by their respective directors, executive officers, associates and subsidiaries, neither Purchaser, Cendant nor any of their associates or subsidiaries or persons controlling Cendant nor, to the best of Purchaser's and Cendant's knowledge, any of the directors or executive officers of Purchaser or Cendant or any of their subsidiaries, nor any associates or subsidiaries of any of the foregoing, has effected any transactions in Shares during the 40 business days prior to the date hereof.

Except as set forth in this Offer to Purchase, neither Purchaser, Cendant nor any person controlling Cendant nor, to Purchaser's and Cendant's knowledge, any of their respective directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Offer with respect to any securities of Cendant (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations).

10. SOURCE AND AMOUNT OF FUNDS

Assuming that Purchaser purchases 50,000,000 Shares pursuant to the Offer at the maximum specified purchase price of $22.50 per Share, Purchaser expects the maximum aggregate cost, including all taxes, fees and expenses applicable to the Offer, to be approximately $1,127,000,000.

Purchaser intends to finance the Offer and to pay related taxes, fees and expenses, from the cash proceeds realized from the repayment of intercompany indebtedness resulting from the disposition of the Fleet Business. The Merger Agreement in connection with the disposition of the Fleet Business provides, among other things, that Avis Fleet will acquire all of the capital stock and other equity interests of all of the subsidiaries of Holdings in consideration for the issuance by Avis Fleet of approximately $360 million of convertible preferred stock of Avis Fleet and the assumption and repayment by Avis Fleet of approximately $1.44 billion of intercompany indebtedness owed to PHH. The merger is presently expected to close on or about June 30, 1999. The closing of the Merger is conditioned upon receipt by Avis Fleet of financing necessary to consummate the transaction and other conditions customary for transactions of this type.

The Offer is conditioned upon the closing of the Merger in order to (i) finance the Offer, and (ii) pay related taxes, fees and expenses. If the divestiture of the Fleet Business has not been consummated prior to the initial Expiration Date in an amount sufficient to finance Purchaser's purchase of Shares pursuant to the Offer and to pay related taxes, fees and expenses, Purchaser intends to extend the Expiration Date from time to time for a period not to extend beyond such time as the Merger is consummated or the Merger Agreement has been terminated in accordance with its terms, and the other conditions to the Offer have been satisfied or waived.

A copy of the Merger Agreement has been filed as an exhibit to Purchaser's Issuer Tender Offer Statement on Schedule 13E-4. Reference is made to such exhibit for a more complete description of the Merger Agreement.

11. CERTAIN INFORMATION ABOUT CENDANT

This Offer to Purchase contains forward looking statements with respect to Cendant's expectations or belief concerning future events. These statements are based on Cendant's current expectations and the current economic environment. Cendant cautions that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in

the forward-looking statements are specified in Cendant's filings with the Commission, including Cendant's Annual Report on Form 10-K/A and Quarterly Reports on Form 10-Q, including the resolution of the pending class action litigation against Cendant and Cendant's ability to implement its plan to divest non-strategic assets.

SUMMARY. Cendant is one of the foremost consumer and business services companies in the world. Cendant was created through the merger of HFS Incorporated ("HFS") into CUC International Inc. ("CUC") in December 1997 with the resultant corporation being renamed Cendant Corporation. Cendant provides the fee-based services formerly provided by each of CUC and HFS, including travel services, real estate services and membership-based consumer services, to Cendant's customers throughout the world.

Cendant operates in four principal divisions-travel related services, real estate related services, alliance marketing related services and other consumer and business services. Cendant's business provides a wide range of complementary consumer and business services, which together represent seven business segments (excluding the Fleet Business). The travel related services businesses facilitate vacation timeshare exchanges, and franchise car rental and hotel businesses; the real estate related services businesses franchise real estate brokerage business, provide home buyers with mortgages and assist in employee relocation; and the alliance marketing related services businesses provide an array of value driven products and services. Cendant's other consumer and business services, include car parks and vehicle emergency support and rescue services in the United Kingdom, credit information services, financial products and other consumer-related services.

As a franchisor of hotels, residential real estate brokerage offices, car rental operations and tax preparation services, Cendant licenses the owners and operation of independent businesses to use its brand names. Cendant does not own or operate hotels, real estate brokerage offices, car rental operations or tax preparation offices (except for certain company-owned Jackson Hewitt offices which Cendant intends to franchise). Instead, Cendant provides its franchise customers with services designed to increase their revenue and profitability.

SHAREHOLDER LITIGATION. Since Cendant's April 15, 1998 announcement of the discovery of accounting irregularities in the former CUC business units, and prior to the date of this Offer to Purchase, 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on Cendant's behalf and several individual lawsuits and arbitrations have been filed against Cendant and other defendants. The plaintiffs in these proceedings assert, among other things, various claims under the federal securities laws including claims under Sections 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b), 14(a) and 20(a) of and Rules 10b-5 and 14a-9 under the Securities Exchange Act of 1934 and state statutory and common laws, including claims that financial statements previously issued by Cendant and CUC allegedly were materially false and misleading and caused the price of our securities to be artificially inflated.

In addition, the staff of the Commission and the United States Attorney for the District of New Jersey are conducting investigations relating to the accounting irregularities. The Commission staff has advised Cendant that its inquiry should not be construed as an indication by the Commission or its staff that any violations of law have occurred. While Cendant has made all adjustments considered necessary as a result of the findings of the Investigations and the restatement of our financial statements for 1997, 1996 and 1995 and the first six months of 1998, Cendant can provide no assurances that additional adjustments will not be required as a result of these government investigations.

Other than the PRIDES litigation discussed below, Cendant does not believe that it is feasible to predict or determine the final outcome or resolution of these proceedings and investigations or to estimate the amounts or potential range of loss with respect to the resolution of these proceedings and investigations. In addition, the timing of the final resolution of these proceedings and investigations is uncertain. The possible outcomes or resolutions of these proceedings and investigations could include judgments against Cendant or settlements and could require substantial payments by Cendant. Cendant's management believes that adverse outcomes in such proceedings and investigations or any other resolutions

(including settlements) could have a material impact on Cendant's financial condition, results of operations and cash flows.

On March 17, 1999, Cendant announced that it reached a final settlement agreement with plaintiff's counsel representing the class of holders of Cendant's PRIDES securities who purchased their securities on or prior to April 15, 1998 ("eligible persons") to settle their class action claims against Cendant. Under the final settlement agreement, eligible persons will receive a new security -- a Right -- for each PRIDES security held on April 15, 1998. Cendant had originally announced a preliminary agreement in principle to settle such claims on January 7, 1999. The final agreement maintained the basic structure and accounting treatment of the preliminary agreement. On June 7, 1999, the District Court for the District of New Jersey, where the PRIDES litigation is pending, entered an order approving the settlement. Claims based upon purchases of PRIDES made after April 15, 1998, are not covered by this settlement. Current holders of PRIDES will not receive any Rights (unless they also held PRIDES on April 15, 1998).

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

FOR ADDITIONAL INFORMATION REGARDING THE SHAREHOLDER LITIGATION DESCRIBED ABOVE REFERENCE IS MADE TO THE ANNUAL REPORT ON FORM 10-K/A FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 AND THE QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 1999, THAT ARE HEREBY INCORPORATED HEREIN BY REFERENCE.

HISTORICAL FINANCIAL INFORMATION. The following table sets forth summary historical consolidated financial information of Cendant and its subsidiaries. The historical financial information for fiscal years ended December 31, 1997 and 1998 has been derived from, and should be read in conjunction with, the audited consolidated financial statements of Cendant as reported in Cendant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998 and is hereby incorporated herein by reference. In addition, the historical financial information for that portion of fiscal year 1999 presented is unaudited. Such historical financial information for fiscal year 1999 was set forth in Cendant's Quarterly Report on Form 10-Q for the quarter and three months ended March 31, 1999 and is hereby incorporated herein by reference. The summary historical financial information should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and the related notes thereto from which it has been derived.

Cendant had previously restated its financial results for 1997, 1996 and 1995 and the six months ended June 30, 1998 and 1997 as a result of accounting irregularities which were first discovered by Cendant in April, 1998. On April 15, 1998, Cendant announced that in the course of transferring responsibility for Cendant's accounting functions as a result of the merger involving HFS and CUC and in the course of preparing for the reporting of first quarter 1998 financial results, Cendant noted accounting irregularities in certain CUC business units. As a result, Cendant as well as its Audit Committee, immediately began intensive investigations (the "Investigations").

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

Copies of the reports described above may be inspected or obtained from the Commission in the manner specified in "--Additional Information" below.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT RATIOS AND PER SHARE AMOUNTS)

	YEAR ENDED		THREE MONTHS ENDED	
	DECEMBER 31, 1997(1)	DECEMBER 31, 1998(2)(3)(4)	MARCH 31, 1998(2)	MARCH 31, 1999(2)
STATEMENT OF INCOME DATA				
Net revenues	$ 4,051.9	$ 5,086.6	$ 1,119.9	$ 1,304.9
Income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	229.2	291.7	315.8	303.0
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	49.1	145.7	196.3	181.4
Loss from discontinued operations, net of tax	(9.6)	(10.8)	(23.4)	(12.1)
Gain on sale of discontinued operations, net of tax	--	404.7	--	192.7
Extraordinary gain, net of tax	26.4	--	--	--
Cumulative effect of accounting change, net of tax	(283.1)	--	--	--
Net income (loss)	$ (217.2)	$ 539.6	$ 172.9	$ 362.0
Income (loss) per share:				
Basic				
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.06	$ 0.17	$ 0.23	$ 0.23
Loss from discontinued operations	(0.01)	(0.01)	(0.02)	(0.02)
Gain on sale of discontinued operations	--	0.48	--	0.24
Extraordinary gain	0.03	--	--	--
Cumulative effect of accounting change	(0.35)	--	--	--
Net income (loss)	$ (0.27)	$ 0.64	$ 0.21	$ 0.45
Diluted				
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.06	$ 0.16	$ 0.22	$ 0.22
Loss from discontinued operations	(0.01)	(0.01)	(0.02)	(0.01)
Gain on sale of discontinued operations	--	0.46	--	0.22
Extraordinary gain	0.03	--	--	--
Cumulative effect of accounting change	(0.35)	--	--	--
Net income (loss)	$ (0.27)	$ 0.61	$ 0.20	$ 0.43
Weighted average shares				
Basic	811.2	848.4	838.7	800.1
Diluted	851.7	880.4	908.5	854.4
Ratio of earnings to fixed charges	1.44	1.29	3.65	2.52

	AT		AT	
	DECEMBER 31, 1997(1)	DECEMBER 31, 1998(2)(3)(4)	MARCH 31, 1998(2)	MARCH 31, 1999(2)
BALANCE SHEET DATA				
Working capital	$ 136.4	$ 1,715.6	$ 612.5	$ 685.7
Assets under management and mortgage programs	6,443.7	7,511.9	6,667.0	7,193.5
Total assets	14,041.5	20,202.1	15,748.5	18,867.1
Long-term debt	1,246.0	3,362.9	1,056.9	3,357.7
Debt under management and mortgage programs	5,602.6	6,896.8	6,095.4	6,327.3
Shareholders' equity	3,921.4	4,835.6	4,263.4	4,093.4
Book value per common share	4.71	5.80	5.04	5.26

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NOTES TO SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

(1) Includes merger-related costs and other unusual charges related to continuing operations of $704.1 million ($504.7 million, after tax or $0.58 per diluted share) primarily associated with the Cendant merger in December 1997 and merger with PHH Corporation in April 1997.

(2) The operating results of the following acquisitions, accounted for under the purchase method of accounting, are included since the respective dates of acquisition: (i) National Parking Corporation in April 1998; (ii) The Harpur Group Ltd. in January 1998; and (iii) Jackson Hewitt, Inc. in January 1998.

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

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

PRO FORMA FINANCIAL INFORMATION. The following summary unaudited pro forma consolidated financial information gives effect to the disposition of the Fleet Business pursuant to the Merger Agreement and the purchase of Shares pursuant to the Offer based on certain assumptions described in the Notes to the Unaudited Pro Forma Consolidated Financial Statements contained in Annex A hereto. The summary unaudited pro forma consolidated financial information has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Consolidated Financial Statements included in Annex A to this Offer to Purchase. The unaudited pro forma consolidated statement of income data for the year ended December 31, 1998 and for the three months ended March 31, 1999 are presented as if the disposition of the Fleet Business and the purchase of Shares pursuant to the Offer had occurred on January 1, 1998. The unaudited pro forma consolidated balance sheet data as of March 31, 1999 is presented as if the disposition of the Fleet Business and the purchase of Shares pursuant to the Offer had occurred on March 31, 1999. The summary unaudited pro forma consolidated financial information should also be read in conjunction with the consolidated financial statements and related notes thereto of Cendant, as included in Cendant's (i) Annual Report on Form 10-K/A for the year ended December 31, 1998, which was filed with the Commission on May 13, 1999; and (ii) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, which was filed with the Commission on May 17, 1999. The summary unaudited pro forma consolidated financial information does not purport to be indicative of the results that would actually have

been obtained had the disposition of the Fleet Business pursuant to the Merger Agreement and the purchase of Shares pursuant to the Offer at the indicated purchase prices been completed at the dates indicated or that may be obtained in the future.

SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT RATIOS AND PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31, 1998			THREE MONTHS ENDED MARCH 31, 1999		
		PRO FORMA (1)			PRO FORMA (1)	
	HISTORICAL	AT $19.75 PURCHASE PRICE	AT $22.50 PURCHASE PRICE	HISTORICAL	AT $19.75 PURCHASE PRICE	AT $22.50 PURCHASE PRICE
STATEMENT OF INCOME DATA						
Net revenues	$ 5,086.6	$ 4,743.6	$ 4,735.6	$ 1,304.9	$ 1,214.1	$ 1,212.2
Income from continuing operations before income taxes and minority interest	291.7	179.4	171.4	303.0	281.2	279.3
Income from continuing operations	145.7	$ 70.2	$ 64.8	181.4	$ 167.3	$ 166.0
Loss from discontinued operations, net of tax	(10.8)			(12.1)		
Gain on sale of discontinued operations, net of tax	404.7			192.7		
Net income	$ 539.6			$ 362.0		
Income (loss) per share:						
Basic						
Income from continuing operations	$ 0.17	$ 0.09	$ 0.08	$ 0.23	$ 0.22	$ 0.22
Loss from discontinued operations	(0.01)			(0.02)		
Gain on sale of discontinued operations	0.48			0.24		
Net income	$ 0.64			$ 0.45		
Diluted						
Income from continuing operations	$ 0.16	$ 0.08	$ 0.08	$ 0.22	$ 0.21	$ 0.21
Loss from discontinued operations	(0.01)			(0.01)		
Gain on sale of discontinued operations	0.46			0.22		
Net income	$ 0.61			$ 0.43		
Weighted average shares						
Basic	848.4	798.4	798.4	800.1	750.1	750.1
Diluted	880.4	830.4	830.4	854.4	804.4	804.4
Ratio of earnings to fixed charges	1.29	1.20	1.18	2.52	2.99	2.95

	AT MARCH 31, 1999			
	AT DECEMBER 31, 1998	PRO FORMA (1)		
	HISTORICAL	HISTORICAL	AT $19.75 PURCHASE PRICE	AT $22.50 PURCHASE PRICE
BALANCE SHEET DATA				
Working capital	$ 1,715.6	$ 685.7	$ 1,011.1	$ 1,011.1
Assets under management and mortgage programs	7,511.9	7,193.5	3,320.0	3,320.0
Total assets	20,202.1	18,867.1	14,484.9	14,484.9
Long-term debt	3,362.9	3,357.7	3,336.9	3,336.9
Debt under management and mortgage programs	6,896.8	6,327.3	2,902.8	3,040.3
Shareholders' equity	4,835.6	4,093.4	3,943.8	3,806.3
Book value per common share	5.80	5.26	5.42	5.23

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NOTE TO SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

(1) The summary unaudited pro forma consolidated financial information gives effect to the proposed disposition of the Fleet Business to Avis for $1.44 billion in assumed intercompany debt of Holdings which will be subsequently repaid and the issuance of $360 million in convertible preferred stock of Avis Fleet. The pro forma information also gives effect to the use of proceeds from such disposition for the purchase of Shares pursuant to the Offer and the repayment of debt under management and mortgage programs. The pro forma information assumes that 50,000,000 Shares are purchased by Purchaser pursuant to the Offer at prices of $19.75 per Share and $22.50 per Share, respectively.

ADDITIONAL INFORMATION. Cendant is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning Cendant's directors and officers, their remuneration, options granted to them, the principal holders of Cendant's securities and any material interest of such persons in transactions with Cendant is required to be disclosed in proxy statements distributed to Cendant's shareholders and filed with the Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 2120, Washington, D.C. 20549; at its regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and 7 World Trade Center, New York, New York 10048. Copies of such material may also be obtained by mail, upon payment of the Commission's customary charges, from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549. The Commission also maintains a Web site on the World Wide Web at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Such reports, proxy statements and other information concerning Cendant also can be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005, on which the Shares are listed.

12. EFFECTS OF THE OFFER ON THE MARKET FOR SHARES; REGISTRATION UNDER THE EXCHANGE ACT

Purchaser's purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and is likely to reduce the number of shareholders. Nonetheless, Purchaser and Cendant believe that there will still be a sufficient number of Shares outstanding and publicly traded following the Offer to ensure a continued trading market in the Shares. Based on the published guidelines of the NYSE, Purchaser and Cendant do not believe that Purchaser's purchase of Shares pursuant to the Offer will cause the remaining Shares of Cendant to be delisted from such exchange.

Shares are currently "margin securities" under the rules of the Federal Reserve Board. This has the effect, among other things, of allowing brokers to extend credit on the collateral of Shares. Purchaser and

Cendant believe that, following the purchase of Shares pursuant to the Offer, Shares will continue to be "margin securities" for purposes of the Federal Reserve Board's margin regulations.

Any Shares purchased pursuant to the Offer will be transferred directly to Purchaser from the Depositary and retained by Purchaser as treasury stock (unless and until Cendant and Purchaser determine to retire such Shares) and be available for issue without further shareholder action (except as required by applicable law or, if retired, the rules of any securities exchange on which Shares are listed) for purposes including, but not limited to, the acquisition of other businesses, raising of additional capital for use in Cendant's businesses, and satisfaction of obligations under existing or future employee benefit plans. Cendant and Purchaser have no current plan for the issuance of Shares repurchased pursuant to the Offer.

Shares are registered under the Exchange Act, which requires, among other things, that Cendant furnish certain information to its shareholders and to the Commission and comply with the Commission's proxy rules in connection with meetings of Cendant's shareholders. Purchaser and Cendant believe that Purchaser's purchase of Shares pursuant to the Offer will not result in the Shares becoming eligible for deregistration under the Exchange Act.

13. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS

Neither Purchaser, Cendant nor any of their subsidiaries is aware of any license or regulatory permit material to the business of Cendant or any of its subsidiaries (including the Purchaser) that might be adversely affected by Purchaser's acquisition of Shares as contemplated in the Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for Purchaser's or Cendant's acquisition or ownership of Shares as contemplated by the Offer. Should any such approval or other action be required, Purchaser and Cendant currently contemplate that they will seek such approval or other action. Purchaser cannot predict whether it may determine that it is required to delay the acceptance for payment of, or payment for, Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to Cendant's business. Purchaser's obligations under the Offer to accept for payment and pay for Shares are subject to certain conditions. See Section 6.

14. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following describes certain U.S. federal income tax consequences relating to the Offer to holders of Shares that are U.S. holders (as defined below). The discussion contained in this summary is based upon the Internal Revenue Code of 1986, as amended (the "Code") Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect). This summary discusses only Shares held as capital assets within the meaning of Section 1221 of the Code and does not address all of the tax consequences that may be relevant to certain shareholders in light of their particular circumstances or to certain types of shareholders subject to special treatment under the Code (including, without limitation, certain financial institutions, dealers in securities or commodities, insurance companies, tax-exempt organizations, persons who hold Shares as a position in a "straddle" or as a part of a "hedging" or "conversion" transaction for U.S. federal income tax purposes or persons who received their Shares through the exercise of employee stock options or otherwise as compensation). In particular, this discussion applies only to U.S. holders. This summary also does not address the state, local or foreign tax consequences of participating in the Offer. For purposes of this discussion, a "U.S. holder" means:

- a citizen or resident of the United States;
- a corporation, partnership, or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source; or

- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all of its substantial decisions.

Holders of Shares who are not U.S. holders should consult their tax advisors regarding the U.S. federal income tax consequences and any applicable foreign tax consequences of the Offer and should also see Section 3 for a discussion of the applicable U.S. withholding rules and the potential for obtaining a refund of all or a portion of any tax withheld.

EACH SHAREHOLDER SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES TO THE SHAREHOLDER PARTICIPATING IN THE OFFER.

CHARACTERIZATION OF THE PURCHASE. The purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes. As a consequence of the purchase, a U.S. holder will, depending on the U.S. holder's particular circumstances, be treated either as having sold the U.S. holder's Shares or as having received a distribution in respect of stock from Cendant.

Under Sections 302 and 304 of the Code, a U.S. holder whose Shares are purchased by Purchaser pursuant to the Offer will be treated as having sold its Shares, and thus will recognize capital gain or loss if the purchase:

- results in a "complete redemption" of the U.S. holder's equity interest in Cendant;

- results in a "substantially disproportionate" redemption with respect to the U.S. holder; or

- is "not essentially equivalent to a dividend" with respect to the U.S. holder.

Each of these tests (the "Section 302 tests") is explained more fully below.

If a U.S. holder satisfies any of the Section 302 tests described above, the U.S. holder will be treated as if it sold its Shares to Purchaser and will recognize capital gain or loss equal to the difference between the amount of cash received pursuant to the Offer and the U.S. holder's adjusted tax basis in the Shares surrendered in exchange therefor. This gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for the Shares that were sold exceeds one year as of the date of purchase by Purchaser pursuant to the Offer. Certain limitations apply to the deductibility of capital losses by U.S. holders. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) that is purchased by Purchaser from a U.S. holder pursuant to the Offer. A U.S. holder may be able to designate (generally through its broker) which blocks of Shares it wishes to tender pursuant to the Offer if less than all of its Shares are tendered pursuant to the Offer, and the order in which different blocks will be purchased by Purchaser in the event of proration pursuant to the Offer. U.S. holders should consult their tax advisors concerning the mechanics and desirability of that designation.

If a U.S. holder does not satisfy any of the Section 302 tests described above, the purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer will not be treated as a sale or exchange under Section 302 of the Code with respect to the U.S. holder. Instead, the entire amount received by a U.S. holder with respect to the purchase of its Shares by Purchaser pursuant to the Offer will be treated as a dividend distribution to the U.S. holder with respect to its Shares under Section 301 of the Code, taxable at ordinary income tax rates, to the extent, first, of the U.S. holder's share of Purchaser's current and accumulated earnings and profits (as defined for U.S. federal income tax purposes) and, second, of the U.S. holder's share of Cendant's current and accumulated earnings and profit. To the extent the amount exceeds the U.S. holder's share of Purchaser's and Cendant's current and accumulated earnings and profits, the excess first will be treated as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in its Shares and any remainder will be treated as capital gain (which may be long-term capital gain as described above). The determination of whether a corporation has earnings and profits is complex and the legal standards to be applied are subject to uncertainties and ambiguities. Additionally, whether a corporation has current earnings and profits can be determined only at the end of the taxable year. Accordingly, it is unclear whether Cendant and Purchaser will have sufficient current and accumulated earnings and profits to cover the amount of any payment made by Purchaser to U.S. holders to

purchase the U.S. holder's Shares pursuant to the Offer. To the extent that a purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer is treated as the receipt by the U.S. holder of a dividend, the U.S. holder's adjusted tax basis in the purchased Shares will be added to any Shares retained by the U.S. holder (and may be lost if the U.S. holder does not actually retain any stock ownership in Cendant).

CONSTRUCTIVE OWNERSHIP OF STOCK AND OTHER ISSUES. In applying each of the Section 302 tests, U.S. holders must take into account not only Shares that they actually own but also Shares they are treated as owning under the constructive ownership rules of Section 318 of the Code, as modified by Section 304 of the Code. Pursuant to the constructive ownership rules, a U.S. holder is treated as owning any Shares that are owned (actually and in some cases constructively) by certain related individuals and entities as well as Shares that the U.S. holder has the right to acquire by exercise of an option or by conversion or exchange of a security. Due to the factual nature of the Section 302 tests described below, U.S. holders should consult their tax advisors to determine whether Purchaser's purchase of their Shares pursuant to the Offer qualifies for sale treatment in their particular circumstances.

If a U.S. holder sells Shares to persons other than Purchaser at or about the time the U.S. holder also sells Shares to Purchaser pursuant to the Offer, and the sales effected by the U.S. holder are part of an overall plan to reduce or terminate the U.S. holder's proportionate interest in Cendant, then the sales to persons other than Purchaser may be integrated with the U.S. holder's sale of Shares pursuant to the Offer and, if integrated, should be taken into account in determining whether the U.S. holder satisfies any of the Section 302 tests described below. U.S. holders should consult their tax advisors regarding the treatment of other sales of Shares which may be integrated with the purchase of their Shares by Purchaser pursuant to the Offer.

Purchaser and Cendant cannot predict whether or the extent to which the Offer will be oversubscribed. If the Offer is oversubscribed, proration of tenders pursuant to the Offer will cause Purchaser to accept fewer Shares than are tendered. Therefore, no assurance can be given that Purchaser will purchase a sufficient number of a U.S. holder's Shares pursuant to the Offer to ensure that the U.S. holder receives sale treatment, rather than dividend treatment, for U.S. federal income tax purposes pursuant to the rules discussed below.

SECTION 302 TESTS. One of the following tests must be satisfied in order for the purchase of Shares by Purchaser pursuant to the Offer to be treated as a sale or exchange for federal income tax purposes.

a. COMPLETE TERMINATION TEST. The purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer will result in a "complete redemption" of the U.S. holder's equity interest in Cendant if all of the Shares that are actually owned by the U.S. holder are sold pursuant to the Offer and the Shares that are constructively owned by the U.S. holder are sold pursuant to the Offer or, with respect to Shares owned by certain related individuals, the U.S. holder effectively waives, in accordance with Section 302(c) of the Code, attribution of Shares which otherwise would be considered as constructively owned by the U.S. holder. U.S. holders wishing to satisfy the "complete redemption" test through waiver of the constructive ownership rules should consult their tax advisors.

b. SUBSTANTIALLY DISPROPORTIONATE TEST. The purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer will result in a "substantially disproportionate" redemption with respect to the U.S. holder if, among other things, the percentage of the then outstanding Shares actually and constructively owned by the U.S. holder immediately after the purchase is less than 80% of the percentage of the Shares actually and constructively owned by the U.S. holder immediately before the purchase (treating as outstanding all Shares purchased pursuant to the Offer).

c. NOT ESSENTIALLY EQUIVALENT TO A DIVIDEND TEST. The purchase of a U.S. holder's Shares by Purchaser pursuant to the Offer will be treated as "not essentially equivalent to a dividend" if the reduction in the U.S. holder's proportionate interest in Cendant as a result of the purchase constitutes a "meaningful reduction" given the U.S. holder's particular circumstances. Whether the receipt of cash by a shareholder who sells Shares pursuant to the Offer will be "not essentially equivalent to a dividend" will depend upon the shareholder's particular facts and circumstances. The Internal Revenue Service has

indicated in a published revenue ruling that even a small reduction in the percentage interest of a U.S. holder whose relative stock interest in a publicly held corporation is minimal (e.g., an interest of less than 1%) and who exercises no control over corporate affairs should constitute a "meaningful reduction." U.S. holders should consult their tax advisors as to the application of this test in their particular circumstances.

CORPORATE SHAREHOLDER DIVIDEND TREATMENT. In the case of a corporate U.S. holder, to the extent that any amounts received pursuant to the Offer are treated as a dividend, such holder may be eligible for the dividends-received deduction. The dividends-received deduction is subject to certain limitations and may not be available if a corporate U.S. holder does not satisfy certain holding period requirements with respect to its Shares or if its Shares are treated as "debt financed portfolio stock" within the meaning of Section 246A of the Code. In addition, any amount received by a corporate U.S. holder pursuant to the Offer that is treated as a dividend will constitute an "extraordinary dividend" under Section 1059 of the Code (except as may otherwise be provided in regulations yet to be promulgated by the Treasury department). Accordingly, a corporate U.S. holder will be required under Section 1059(a) of the Code to reduce its adjusted tax basis (but not below zero) in its Shares by the non-taxed portion of the extraordinary dividend (i.e., the portion of the dividend for which a deduction is allowed) and, if such portion exceeds the corporate U.S. holder's adjusted tax basis in its shares, to treat the excess as gain from the sale of such Shares in the year in which the dividend is received. These basis reduction and gain recognition rules would be applied by taking into account only the corporate U.S. holder's adjusted tax basis in the Shares that were sold pursuant to the Offer, without regard to other Shares that the corporate U.S. holder may continue to own. Corporate U.S. holders should consult their own tax advisors as to the application of Section 1059 of the Code to the Offer, and to the tax consequences of dividend treatment in their particular circumstances.

FOREIGN SHAREHOLDERS. Generally, the Depositary will withhold United States federal income tax at a rate of 30% from the gross proceeds paid pursuant to the Offer to a foreign shareholder (as defined in Section 3) or his agent, unless the Depositary determines that an exemption from, or a reduced rate of, withholding tax is available pursuant to a tax treaty or that an exemption from withholding otherwise applies. See Section 3 for a discussion of the applicable U.S. withholding rules and the potential for being subject to reduced withholding and for obtaining a refund of all or a portion of any tax withheld.

SHAREHOLDERS WHO DO NOT RECEIVE CASH PURSUANT TO THE OFFER. Shareholders whose Shares are not purchased by Purchaser pursuant to the Offer will not incur any tax liability as a result of the consummation of the Offer.

BACKUP WITHHOLDING. See Section 3 with respect to the application of United States federal backup withholding tax.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. EACH SHAREHOLDER IS URGED TO CONSULT ITS TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO IT OF THE OFFER, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND FOREIGN TAX LAWS.

15. EXTENSION OF THE OFFER; TERMINATION; AMENDMENTS

Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 6 shall have occurred or shall be deemed by Purchaser to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Depositary and making a public announcement thereof. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer and to the rights of a tendering shareholder to withdraw such shareholder's shares. Purchaser also expressly reserves the right, in its sole discretion, to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares upon the occurrence of any of the conditions specified in Section 6 hereof by giving oral or written notice of such termination or postponement to the Depositary and making a public announcement thereof.

Additionally, in certain circumstances, if Purchaser waives any of the conditions of the Offer set forth in Section 6, it may be required to extend the Expiration Date of the Offer. Purchaser's reservation of the right to delay payment for Shares that it has accepted for payment is limited by Rule 13e-4(f)(5) promulgated under the Exchange Act, which requires that Purchaser must pay the consideration offered or return Shares tendered promptly after termination or withdrawal of a tender offer. Subject to compliance with applicable law, Purchaser further reserves the right, in its sole discretion, and regardless of whether any of the events set forth in Section 6 shall have occurred or shall be deemed by Purchaser to have occurred, to amend the Offer in any respect (including, without limitation, by decreasing or increasing the consideration offered in the Offer to holders of Shares or by decreasing or increasing the number of Shares being sought in the Offer). Amendments to the Offer may be made at any time and from time to time effected by public announcement thereof, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled or announced Expiration Date. Any public announcement made pursuant to the Offer will be disseminated promptly to shareholders in a manner reasonably designated to inform shareholders of such change. Without limiting the manner in which Purchaser may choose to make any public announcement, except as provided by applicable law (including Rule 13e-4(e)(2) promulgated under the Exchange Act), Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Dow Jones News Service.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, Purchaser will extend the Offer to the extent required by Rules 13e-4(d)(2) and 13e-4(e)(2) promulgated under the Exchange Act, which require that the minimum period during which an offer must remain open following material changes in the terms of the offer or information concerning the offer (other than a change in price or a change in percentage of securities sought) will depend upon the facts and circumstances, including the relative materiality of such terms or information. If (i) Purchaser increases or decreases the price to be paid for Shares, Purchaser increases or decreases the Dealer Manager's fee, Purchaser increases the number of Shares being sought and such increase in the number of Shares being sought exceeds 2% of the outstanding Shares, or Purchaser decreases the number of Shares being sought, and (ii) the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given, the Offer will extended until the expiration of such period of ten business days.

16. FEES AND EXPENSES

Purchaser has retained Banc of America to act as the Dealer Manager in connection with the Offer for which services Banc of America will receive a fee for its services as Dealer Manager of $1 million. Purchaser also has agreed to reimburse Banc of America for its out of pocket expenses, including the fees and expenses of legal counsel, and to indemnify Banc of America and certain related persons against certain liabilities in connection with the Offer and Banc of America's engagement as Dealer Manager in connection with the Offer, including certain liabilities under the federal securities laws. Banc of America and certain of its affiliates have rendered various investment banking and other advisory services to Cendant and its subsidiaries, and have acted as lender and as administrator of certain credit facilities of Cendant and its subsidiaries and of an asset securitization facility relating to the Fleet Business, in the past, for which it has received customary compensation, and can be expected to render similar services to Cendant and its subsidiaries in the future. Purchaser also has retained ChaseMellon Shareholder Services, L.L.C. ("ChaseMellon") to act as the Information Agent and as the Depositary in connection with the Offer. ChaseMellon will receive reasonable and customary compensation for its services. Purchaser will also reimburse ChaseMellon for out-of-pocket expenses, including reasonable attorneys' fees, and has agreed to indemnify ChaseMellon against certain liabilities in connection with the Offer, including certain liabilities under the federal securities laws. Banc of America and ChaseMellon may contact shareholders by mail, telephone, telex, telegraph and personal interviews, and may request brokers, dealers and other

nominee shareholders to forward materials relating to the Offer to beneficial owners. ChaseMellon has not been retained to make solicitations or recommendations in connection with the Offer.

Purchaser will not pay fees or commissions to any broker, dealer, commercial bank, trust company or other person (other than to the Dealer Manager and Information Agent as described above) for soliciting any Shares pursuant to the Offer. Purchaser will, however, on request, reimburse such persons for customary handling and mailing expenses incurred in forwarding materials in respect of the Offer to the beneficial owners for which they act as nominees. No such broker, dealer, commercial bank or trust company has been authorized to act as Purchaser's agent for purposes of the Offer. Purchaser will pay (or cause to be paid) any stock transfer taxes on its purchase of Shares, except as otherwise provided in Instruction 7 of the Letter of Transmittal.

17. MISCELLANEOUS

Purchaser is not aware of any jurisdiction where the making of the Offer is not in compliance with applicable law. If Purchaser becomes aware of any jurisdiction where the making of the Offer is not in compliance with any valid applicable law, Purchaser will make a good faith effort to comply with such law. If, after such good faith effort, Purchaser cannot comply with such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares residing in such jurisdiction. In any jurisdiction the securities or blue sky laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on Purchaser's behalf by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Pursuant to Rule 13e-4 promulgated under the Exchange Act, Purchaser has filed with the Commission an Issuer Tender Offer Statement on Schedule 13E-4 (the "Schedule 13E-4") which contains additional information with respect to the Offer. The Schedule 13E-4, including the exhibits and any amendments thereto, may be examined, and copies may be obtained, at the same places and in the same manner as is set forth in Section 11 with respect to information concerning Cendant.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PURCHASER, CENDANT, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE OR IN THE RELATED LETTER OF TRANSMITTAL. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY PURCHASER, CENDANT, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGER.

CENDANT STOCK CORPORATION

June 16, 1999

SCHEDULE I

CERTAIN TRANSACTIONS INVOLVING SHARES

Except as set forth below, based upon Purchaser's and Cendant's records and upon information provided to Purchaser and Cendant by their respective directors, executive officers, associates and subsidiaries, neither Purchaser, Cendant nor any of their associates or subsidiaries or persons controlling Cendant and its subsidiaries (including Purchaser) (of which Purchaser and Cendant believe there are none) nor, to the best of Purchaser's and Cendant's knowledge, any of the directors or executive officers of Purchaser and Cendant or any of their subsidiaries, nor any associates or subsidiary of any of the foregoing, has effected any transactions in the Shares during the 40 business days prior to June 16, 1999.

1. From December 1998 to June 16, 1999, Cendant has repurchased an aggregate of 83,892,700 Shares at an average purchase price of $19.0196 per Share pursuant to its ongoing Share Repurchase Program, each in open market purchases on the NYSE. Set forth in the table below is information with regard to Shares repurchased by Cendant pursuant to the Share Repurchase Program during the past 40 business days:

DATE	NUMBER OF SHARES	PRICE(1)
4/28/1999	127,000	$ 18.8105
4/29/1999	298,500	$ 18.9711
4/30/1999	649,900	$ 18.8865
5/3/1999	505,000	$ 18.4872

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

(1) Exclusive of brokerage commission.

2. Cendant issued Options to purchase an aggregate of 7,950,000 Shares to Cendant's executive officers and directors on April 21, 1999 under Cendant's option plans, as set forth in the table below:

NAME	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE
Henry R. Silverman	3,000,000	$ 17.875
James E. Buckman	600,000	$ 17.875
Stephen P. Holmes	600,000	$ 17.875
Robert D. Kunisch	400,000	$ 17.875
Michael P. Monaco	600,000	$ 17.875
John W. Chidsey	850,000	$ 17.875
Jon F. Danski	300,000	$ 17.875
David M. Johnson	500,000	$ 17.875
Samuel L. Katz	500,000	$ 17.875
Richard A. Smith	600,000	$ 17.875

3. David M. Johnson, Senior Executive Vice President and Chief Financial Officer of Cendant, purchased 10,000 Shares on the open market at a price of $18.81 per Share on April 28, 1999.

4. Jon F. Danski, Executive Vice President and Chief Accounting Officer of Cendant purchased 29,000 Shares on the open market at a price of $18.90 per Share on April 29, 1999.

5. Henry R. Silverman, Chairman of the Board, President and Chief Executive Officer of Cendant, exercised options to purchase 170,000 Shares at a price of $1.29 per Share on April 23, 1999 and sold 70,000 Shares on the open market at a price of $20.2188 per Share on such date.

6. Robert D. Kunisch, Vice Chairman of Cendant, sold 150,000 Shares on the open market at an average price of $20.1517 per Share on April 23, 1999. On April 30, 1999, Mr. Kunisch sold 50,000 Shares on the open market at an average price of $18.4105 per Share. On May 6, 1999, Mr. Kunisch sold 150,000 Shares on the open market at an average price of $17.6715 per Share.

7. Samuel L. Katz, Executive Vice President, Strategic Development of Cendant, purchased 5,283.6 Shares at a price of $18.507 per Share on June 10, 1999, through a transaction executed under the Deferred Compensation Plan.

CENDANT CORPORATION

UNAUDITED PRO FORMA

CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Unaudited Pro Forma Consolidated Financial Statements of Cendant give effect to the proposed disposition of the Fleet Business. Pursuant to the Merger Agreement, Avis will acquire the net assets of the Fleet Business for $1.44 billion in assumed intercompany debt of Holdings which will be subsequently repaid to PHH, and the issuance of $360 million in convertible preferred stock of Avis Fleet. The unaudited pro forma consolidated financial statements also give effect to the use of proceeds from the disposition of the Fleet Business for the purchase of Shares pursuant to the Offer and the repayment of debt under management and mortgage programs (collectively, the "Transactions"). The pro forma information assumes that Shares are purchased by Purchaser pursuant to the Offer at prices of $19.75 per Share and $22.50 per Share, respectively. Cendant beneficially owns approximately 19% of Avis' outstanding Class A common stock and accounts for such investment utilizing the equity method. The unaudited pro forma consolidated balance sheet as of March 31, 1999 is presented as if the Transactions had occurred on March 31, 1999. The unaudited pro forma consolidated statements of income for the year ended December 31, 1998 and for the three months ended March 31, 1999 are presented as if the Transactions had occurred on January 1, 1998. Such financial statements do not purport to present the results of operations of Cendant had the disposition of the Fleet Business occurred on the dates specified nor are they necessarily indicative of the operating results that may be achieved in the future.

The accompanying Unaudited Pro Forma Consolidated Financial Statements of Cendant are based on certain assumptions and adjustments described in the Notes thereto, and should be read in conjunction therewith and with the consolidated financial statements and related notes thereto of Cendant, as included in Cendant's (i) Annual Report on Form 10-K/A for the year ended December 31, 1998, which was filed with the Commission on May 13, 1999; and (ii) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, which was filed with the Commission on May 17, 1999.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 1999

(IN MILLIONS)

	HISTORICAL CENDANT	ASSUMING A $19.75 PURCHASE PRICE PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS			
Current Assets			
Cash and cash equivalents	$ 520.7	$ 1,390.0(B) (1,390.0)(C)	$ 520.7
Receivables, net	1,600.8	(504.5)(A)	1,096.3
Deferred membership commission costs	252.5	--	252.5
Deferred income taxes	302.7	(14.8)(A)	287.9
Other current assets	874.5	(19.2)(A)	855.3
Net assets of discontinued operations	61.8	--	61.8
Total current assets	3,613.0	(538.5)	3,074.5
Property and equipment, net	1,399.9	(96.9)(A)	1,303.0
Franchise agreements, net	1,353.4	--	1,353.4
Goodwill, net	3,874.7	(181.0)(A)	3,693.7
Other intangibles, net	734.2	(47.4)(A)	686.8
Other assets	698.4	(4.9)(A) 360.0(B)	1,053.5
Total assets exclusive of assets under programs	11,673.6	(508.7)	11,164.9
Assets under management and mortgage programs			
Net investment in leases and leased vehicles	3,873.5	(3,873.5)(A)	--
Relocation receivables	620.9	--	620.9
Mortgage loans held for sale	1,955.6	--	1,955.6
Mortgage servicing rights	743.5	--	743.5
	7,193.5	(3,873.5)	3,320.0
Total assets	$ 18,867.1	$(4,382.2)	$ 14,484.9

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 1999

(IN MILLIONS, EXCEPT SHARE AMOUNTS)

		ASSUMING A $19.75 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other current liabilities	$ 1,585.2	$ (852.2)(A) 11.4(B)	744.4
Deferred income	1,342.1	(23.1)(A)	1,319.0
Total current liabilities	2,927.3	(863.9)	2,063.4
Deferred income	234.7	--	234.7
Long-term debt	3,357.7	(20.8)(A)	3,336.9
Deferred income taxes	38.2	33.9(B) (7.8)(A)	64.3
Other non-current liabilities	86.4	--	86.4
Deferred gain	--	180.9(B)	180.9
Total liabilities exclusive of liabilities under programs	6,644.3	(677.7)	5,966.6
Liabilities under management and mortgage programs			
Debt	6,327.3	(3,022.0)(A) (402.5)(C)	2,902.8
Deferred income taxes	328.6	(130.4)(A)	198.2
Mandatorily redeemable preferred securities issued by subsidiary	1,473.5	--	1,473.5
Shareholders' equity			
Preferred stock, $.01 par value--authorized 10 million shares; none issued and outstanding	--	--	--
Common stock, $.01 par value--authorized 2 billion shares; issued 863,046,029	8.6	--	8.6
Additional paid-in capital	3,960.3	15.9(B)	3,976.2
Retained earnings	1,842.2	776.5(B)	2,618.7
Accumulated other comprehensive loss	(120.2)	45.5(A)	(74.7)
Treasury stock, at cost, 85.3 million shares--historical and 135.3 million shares--pro forma	(1,597.5)	(987.5)(C)	(2,585.0)
Total shareholders' equity	4,093.4	(149.6)	3,943.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,867.1	$(4,382.2)	$ 14,484.9

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1998

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		ASSUMING A $19.75 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
REVENUES			
Membership and service fees, net	$ 4,883.5	$ (293.9)(A) 23.6(D)	$ 4,613.2
Fleet leasing (net of depreciation and interest costs of $1,279.4 historical)	88.7	(88.7)(A)	--
Other	114.4	18.0(E) 4.5(F) (6.5)(G)	130.4
Net revenues	5,086.6	(343.0)	4,743.6
EXPENSES			
Operating	1,721.5	(91.6)(A)	1,629.9
Marketing and reservation	1,158.5	(20.3)(A)	1,138.2
General and administrative	648.7	(94.2)(A)	554.5
Depreciation and amortization	314.0	(22.2)(A)	291.8
Other charges			
Litigation settlement	351.0	--	351.0
Termination of proposed acquisitions	433.5	--	433.5
Executive terminations	52.5	--	52.5
Investigation-related costs	33.4	--	33.4
Merger-related costs and other unusual charges (credits)	(67.2)	1.3(A)	(65.9)
Financing costs	35.1	--	35.1
Interest, net	113.9	(3.7)(A)	110.2
Total expenses	4,794.9	(230.7)	4,564.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	291.7	(112.3)	179.4
Provision for income taxes	95.4	(36.8)(H)	58.6
Minority interest, net of tax	50.6	--	50.6
INCOME FROM CONTINUING OPERATIONS	$ 145.7	$ (75.5)	$ 70.2
PER SHARE INFORMATION:			
Income from continuing operations			
Basic	$ 0.17		$ 0.09
Diluted	$ 0.16		$ 0.08
Weighted Average Shares			
Basic	848.4	(50.0)(C)	798.4
Diluted	880.4	(50.0)(C)	830.4

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1999

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		ASSUMING A $19.75 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
REVENUES			
Membership and service fees, net	$ 1,247.9	$ (81.0)(A) 5.7(D)	$ 1,172.6
Fleet leasing (net of depreciation and interest costs of $326.4--historical)	18.6	(18.6)(A)	--
Other	38.4	-- 4.5(E) 1.1(F) (2.5)(G)	41.5
Net revenues	1,304.9	(90.8)	1,214.1
EXPENSES			
Operating	432.4	(30.4)(A)	402.0
Marketing and reservation	262.2	(5.0)(A)	257.2
General and administrative	160.6	(24.7)(A)	135.9
Depreciation and amortization	91.0	(8.1)(A)	82.9
Other charges			
Termination of proposed acquisition	7.0	--	7.0
Investigation-related costs	1.7	--	1.7
Merger-related costs and other unusual charges (credits)	(1.3)	--	(1.3)
Interest, net	48.3	(0.8)(A)	47.5
Total expenses	1,001.9	(69.0)	932.9
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	303.0	(21.8)	281.2
Provision for income taxes	106.5	(7.7)(H)	98.8
Minority interest, net of tax	15.1	--	15.1
INCOME FROM CONTINUING OPERATIONS	$ 181.4	$ (14.1)	$ 167.3
PER SHARE INFORMATION:			
Income from continuing operations			
Basic	$ 0.23		$ 0.22
Diluted	$ 0.22		$ 0.21
Weighted Average Shares			
Basic	800.1	(50.0)(C)	750.1
Diluted	854.4	(50.0)(C)	804.4

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 1999
(IN MILLIONS)

	HISTORICAL CENDANT	ASSUMING A $22.50 PURCHASE PRICE PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS			
Current Assets			
Cash and cash equivalents	$ 520.7	$ 1,390.0(B) (1,390.0)(C)	$ 520.7
Receivables, net	1,600.8	(504.5)(A)	1,096.3
Deferred membership commission costs	252.5	--	252.5
Deferred income taxes	302.7	(14.8)(A)	287.9
Other current assets	874.5	(19.2)(A)	855.3
Net assets of discontinued operations	61.8	--	61.8
Total current assets	3,613.0	(538.5)	3,074.5
Property and equipment, net	1,399.9	(96.9)(A)	1,303.0
Franchise agreements, net	1,353.4	--	1,353.4
Goodwill, net	3,874.7	(181.0)(A)	3,693.7
Other intangibles, net	734.2	(47.4)(A)	686.8
Other assets	698.4	(4.9)(A) 360.0(B)	1,053.5
Total assets exclusive of assets under programs	11,673.6	(508.7)	11,164.9
Assets under management and mortgage programs			
Net investment in leases and leased vehicles	3,873.5	(3,873.5)(A)	--
Relocation receivables	620.9	--	620.9
Mortgage loans held for sale	1,955.6	--	1,955.6
Mortgage servicing rights	743.5	--	743.5
	7,193.5	(3,873.5)	3,320.0
Total assets	$ 18,867.1	$(4,382.2)	$ 14,484.9

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 1999
(IN MILLIONS, EXCEPT SHARE AMOUNTS)

		ASSUMING A $22.50 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other current liabilities	$ 1,585.2	$ (852.2)(A) 11.4(B)	744.4
Deferred income	1,342.1	(23.1)(A)	1,319.0
Total current liabilities	2,927.3	(863.9)	2,063.4
Deferred income	234.7	--	234.7
Long-term debt	3,357.7	(20.8)(A)	3,336.9
Deferred income taxes	38.2	33.9(B) (7.8)(A)	64.3
Other non-current liabilities	86.4	--	86.4
Deferred gain	--	180.9(B)	180.9
Total liabilities exclusive of liabilities under programs	6,644.3	(677.7)	5,966.6
Liabilities under management and mortgage programs			
Debt	6,327.3	(3,022.0)(A) (265.0)(C)	3,040.3
Deferred income taxes	328.6	(130.4)(A)	198.2
Mandatorily redeemable preferred securities issued by subsidiary	1,473.5	--	1,473.5
Shareholders' equity			
Preferred stock, $.01 par value--authorized 10 million shares; none issued and outstanding	--	--	--
Common stock, $.01 par value--authorized 2 billion shares; issued 863,046,029	8.6	--	8.6
Additional paid-in capital	3,960.3	15.9(B)	3,976.2
Retained earnings	1,842.2	776.5(B)	2,618.7
Accumulated other comprehensive loss	(120.2)	45.5(A)	(74.7)
Treasury stock, at cost, 85.3 million shares--historical and 135.3 million shares--pro forma	(1,597.5)	(1,125.0)(C)	(2,722.5)
Total shareholders' equity	4,093.4	(287.1)	3,806.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,867.1	$(4,382.2)	$ 14,484.9

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1998
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		ASSUMING A $22.50 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
REVENUES			
Membership and service fees, net	$ 4,883.5	$ (293.9)(A) 15.6(D)	$ 4,605.2
Fleet leasing (net of depreciation and interest costs of $1,279.4--historical)	88.7	(88.7)(A)	--
Other	114.4	18.0(E) 4.5(F) (6.5)(G)	130.4
Net revenues	5,086.6	(351.0)	4,735.6
EXPENSES			
Operating	1,721.5	(91.6)(A)	1,629.9
Marketing and reservation	1,158.5	(20.3)(A)	1,138.2
General and administrative	648.7	(94.2)(A)	554.5
Depreciation and amortization	314.0	(22.2)(A)	291.8
Other charges			
Litigation settlement	351.0	--	351.0
Termination of proposed acquisitions	433.5	--	433.5
Executive terminations	52.5	--	52.5
Investigation-related costs	33.4	--	33.4
Merger-related costs and other unusual charges (credits)	(67.2)	1.3(A)	(65.9)
Financing costs	35.1	--	35.1
Interest, net	113.9	(3.7)(A)	110.2
Total expenses	4,794.9	(230.7)	4,564.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	291.7	(120.3)	171.4
Provision for income taxes	95.4	(39.4)(H)	56.0
Minority interest, net of tax	50.6	--	50.6
INCOME FROM CONTINUING OPERATIONS	$ 145.7	$ (80.9)	$ 64.8
PER SHARE INFORMATION:			
Income from continuing operations			
Basic	$ 0.17		$ 0.08
Diluted	$ 0.16		$ 0.08
Weighted Average Shares			
Basic	848.4	(50.0)(C)	798.4
Diluted	880.4	(50.0)(C)	830.4

See notes to unaudited pro forma consolidated financial statements.

CENDANT CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1999
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		ASSUMING A $22.50 PURCHASE PRICE	
	HISTORICAL CENDANT	PRO FORMA ADJUSTMENTS	PRO FORMA
REVENUES			
Membership and service fees, net	$ 1,247.9	$ (81.0)(A) 3.8(D)	$ 1,170.7
Fleet leasing (net of depreciation and interest costs of $326.4--historical)	18.6	(18.6)(A)	--
Other	38.4	4.5(E) 1.1(F) (2.5)(G)	41.5
Net revenues	1,304.9	(92.7)	1,212.2
EXPENSES			
Operating	432.4	(30.4)(A)	402.0
Marketing and reservation	262.2	(5.0)(A)	257.2
General and administrative	160.6	(24.7)(A)	135.9
Depreciation and amortization	91.0	(8.1)(A)	82.9
Other charges			
Termination of proposed acquisition	7.0	--	7.0
Investigation-related costs	1.7	--	1.7
Merger-related costs and other unusual charges (credits)	(1.3)	--	(1.3)
Interest, net	48.3	(0.8)(A)	47.5
Total expenses	1,001.9	(69.0)	932.9
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	303.0	(23.7)	279.3
Provision for income taxes	106.5	(8.3)(H)	98.2
Minority interest, net of tax	15.1	--	15.1
INCOME FROM CONTINUING OPERATIONS	$ 181.4	$ (15.4)	$ 166.0
PER SHARE INFORMATION:			
Income from continuing operations			
Basic	$ 0.23		$ 0.22
Diluted	$ 0.22		$ 0.21
Weighted Average Shares			
Basic	800.1	(50.0)(C)	750.1
Diluted	854.4	(50.0)(C)	804.4

See notes to unaudited pro forma consolidated financial statements.

(DOLLARS IN MILLIONS, UNLESS OTHERWISE NOTED)

(A) The pro forma adjustments reflects the elimination of the historical balance sheet amounts and operating results of the Fleet Business.

(B) The pro forma balance sheet adjustments reflect the consideration to be received from Avis in connection with the disposition of the Fleet Business to Avis and the anticipated gain on disposition, which is calculated as follows:

Gross cash proceeds	$ 1,440.0
Avis Fleet series A cumulative participating 5% redeemable convertible preferred stock (7.2 million shares)	360.0
Total consideration	1,800.0
Historical net book value of Fleet Business	731.4
Transaction costs (i)	65.9
Income taxes payable (ii)	11.4
Deferred tax liabilities (ii)	33.9
Anticipated gain on disposition	957.4
Less: Deferred gain on disposition (iii)	180.9
Anticipated gain on disposition to be recognized upon consummation (iv)	$ 776.5

(i) Consists of: (a) $50.0 of cash payments made for professional fees and bonuses directly related to the Transactions; and (b) a $15.9 charge to equity for the accelerated vesting of Cendant stock options held by employees of the Fleet Business.

(ii) Reflects the anticipated income tax effects from the disposition of the Fleet Business.

(iii) Reflects a deferral of 18.9% of the anticipated gain on disposition, which is equivalent to Cendant's common stock investment in Avis.

(iv) The anticipated gain upon disposition of the Fleet Business is reflected as a pro forma adjustment to retained earnings in the unaudited pro forma consolidated balance sheet as of March 31, 1999, and is not included in the unaudited pro forma consolidated statements of income.

(C) The pro forma adjustment reflects the utilization of $1,390.0 of net proceeds ($1,440.0 gross proceeds less $50.0 of transaction costs) to repurchase 50.0 million Shares pursuant to the Offer and the remaining proceeds used to repay debt under management and mortgage programs.

The utilization of proceeds at the assumed Purchase Prices is calculated as follows:

	AT $19.75	AT $22.50
Purchase of 50.0 million Shares	$ 987.5	$ 1,125.0
Repayment of debt under management and mortgage programs	402.5	265.0
Net proceeds	$ 1,390.0	$ 1,390.0

(DOLLARS IN MILLIONS, UNLESS OTHERWISE NOTED)

(D) The pro forma income statement adjustment reflects a reduction of interest expense from the assumed repayment of debt used to finance assets under management and mortgage programs (See Note C). The interest rate for the three months ended March 31, 1999 and the year ended December 31, 1998 was 5.71% and 5.87%, respectively, the weighted average interest rates in effect for such periods. The reduction of interest expense is calculated as follows:

	YEAR ENDED DECEMBER 31, 1998	
	AT $19.75 PURCHASE PRICE	AT $22.50 PURCHASE PRICE
Repayment of debt under management and mortgage programs	$ 402.5	$ 265.0
Weighted average annual interest rate	5.87%	5.87%
Pro Forma Adjustment	$ 23.6	$ 15.6

	THREE MONTHS ENDED MARCH 31, 1999	
	AT $19.75 PURCHASE PRICE	AT $22.50 PURCHASE PRICE
Repayment of debt under management and mortgage programs	$ 402.5	$ 265.0
Weighted average annual interest rate	5.71%	5.71%
	$ 23.0	$ 15.1
Pro Forma Adjustment	$ 5.7	$ 3.8

(E) The pro forma income statment adjustment reflects the preferred stock dividend payable from Avis Fleet to Cendant on the $360.0 of Avis Fleet series A cumulative participating convertible preferred stock at a rate of 5% per annum.

(F) The pro forma income statment adjustment reflects the recognition of a proportional amount of the deferred gain on disposition of the Fleet Business to Avis. The deferred gain is recognized into income over forty years, which is consistent with the period in which Avis is expected to amortize the goodwill generated from their purchase of the Fleet Business.

(G) The pro forma income statment adjustment represents Cendant's equity interest in Avis' pro forma change in their historical earnings giving effect to Avis' acquisition of the Fleet Business. The pro forma adjustment was determined as follows:

	YEAR ENDED DECEMBER 31, 1998	THREE MONTHS ENDED MARCH 31, 1999
Historical net income of Avis	$ 63.5	$ 15.2
Avis' pro forma income available to common shareholders giving effect to Avis' acquisition of the Fleet Business	34.8	2.8
Pro forma differences	28.7	12.4
Cendant's weighted equity ownership percentage in Avis	22.74%	20.00%
Pro forma adjustment	$ 6.5	$ 2.5

(H) The pro forma adjustment reflects the income tax effects related to the disposition of the Fleet Business. The pro forma effective tax rate approximates the historical effective tax rate of Cendant.

Manually signed facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates for the Shares and any other required documents should be sent or delivered by each shareholder or such shareholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at its address set forth below:

THE DEPOSITARY FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By Hand Delivery:	By Overnight Delivery:	By Mail:
120 Broadway, 13(th) Floor New York, New York 10271 Attn: Reorganization Dept.	85 Challenger Road Mail Drop-Reorg Ridgefield Park, New Jersey 07660 Attn: Reorganization Dept.	P.O. Box 3301 South Hackensack New Jersey 07606 Attn: Reorganization Dept.

Facsimile Transmission:
(201) 296-4293

Confirm Receipt of Facsimile by Telephone:
(201) 296-4860

Any questions or requests for assistance or for additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager, as set forth below. Shareholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.
450 West 33(rd) Street, 14(th) Floor
New York, New York 10001
Call Toll Free: 1-800-684-8823
Bankers and Brokers may call: (212) 273-8035

THE DEALER MANAGER FOR THE OFFER IS:

[LOGO]
9 West 57th Street, 40th Floor
New York, New York 10019
Call: (212) 847-5355

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
OF
CENDANT CORPORATION
TENDERED PURSUANT TO THE OFFER TO PURCHASE
DATED JUNE 16, 1999
BY
CENDANT STOCK CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

- ---

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.

- ---

THE DEPOSITARY FOR THE OFFER IS:
CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By Hand Delivery:
120 Broadway
13(th) Floor
New York, New York 10271
Attn: Reorganization Dept.

By Overnight Delivery:
85 Challenger Road
Mail Drop-Reorg
Ridgefield Park
New Jersey 07660
Attn: Reorganization Dept.
By Facsimile Transmission:
(201) 296-4293
Confirm Receipt of Facsimile
by Telephone:
(201) 296-4860

By Mail:
P.O. Box 3301
South Hackensack
New Jersey 07606
Attn: Reorganization Dept.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL, INCLUDING THE ACCOMPANYING INSTRUCTIONS, CAREFULLY BEFORE CHECKING ANY BOX BELOW.

DESCRIPTION OF SHARES TENDERED
(SEE INSTRUCTIONS 3 AND 4)

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S))	SHARES TENDERED (ATTACH ADDITIONAL SIGNED LIST, IF NECESSARY)	
	CERTIFICATE NUMBER(S)(1)	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATES
	TOTAL SHARES	

Indicate in this box the order (by certificate number) in which Shares are to be purchased in the event of proration.(3) (Attach additional signed list if necessary.) See Instruction 15.
1st: 2nd: 3rd: 4th: 5th:

/ / Check here if any Share certificates that you own have been lost, stolen or destroyed. See Instruction 16.
Number of Shares represented by lost, stolen or destroyed Share certificates:

(1) Need not be completed by shareholders tendering Shares by book-entry transfer.
(2) Unless otherwise indicated, it will be assumed that all Shares represented by each Share certificate delivered to the Depositary are being tendered hereby. See Instruction 4.
(3) If you do not designate an order, then in the event less than all Shares tendered are purchased due to proration, Shares will be selected for purchase by the Depositary. See Instruction 15.

NOTE: SIGNATURES MUST BE PROVIDED BELOW. PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. DELIVERIES TO PURCHASER, CENDANT, THE DEALER MANAGER OR THE INFORMATION AGENT WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT CONSTITUTE VALID DELIVERY. DELIVERIES TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE VALID DELIVERY TO THE DEPOSITARY.

This Letter of Transmittal is to be used only if certificates are to be forwarded herewith or if delivery of Shares (as defined below) is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company (hereinafter referred to as the "BookEntry Transfer Facility") pursuant to the procedures set forth in Section 3 of the Offer to Purchase (as defined below). THIS LETTER OF TRANSMITTAL MAY NOT BE USED FOR TENDERING SHARES REFLECTING INTERESTS IN ACCOUNTS IN CENDANT'S SAVINGS PLANS (AS DEFINED IN THE OFFER TO PURCHASE). SEE INSTRUCTION 14.

Shareholders who cannot deliver their Share certificates and any other required documents to the Depositary by the Expiration Date (as defined in the Offer to Purchase), must tender their Shares using the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2.

(BOX BELOW FOR USE BY ELIGIBLE INSTITUTIONS ONLY)

/ / CHECK HERE IF TENDERED SHARES ARE ENCLOSED HEREWITH

/ / CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____
Account No. _____
Transaction Code No. _____

/ / CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____
Date of Execution of Notice of Guaranteed Delivery _____
Name of Institution that Guaranteed Delivery _____
If delivery is by book-entry transfer:

Name of Tendering Institution _____
Account No. _____
Transaction Code No. _____

LADIES AND GENTLEMEN:

The undersigned hereby tenders to Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), the above-described shares of the common stock of Cendant, par value $.01 per share ("Shares"), at the price per Share indicated in this Letter of Transmittal, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, as amended and supplemented from time to time, together constitute the "Offer").

Subject to, and effective upon, acceptance for payment of and payment for Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all Shares that are being tendered hereby or orders the registration of such Shares tendered by book-entry transfer that are purchased pursuant to the Offer to or upon the order of Purchaser and hereby irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to:

(i) deliver certificates for such Shares, or transfer ownership of such Shares on the account books maintained by the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser upon receipt by the Depositary, as the undersigned's agent, of the Purchase Price (as defined below) with respect to such Shares;

(ii) present certificates for such Shares for cancellation and transfer on the books of Cendant; and

(iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares, all in accordance with the terms of the Offer.

The undersigned hereby represents and warrants to Purchaser that the undersigned has full power and authority to tender, sell, assign and transfer Shares tendered hereby and that, when and to the extent the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges, encumbrances, conditional sales agreements or other obligations relating to the sale or transfer thereof, and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of Shares tendered hereby.

The undersigned represents and warrants to Purchaser that the undersigned has read and agrees to all of the terms of the Offer. All authority herein conferred or agreed to be conferred shall not be affected by, and shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions will constitute the undersigned's acceptance of the terms and conditions of the Offer, including the undersigned's representation and warranty to Purchaser that (i) the undersigned has a net long position in Shares or equivalent securities being tendered within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (ii) the tender of such Shares complies with Rule 14e-4 of the Exchange Act. Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

The names and addresses of the registered holders should be printed, if they are not already printed above, exactly as they appear on the certificates representing Shares tendered hereby. The certificate numbers, the number of Shares represented by such certificates, the number of Shares that the undersigned wishes to tender and the purchase price at which such Shares are being tendered should be indicated in the appropriate boxes on this Letter of Transmittal.

The undersigned understands that Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share price (not greater than $22.50 nor less than $19.75 per Share), net to the Seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered and not withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. The undersigned understands that Purchaser will select the lowest Purchase Price that will allow it to purchase 50,000,000 Shares (or such lesser number of Shares as are validly tendered and not properly withdrawn, at prices not greater than $22.50 nor less than $19.75 per Share) pursuant to the Offer. The undersigned understands that all Shares validly tendered at prices at or below the Purchase Price and not properly withdrawn will be purchased at the Purchase Price, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions of the Offer, including the proration provisions, and that Purchaser will return at its expense all other Shares, including Shares tendered at prices greater than the Purchase Price and not withdrawn and Shares not purchased because of proration. See Section 1 of the Offer to Purchase.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Purchase, Purchaser may terminate or amend the Offer or may postpone the acceptance for payment of, or the payment for, Shares tendered hereby or may not be required to purchase any Shares tendered hereby or may accept for payment fewer than all of the Shares tendered hereby.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the Purchase Price of any Shares purchased, and/or return any Shares not tendered or not purchased, in the name(s) of the undersigned (and, in the case of Shares tendered by book-entry transfer, by credit to the account at the Book-Entry Transfer Facility). Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the Purchase Price of any Shares purchased and/or any certificates for Shares not tendered or not purchased (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Payment Instructions" and "Special Delivery Instructions" are completed, please issue the check for the Purchase Price of any Shares purchased and/or return any Shares not tendered or not purchased in the name(s) of, and mail such check and/or any certificates to, the person(s) so indicated. The undersigned recognizes that Purchaser has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of the registered holder(s) thereof if Purchaser does not accept for payment any Shares so tendered.

The undersigned understands that acceptance of Shares by Purchaser for payment will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

PRICE (IN DOLLARS) PER SHARE
AT WHICH SHARES ARE BEING TENDERED

IF SHARES ARE BEING TENDERED AT MORE THAN ONE PRICE, A SEPARATE LETTER OF TRANSMITTAL FOR EACH PRICE SPECIFIED MUST BE USED. (SEE INSTRUCTION 5)

CHECK ONLY ONE BOX. IF MORE THAN ONE BOX IS CHECKED, OR IF NO BOX IS CHECKED (EXCEPT AS PROVIDED BELOW), THERE IS NO VALID TENDER OF SHARES.

/ / $19.75	/ / $20.00	/ / $20.25	/ / $20.50
/ / $20.75	/ / $21.00	/ / $21.25	/ / $21.50
/ / $21.75	/ / $22.00	/ / $22.25	/ / $22.50

If you do not wish to specify a purchase price, check the following box, in which case you will be deemed to have tendered Shares at the Purchase Price determined by Purchaser in accordance with the terms of the Offer (persons checking this box should NOT indicate the price per Share in the box entitled "Price (In Dollars) Per Share At Which Shares Are Being Tendered" above). See Instruction 5. / /

ODD LOTS
(SEE INSTRUCTION 9)

BENEFICIAL OWNERSHIP INFORMATION

This section is to be completed ONLY if Shares are being tendered by or on behalf of a person who owns beneficially, as of the close of business on June 15, 1999, and who continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans (as defined in the Offer to Purchase)).

The undersigned either (check one box):

/ / owned beneficially, as of the close of business on June 15, 1999, and continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans, all of which are being tendered), or

/ / is a broker, dealer, commercial bank, trust company or other nominee that (i) is tendering, for the beneficial owners thereof, Shares with respect to which it is the record owner, and (ii) believes, based upon representations made to it by each such beneficial owner, that such beneficial owner owned beneficially, as of the close of business on June 15, 1999, and continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans) and is tendering all of such Shares.

- ---

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 6, 7 AND 8)

To be completed ONLY if the check for the aggregate Purchase Price of Shares purchased and/or certificates for Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue: / / check and/or / / certificate(s) to:

Name: _____
(PLEASE PRINT)

Address: _____
_____
(INCLUDE ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NO.)

Book-Entry Facility Account
No.: _____
Medallion Guarantee: _____
- ---
- ---

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 6 AND 8)

To be completed ONLY if the check for the Purchase Price of Shares purchased and/or certificates for Shares not tendered or not purchased are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown below the undersigned's signature.

Mail: / / check and/or / / certificate(s) to:

Name: _____

(PLEASE PRINT)

Address: _____

_____

(INCLUDE ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NO.)

Book-Entry Facility Account
No.: _____

Medallion Guarantee: _____

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL SHAREHOLDERS)

Signature(s) of Owner(s): _____
Dated _____, 1999
Name(s): _____
(PLEASE PRINT)

Capacity (full title): _____
Address: _____
(INCLUDE ZIP CODE)

Area Code and Telephone No.: _____
(Must be signed by registered holder(s) exactly as name(s) appear(s) on Share certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 6.)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 6)

Name of Firm: _____
Authorized Signature: _____
Name: _____
(PLEASE PRINT)

Title: _____
Address: _____
(INCLUDE ZIP CODE)

Area Code and Telephone No.: _____
Dated _____, 1999

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm or other entity that is a member in good standing of the Security Transfer Agent's Medallion Program, the New York Stock Exchange Medallion Program, the Stock Exchange Medallion Program or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each such entity, an "Eligible Institution"), unless (i) this Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered herewith and such holder(s) have not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal, or (ii) such Shares are tendered for the account of an Eligible Institution. See Instruction 6.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARE CERTIFICATES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be used either if share certificates are to be forwarded herewith or if delivery of Shares is to be made by book-entry transfer pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the front page of this Letter of Transmittal prior to the Expiration Date. If certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery.

Shareholders whose share certificates are not immediately available, who cannot deliver their Shares and all other required documents to the Depositary or who cannot complete the procedure for delivery by book-entry transfer prior to the Expiration Date may tender their Shares pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by Purchaser (with any required signature guarantees) must be received by the Depositary prior to the Expiration Date, and (iii) the certificates for all physically delivered Shares in proper form for transfer by delivery, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered electronically, in each case together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three New York Stock Exchange, Inc. trading days after the date the Depositary receives such Notice of Guaranteed Delivery, all as provided in Section 3 of the Offer to Purchase.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING SHARE CERTIFICATES, THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS, IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative or contingent tenders will be accepted. By executing this Letter of Transmittal (or facsimile thereof), the tendering shareholder waives any right to receive any notice of the acceptance for payment of the Shares.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule and attached to this Letter of Transmittal.

4. PARTIAL TENDERS (NOT APPLICABLE TO SHAREHOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER). If fewer than all Shares represented by any certificate delivered to the Depositary are to be tendered, fill in the number of Shares that are to be tendered in the box entitled "Number of Shares Tendered." In such case, a new certificate for the remainder Shares represented by the old certificate will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the "Special Payment Instructions" or "Special Delivery Instructions" boxes on this Letter of Transmittal, as promptly as practicable following the expiration or termination of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. INDICATION OF PRICE AT WHICH SHARES ARE BEING TENDERED. For Shares to be validly tendered, the shareholder must check the box indicating the price per Share at which such shareholder is tendering Shares under "Price (In Dollars) Per Share At Which Shares Are Being Tendered" in this Letter of Transmittal, except that if the shareholder does not wish to specify a purchase price, the shareholder may check the box above the section entitled "Odd Lots" indicating that such shareholder is tendering Shares at the Purchase Price determined by Purchaser. ONLY ONE BOX MAY BE CHECKED. IF MORE THAN ONE BOX IS CHECKED, OR IF NO BOX IS CHECKED, THERE IS NO VALID TENDER OF SHARES. A shareholder wishing to tender portions of such shareholder's Share holdings at different prices must complete a separate Letter of Transmittal for each price at which such shareholder wishes to tender each such portion of such shareholder's Shares. The same Shares cannot be tendered (unless previously properly withdrawn as provided

in Section 4 of the Offer to Purchase) at more than one price.

6. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of Shares tendered hereby, the signatures(s) must correspond with the name(s) as written on the face of the certificates without alteration, enlargement or any change whatsoever.

If any Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any Shares tendered hereby are registered in different names on different certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal (or facsimiles thereof) as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered holder(s) of Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless payment of the Purchase Price is to be made to, or Shares not tendered or not purchased are to be registered in the name of, any person other than the registered holder(s), in which case the certificate(s) evidencing Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such certificates. Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of Shares tendered hereby, certificates evidencing Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on such certificate(s). Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of the authority of such person so to act must be submitted.

7. STOCK TRANSFER TAXES. Purchaser will pay or cause to be paid any stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the aggregate Purchase Price is to be made to, or Shares not tendered or not purchased are to be registered in the name of, any person other than the registered holder(s), or if tendered Shares are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such person will be deducted from the Purchase Price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted. See Section 5 of the Offer to Purchase. Except as provided in this Instruction 7, it will not be necessary to affix transfer tax stamps to the certificates representing Shares tendered hereby.

8. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the Purchase Price of any Shares tendered hereby is to be issued in the name of, and/or any Shares not tendered or not purchased are to be returned to, a person other than the person(s) signing this Letter of Transmittal, or if the check and/or any certificates for Shares not tendered or not purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to an address other than that shown above in the box captioned "Description of Shares Tendered," then the boxes captioned "Special Payment Instructions" and/or "Special Delivery Instructions" on this Letter of Transmittal should be completed. Shareholders tendering Shares by book-entry transfer will have any Shares not accepted for payment returned by crediting the account maintained by such shareholder at the Book-Entry Transfer Facility from which such transfer was made.

9. ODD LOTS. As described in Section 2 of the Offer to Purchase, if fewer than all Shares validly tendered at or below the Purchase Price and not withdrawn prior to the Expiration Date are to be purchased, Shares purchased first will consist of all Shares tendered by any shareholder who owned beneficially, as of the close of business on June 15, 1999, and continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans and who validly tendered all such Shares at or below the Purchase Price (including by not designating a Purchase Price as described below). Partial tenders of Shares will not qualify for this preference and this preference will not be available unless the box captioned "Odd Lots" in this Letter of Transmittal and the Notice of Guaranteed Delivery, if any, is completed.

Additionally, tendering holders of Odd Lots who do not wish to specify a purchase price may check the box above the section entitled "Odd Lots" indicating that such shareholder is tendering all Shares at the Purchase Price determined by Purchaser. See Instruction 5.

10. IMPORTANT TAX INFORMATION; SUBSTITUTE FORM W-9 AND FORM W-8. Under the United States federal backup withholding tax rules, 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer must be withheld and remitted to the United States Treasury, unless the shareholder or other payee provides such person's taxpayer identification number (employer identification number or social security number) to the Depositary and certifies that such number is correct or otherwise establishes an exemption. If the Depositary is not provided with the correct taxpayer identification number ("TIN") or another adequate basis for exemption, the holder may be subject to a $50 penalty imposed by the Internal Revenue Service (the "IRS") in addition to the backup withholding. Therefore, each tendering shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding, unless such shareholder otherwise establishes to the satisfaction of the Depositary that it is not subject to backup withholding. If backup withholding applies, the Depositary is required to withhold 31% of the gross proceeds payable to a shareholder or other payee pursuant to the Offer. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of the tax withheld. If backup withholding results in overpayment of taxes, a refund may be obtained from the IRS. If the box in Part 3 is checked, the holder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order the avoid backup withholding. Even if the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Depositary will withhold 31% of all reportable payments made prior to the time a properly certified TIN is provided to the Depositary. This amount will be refunded to the holder if a properly certified TIN is provided to the Depositary within 60 days. Certain shareholders (including, among others, all corporations and certain foreign shareholders (in addition to foreign corporations)) are not subject to these backup withholding and reporting requirements. In order for a foreign shareholder to qualify as an exempt recipient, that shareholder must submit an IRS Form W-8 or a Substitute Form W-8, signed under penalties of perjury, attesting to that shareholder's foreign status. The appropriate form may be obtained from the Depositary. The box in Part 3 of the Substitute Form W-9 may be checked if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future.

11. FEDERAL INCOME TAX WITHHOLDING ON FOREIGN SHAREHOLDERS. Even if a foreign shareholder has provided the required certification as described in the preceding paragraph to avoid backup withholding, the Depositary will withhold United States federal income taxes at a rate of 30% of the gross payment payable to a foreign shareholder or his or her agent unless the Depositary determines that an exemption from, or a reduced rate of, withholding is available pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business of the foreign shareholder in the United States. For this purpose, a foreign shareholder is a shareholder that is not (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any state or any political subdivision thereof; (iii) any estate the income of which is subject to United States federal income taxation regardless of the source of such income; or (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all of its substantial decisions. In order to obtain a reduced rate of withholding pursuant to a tax treaty a foreign shareholder must deliver to the Depositary a properly completed IRS Form 1001. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depositary a properly completed IRS Form 4224. The Depositary will determine a shareholder's status as a foreign shareholder and its eligibility for a reduced rate of, or an exemption from, withholding by reference to outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (e.g., IRS Form 1001 or IRS Form 4224) unless facts and circumstances indicate that such reliance is not warranted. A foreign shareholder may be eligible to obtain a refund of all or a portion of any tax withheld if such shareholder satisfies one of the "Section 302 tests" for capital gain treatment described in Section 14 of the Offer to Purchase (e.g., the "complete redemption," "substantially disproportionate" or "not essentially equivalent to a dividend" tests) or is otherwise able to establish that no withholding or a reduced amount of withholding is due. Federal backup withholding generally will not apply to amounts subject to the 30% or treaty-reduced rate of federal income tax withholding. Foreign shareholders are urged to consult their tax advisors regarding the application of United States federal income tax withholding, including eligibility for a reduction or exemption from withholding tax and refund procedures.

12. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Any questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and addresses listed below. Requests for additional copies of the Offer to Purchase, this Letter of Transmittal or other tender offer materials may be directed to the Information Agent or the Dealer Manager, and such copies will be furnished promptly at Purchaser's expense. Shareholders may also contact their local broker, dealer, commercial bank or trust company for documents relating to, or assistance concerning, the Offer.

13. IRREGULARITIES. All questions as to the number of Shares to be accepted, the price to be paid therefor and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser, in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of or payment for which may, in the opinion of Purchaser's counsel be unlawful. Purchaser also reserves the absolute right to waive any of the conditions of the Offer and any defect or irregularity in the tender of any particular Shares or any particular shareholder. No tender of Shares will be deemed to be validly made until all defects or irregularities have been cured or waived. None of Purchaser, Cendant, the Dealer Manager, the Depositary, the Information Agent or any other person is or will be obligated to give notice of any defects or irregularities in tenders, and none of them will incur any liability for failure to give any such notice.

14. SAVINGS PLANS. Participants in the Savings Plans may not use this Letter of Transmittal to direct the tender of Shares reflecting interests in such participant's individual account, but must use the separate Direction Form (as defined in the Offer to Purchase) sent to them by Purchaser. See Section 3 of the Offer to Purchase.

15. ORDER OF PURCHASE IN EVENT OF PRORATION. As described in Section 1 of the Offer to Purchase, shareholders may designate the order in which their Shares are to be purchased in the event of proration. The order of purchase may affect whether any capital gain or loss recognized on Shares purchased is long-term or short-term (depending on the holding period for Shares purchased) and the amount of gain or loss recognized for federal income tax purposes. See Sections 1 and 14 of the Offer to Purchase.

16. LOST, STOLEN OR DESTROYED CERTIFICATES. If your certificate(s) representing Shares have been lost, stolen or destroyed, so indicate on the front of this Letter of Transmittal. The Depositary will send you additional documentation that will need to be completed to effectively surrender such lost, stolen or destroyed certificates.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A MANUALLY SIGNED FACSIMILE THEREOF) TOGETHER WITH SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE DEPOSITARY, OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY, PRIOR TO THE EXPIRATION DATE. SHAREHOLDERS ARE ENCOURAGED TO RETURN A COMPLETED SUBSTITUTE FORM W-9 WITH THEIR LETTER OF TRANSMITTAL.

TO BE COMPLETED BY ALL TENDERING REGISTERED HOLDERS OF SECURITIES

PAYOR'S NAME: CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

SUBSTITUTE FORM W-9	PART 1: PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number or Employer Identification Number
PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART 2: For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein.	
	PART 3: Awaiting TIN / /	

CERTIFICATION--Under penalties of perjury, I certify that (i) the number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me) and (ii) I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding. Certification instructions--You must cross out Item (ii) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.

Signature: Date:

Name (Please Print):

Address (Include Zip Code):

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THIS OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU ARE AWAITING YOUR TIN.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a TIN has not been issued to me, and either (1) I have mailed or delivered an application to receive a TIN to the appropriate IRS Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a TIN by the time of payment, 31% of all payments made to me thereafter will be withheld until I provide a number.

Signature: _____

Date: _____

THE INFORMATION AGENT FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.
450 West 33(rd) Street, 14(th) Floor
New York, New York 10001
Call Toll Free: 1 (800) 684-8823

Bankers and Brokers may call:
(212) 273-8035

THE DEALER MANAGER FOR THE OFFER IS:

[LOGO]
9 West 57(th) Street, 40(th) Floor
New York, New York 10019
Call: (212) 847-5355

June 16, 1999

CENDANT STOCK CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

NOTICE OF GUARANTEED DELIVERY
FOR TENDER OF SHARES OF COMMON STOCK
OF
CENDANT CORPORATION

This form, or a form substantially equivalent to this form, must be used to accept the Offer (as defined below) if certificates for the shares of common stock of Cendant Corporation are not immediately available, if the procedure for book-entry transfer cannot be completed on a timely basis, or if time will not permit all other documents required by the Letter of Transmittal to be delivered to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase (defined below)). Such form may be delivered by hand or transmitted by mail or overnight courier, or (for Eligible Institutions only) by facsimile transmission, to the Depositary. See Section 3 of the Offer to Purchase. THE ELIGIBLE INSTITUTION THAT COMPLETES THIS FORM MUST COMMUNICATE THE GUARANTEE TO THE DEPOSITARY AND MUST DELIVER THE LETTER OF TRANSMITTAL AND CERTIFICATES FOR SHARES TO THE DEPOSITARY WITHIN THE TIME SHOWN HEREIN. FAILURE TO DO SO COULD RESULT IN A FINANCIAL LOSS TO SUCH ELIGIBLE INSTITUTION.

THE DEPOSITARY FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By Hand Delivery:	By Overnight Delivery:	By Mail:
120 Broadway, 13(th) Floor New York New York 10271 Attn: Reorganization Dept.	85 Challenger Road Mail Drop-Reorg Ridgefield Park, New Jersey 07660 Attn: Reorganization Dept.	P.O. Box 3301 South Hackensack New Jersey 07606 Attn: Reorganization Dept.

Facsimile Transmission:
(201) 296-4293

Confirm Receipt of Facsimile
by Telephone:
(201) 296-4860

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. DELIVERIES TO PURCHASER, CENDANT, THE DEALER MANAGER OR THE INFORMATION AGENT WILL NOT BE FORWARDED TO THE DEPOSITARY AND THEREFORE WILL NOT CONSTITUTE A VALID DELIVERY. DELIVERIES TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

Ladies and Gentlemen:

The undersigned hereby tenders to Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer"), receipt of which is hereby acknowledged, the number of shares of common stock of Cendant, par value $.01 per share ("Shares"), listed below, pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

Number of Shares:

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

Name(s) (Please Print)

Certificate Nos.: (if available)

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

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

If Shares will be tendered by book-entry transfer:

(Address)

Name of Tendering Institution:

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

Area Code and Telephone Number

Account No.: ----------

Signature(s)

- ----------

PRICE (IN DOLLARS) PER SHARE
AT WHICH SHARES ARE BEING TENDERED

- ----------

IF SHARES ARE BEING TENDERED AT MORE THAN ONE PRICE,
A SEPARATE NOTICE OF GUARANTEED DELIVERY FOR EACH PRICE
SPECIFIED MUST BE USED.

- ----------

CHECK ONLY ONE BOX. IF MORE THAN ONE BOX IS CHECKED, OR
IF NO BOX IS CHECKED (EXCEPT AS PROVIDED
BELOW), THERE IS NO VALID
TENDER OF SHARES.

- ----------

/ / $19.75	/ / $20.00	/ / $20.25	/ / $20.50
/ / $20.75	/ / $21.00	/ / $21.25	/ / $21.50
/ / $21.75	/ / $22.00	/ / $22.25	/ / $22.50

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

If you do not wish to specify a purchase price, check the following box, in which case you will be deemed to have tendered Shares at the Purchase Price determined by Purchaser in accordance with the terms of the Offer (persons checking this box need not indicate the price per Share in the box entitled "Price (In Dollars) Per Share At Which Shares Are Being Tendered" above). / /

- ----------

- ---

ODD LOTS

This section is to be completed ONLY if Shares are being tendered by or on behalf of a person who owned beneficially, as of the close of business on June 15, 1999, and who continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares including Shares reflecting interests in the Savings Plans (as defined in the Offer to Purchase).

The undersigned either (check one box):

/ / owned beneficially, as of the close of business on June 15, 1999 and continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares including Shares reflecting interests in the Savings Plans, all of which are being tendered, or

/ / is a broker, dealer, commercial bank, trust company or other nominee that (i) is tendering, for the beneficial owners thereof, Shares with respect to which it is the record owner, and (ii) believes, based upon representations made to it by each such beneficial owner, that such beneficial owner owned beneficially, as of the close of business on June 15, 1999, and continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares including Shares reflecting interests in the Savings Plans and is tendering all of such Shares.

GUARANTEE (NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm or other entity that is a member in good standing of the Security Transfer Agent's Medallion Program, the New York Stock Exchange Medallion Program, the Stock Exchanges Medallion Program or other entity which is an "eligible guarantor institution," as such terms is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each such entity, an "Eligible Institution"), hereby guarantees (i) that the above-named person(s) has a net long position in Shares being tendered within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended, (ii) that such tender of Shares complies with Rule 14e-4, and (iii) to deliver to the Depositary at one of its addresses set forth above certificate(s) for Shares tendered hereby, in proper form for transfer, or a confirmation of the book-entry transfer of Shares tendered hereby into the Depositary's account at The Depository Trust Company, in each case together with a properly completed and duly executed Letter(s) of Transmittal (or manually signed facsimile(s) thereof), with any required signature guarantee(s) and any other required documents, all within three New York Stock Exchange, Inc. trading days after the date hereof.

Name of Firm	Authorized Signature
Address	Name
City, State, Zip Code	Title
Area Code and Telephone Number	

Dated:
- ----------, 1999

DO NOT SEND SHARE CERTIFICATES WITH THIS FORM.
YOUR SHARE CERTIFICATES MUST BE SENT WITH
THE LETTER OF TRANSMITTAL.

[LOGO]

9 WEST 57TH STREET, 40TH FLOOR
NEW YORK, NEW YORK 10019

OFFER TO PURCHASE FOR CASH

UP TO 50,000,000 SHARES OF COMMON STOCK, PAR VALUE $.01

OF
CENDANT CORPORATION

AT A PURCHASE PRICE NOT GREATER THAN $22.50
NOR LESS THAN $19.75 PER SHARE

BY
CENDANT STOCK CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

- ---
THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.
- ---

June 16, 1999

To Brokers, Dealers, Commercial
Banks, Trust Companies and
Other Nominees:

In our capacity as Dealer Manager, we are enclosing the material listed below relating to the offer of Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), at prices not greater than $22.50 nor less than $19.75 per share, net to the seller in cash, without interest thereon, as specified by tendering shareholders, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, as amended and supplemented from time to time, together constitute the "Offer").

Purchaser will determine a single price per Share (not greater than $22.50 nor less than $19.75 per Share), net to the seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to purchase 50,000,000 Shares (or such lesser number of Shares as is validly tendered and not properly withdrawn at prices not greater than $22.50 nor less than $19.75 per Share). Purchaser will purchase all Shares validly tendered at prices at or below the Purchase Price and not properly withdrawn, upon the terms and subject to the conditions of the Offer, including the proration provisions described in the Offer to Purchase. All Shares acquired in the Offer will be acquired at the Purchase Price. See Section 1 of the Offer to Purchase.

The Purchase Price will be paid in cash, net to the seller, without interest thereon, with respect to all Shares purchased. Shares tendered at prices in excess of the Purchase Price and Shares not purchased because of proration will be returned, at Purchaser's expense to the shareholders who tendered such Shares. Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 6 OF THE OFFER TO PURCHASE.

We are asking you to contact your clients for whom you hold Shares registered in your name (or in the name of your nominee) or who hold Shares registered in their own names. Please bring the Offer to their attention as promptly as possible. Purchaser will, upon request, reimburse you for reasonable and customary handling and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. The Offer to Purchase dated June 16, 1999.

2. The Letter of Transmittal for your use and for the information of your clients. Facsimile copies of the Letter of Transmittal may be used to tender Shares. .

3. A letter to shareholders of Cendant from Henry R. Silverman, the Chairman, President and Chief Executive Officer of Cendant.

4. The Notice of Guaranteed Delivery to be used to accept the Offer if Shares and all other required documents cannot be delivered to ChaseMellon Shareholder Services, L.L.C., the Depositary by the Expiration Date (each as defined in the Offer to Purchase).

5. A letter that may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space for obtaining such clients' instructions with regard to the Offer.

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9 providing information relating to federal backup withholding tax.

7. A return envelope addressed to the Depositary.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.

Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer (other than the Dealer Manager). Purchaser will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and customary handling and mailing expenses incurred by them in forwarding materials relating to the Offer to their customers. Purchaser will pay all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 7 of the Letter of Transmittal.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal and any other required documents should be sent to the Depositary with either certificate(s) representing the tendered Shares or confirmation of their book-entry transfer, all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

As described in the Offer to Purchase, if more than 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase pursuant to the Offer) have been validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date, as defined in Section 1 of the Offer to Purchase, Purchaser will purchase Shares validly tendered and not properly withdrawn in the following order of priority: (i) all Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date by any shareholder who owned beneficially, as of the close of

business on June 15, 1999 and who continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans (as defined in the Offer to Purchase)) and who validly tenders all of such Shares (partial tenders will not qualify for this preference) and completes the box captioned "Odd Lots" in the Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery; and (ii) after purchase of all of the foregoing Shares, all other Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date on a pro rata basis.

EACH OF THE RESPECTIVE BOARDS OF DIRECTORS OF PURCHASER AND CENDANT HAS APPROVED THE OFFER. HOWEVER, SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH SHARES SHOULD BE TENDERED. NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. EXCEPT AS SET FORTH IN SECTION 9 OF THE OFFER TO PURCHASE, PURCHASER AND CENDANT HAVE BEEN ADVISED THAT NONE OF THEIR RESPECTIVE DIRECTORS OR EXECUTIVE OFFICERS INTENDS TO TENDER ANY SHARES PURSUANT TO THE OFFER.

Any questions or requests for assistance or additional copies of the enclosed materials may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of the enclosed Offer to Purchase.

Very truly yours,

[LOGO]

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS THE AGENT OF PURCHASER, CENDANT, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH

UP TO 50,000,000 SHARES OF COMMON STOCK, PAR VALUE $.01

OF
CENDANT CORPORATION

AT A PURCHASE PRICE NOT GREATER THAN $22.50
NOR LESS THAN $19.75 PER SHARE

BY
CENDANT STOCK CORPORATION,
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

- ---

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.

- ---

June 16, 1999

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), and the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer") setting forth an offer by Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware Corporation ("Cendant"), to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share, ("Shares"), at prices not greater than $22.50 nor less than $19.75 per Share, net to the seller in cash, without interest thereon, specified by tendering shareholders, upon the terms and subject to the conditions of the Offer. Also enclosed herewith is certain other material related to the Offer, including a letter to shareholders from Henry R. Silverman, Chairman, President and Chief Executive Officer of Cendant.

Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share price (not greater than $22.50 nor less than $19.75 per Share) net to the seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered pursuant to the Offer and not properly withdrawn, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to purchase 50,000,000 Shares (or such lesser number of Shares as are validly tendered at prices not greater than $22.50 nor less than $19.75 per Share) validly tendered and not properly withdrawn pursuant to the Offer. Purchaser will purchase all Shares validly tendered prior to the Expiration Date (as defined in the Offer to Purchase) at prices at or below the Purchase Price and not properly withdrawn, upon the terms and subject to the conditions of the Offer, including the proration provisions described in the Offer to Purchase. All Shares acquired in the Offer will be acquired at the Purchase Price. Shares tendered at prices in excess of the Purchase Price, and Shares not purchased because of proration will be returned at Purchaser's expense to the shareholders who tendered such Shares. The Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer. See Section 1 of the Offer to Purchase.

WE ARE THE HOLDER OF RECORD OF SHARES HELD FOR YOUR ACCOUNT. AS SUCH, A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase and the Letter of Transmittal.

Your attention is invited to the following:

1. You may tender Shares at prices (in multiples of $0.25), not greater than $22.50 nor less than $19.75 per Share, as indicated in the attached Instruction Form, net to you in cash, without interest thereon.

2. The Offer is for up to 50,000,000 Shares, constituting approximately 7% of the total Shares outstanding as of June 11, 1999.

3. The Offer is not conditioned on any minimum number of Shares being tendered. The Offer is, however, subject to certain other conditions set forth in the Offer to Purchase.

4. The Offer, proration period and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, July 15, 1999, unless the Offer is extended. Your instructions to us should be forwarded to us in ample time to permit us to submit a tender on your behalf.

5. As described in the Offer to Purchase, if more than 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase) have been validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date, as defined in Section 1 of the Offer to Purchase, Purchaser will purchase Shares in the following order of priority:

(i) all Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date by any shareholder who owned beneficially, as of the close of business on June 15, 1999, and who continues to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in the Savings Plans (as defined in the Offer to Purchase)), who validly tenders all of such Shares (partial tenders will not qualify for this preference) and who completes the box captioned "Odd Lots" in the Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery; and

(ii) after purchase of all the foregoing Shares, all other Shares validly tendered at or below the Purchase Price and not properly withdrawn prior to the Expiration Date on a pro rata basis. See Section 1 of the Offer to Purchase for a discussion of proration.

6. Tendering shareholders who hold Shares in their name and who tender directly to the Depository will not be obligated to pay any brokerage fees or commissions or solicitation fees on Purchaser's purchase of Shares in the Offer. Any stock transfer taxes applicable to the purchase of Shares by Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 7 of the Letter of Transmittal.

7. If you wish to tender portions of your Shares at different prices, you must complete a separate Instruction Form for each price at which you wish to tender each portion of your Shares. We must submit separate Letters of Transmittal on your behalf for each price you will accept.

8. If you owned beneficially, as of the close of business on June 15, 1999, and continue to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares reflecting interests in Savings Plans) and you instruct us to tender on your behalf all such Shares at or below the Purchase Price on your behalf all such Shares prior to the Expiration Date and check the box captioned "Odd Lots" in the Instruction Form, all such Shares will be accepted for purchase before proration, if any, of the purchase of other tendered Shares.

EACH OF THE RESPECTIVE BOARDS OF DIRECTORS OF PURCHASER AND CENDANT HAS APPROVED THE OFFER. HOWEVER, SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS WHETHER TO TENDER SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH SHARES SHOULD BE TENDERED. NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO

WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. EXCEPT AS SET FORTH IN SECTION 9 OF THE OFFER TO PURCHASE, PURCHASER AND CENDANT HAVE BEEN ADVISED THAT NONE OF THEIR RESPECTIVE DIRECTORS OR EXECUTIVE OFFICERS INTENDS TO TENDER ANY SHARES PURSUANT TO THE OFFER.

If you wish to have us tender any or all of your Shares held by us for your account upon the terms and subject to the conditions set forth in the Offer to Purchase, please so instruct us by completing, executing and returning to us the attached Instruction Form. An envelope to return your instructions to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise specified on the Instruction Form.

YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

The Offer is being made to all holders of Shares. Purchaser is not aware of any jurisdiction where the making of the Offer is not in compliance with applicable law. If Purchaser becomes aware of any jurisdiction where the making of the Offer is not in compliance with any valid applicable law, Purchaser will make a good faith effort to comply with such law. If, after such good faith effort, Purchaser cannot comply with such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares residing in such jurisdiction. In any jurisdiction the securities or blue sky laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed made on Purchaser's behalf by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTION FORM

WITH RESPECT TO OFFER TO PURCHASE FOR CASH
UP TO 50,000,000 SHARES OF COMMON STOCK, PAR VALUE $.01
OF
CENDANT CORPORATION

AT A PURCHASE PRICE NOT GREATER THAN $22.50
NOR LESS THAN $19.75 PER SHARE

BY
CENDANT STOCK CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
CENDANT CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated June 16, 1999, and the related Letter of Transmittal (which, together constitute the "Offer"), in connection with the Offer by Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), at prices not greater than $22.50 nor less than $19.75 per Share, net to the undersigned in cash, without interest thereon, specified by the undersigned, upon the terms and subject to the terms and conditions of the Offer.

This will instruct you to tender to Purchaser the number of Shares indicated below (or, if no number is indicated below, all Shares) that are held by you for the account of the undersigned, at the price per Share indicated below, upon the terms and subject to the conditions of the Offer.

SHARES TENDERED

/ / By checking this box, all Shares held by us for your account will be tendered. If fewer than all Shares are to be tendered, please check the box and indicate below the aggregate number of Shares to be tendered by us.

_____ Shares

Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

PRICE (IN DOLLARS) PER SHARE
AT WHICH SHARES ARE BEING TENDERED

IF SHARES ARE BEING TENDERED AT MORE THAN ONE PRICE,
A SEPARATE INSTRUCTION FORM FOR EACH PRICE SPECIFIED
MUST BE USED.

CHECK ONLY ONE BOX. IF MORE THAN ONE BOX IS CHECKED,
OR IF NO BOX IS CHECKED (EXCEPT AS PROVIDED IN THE BELOW),
THERE IS NO VALID TENDER OF SHARES.

/ / $19.75	/ / $20.00	/ / $20.25	/ / $20.50
/ / $20.75	/ / $21.00	/ / $21.25	/ / $21.50
/ / $21.75	/ / $22.00	/ / $22.25	/ / $22.50

- ---
- ---

If you do not wish to specify a purchase price, check the following box, in which case you will be deemed to have tendered Shares at the Purchase Price determined by Purchaser in accordance with the terms of the Offer (persons checking this box need not indicate the price per Share in the box entitled "Price (In Dollars) Per Share At Which Shares Are Being Tendered"). / /

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- ---

ODD LOTS

/ / BY CHECKING THIS BOX, THE UNDERSIGNED REPRESENT(S) THAT THE UNDERSIGNED OWNED BENEFICIALLY, AS OF THE CLOSE OF BUSINESS ON JUNE 15, 1999, AND CONTINUE(S) TO OWN BENEFICIALLY AS OF THE EXPIRATION DATE, AN AGGREGATE OF FEWER THAN 100 SHARES INCLUDING SHARES REFLECTING INTERESTS IN THE SAVINGS PLANS) AND IS TENDERING ALL OF SUCH SHARES.

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THE METHOD OF DELIVERY OF THIS DOCUMENT IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDERS. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY.

SIGN HERE

Dated: ----------, 1999

(Signature(s))

Name

Address

Social Security or Taxpayer I.D. No.

[LOGO]

June 16, 1999

Dear Shareholder:

Cendant Stock Corporation, a Delaware corporation and a wholly owned subsidiary of Cendant Corporation, is offering to purchase up to 50,000,000 shares of Cendant Corporation's common stock, par value $.01 per share, at a price not greater than $22.50 nor less than $19.75 per share. Cendant Stock Corporation is conducting the Offer through a procedure commonly referred to as a "Dutch Auction." This procedure allows you to select the price within the specified price range at which you are willing to sell all or a portion of your shares to Cendant Stock Corporation.

The Offer is explained in detail in the enclosed Offer to Purchase and Letter of Transmittal. If you wish to tender your shares, instructions on how to tender shares are provided in the enclosed materials. I encourage you to read these materials carefully before making any decision with respect to the Offer. Neither Cendant Stock Corporation, Cendant Corporation nor their respective Boards of Directors makes any recommendation to any shareholder whether to tender any or all shares.

Please note that the Offer is scheduled to expire at 12:00 Midnight, New York City time, on Thursday, July 15, 1999, unless extended by Cendant Stock Corporation. Questions regarding the Offer should be directed to ChaseMellon Shareholder Services, L.L.C., the Information Agent, at 1-800-684-8823.

Sincerely,

[LOGO]

Henry R. Silverman
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER OF
CENDANT CORPORATION

[LOGO]

IMMEDIATE ATTENTION REQUIRED

June 16, 1999

Re: Cendant Corporation Savings Plans

Dear Cendant Corporation Savings Plan Participant:

Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), announced on June 16, 1999, that each of Purchaser's and Cendant's respective Boards of Directors has approved a plan to repurchase up to 50,000,000 shares of Cendant common stock.

In this repurchase plan, called a Dutch auction tender offer, shareholders have an opportunity to sell their shares at prices within a range of not greater than $22.50 nor less than $19.75 per share. After shares are tendered by shareholders, Purchaser selects a price and buys back shares that have been tendered at or below such price which will be within that range.

Enclosed are tender offer materials and a Direction Form that require your immediate attention. These materials contain important information about the tender offer and should be carefully reviewed.

Our records reflect that a portion of your individual account in the Cendant Corporation Employee Savings Plan (the "Employee Savings Plan"), the Cendant Corporation Deferred Compensation Plan (the "Deferred Compensation Plan") and/or the PHH Corporation Directors Deferred Stock Retirement Plan (the "PHH Plan") (the "Savings Plans") is invested in the Cendant Corporation Common Stock Fund (the "Common Stock Fund"). As described below, you have the right to instruct the Merrill Lynch Trust Company of New Jersey ("Merrill Lynch"), as Trustee of the Savings Plans, concerning whether and on what terms to tender shares attributable to your individual account under the Savings Plans.

YOU WILL NEED TO COMPLETE THE ENCLOSED DIRECTION FORM AND RETURN IT IN THE ENCLOSED RETURN ENVELOPE SO THAT IT IS RECEIVED BY 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE TENDER OFFER DESCRIBED BELOW.

The remainder of this letter summarizes the transaction, your rights under the Savings Plans and the procedures for completing the Direction Form. You should also review the more detailed explanation provided in the other materials including the Offer to Purchase and the related Letter of Transmittal enclosed with this letter. For purposes of this letter, unless otherwise provided, the term "participant" means an actual participant and an alternative payee with respect to an actual participant (i.e., a spouse, former spouse, child or other dependent of an actual participant who has an interest in a Savings Plan individual account pursuant to a qualified domestic relations order).

BACKGROUND

Purchaser has made a tender offer to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), at prices not greater than $22.50 nor less than $19.75 per Share (the "Purchase Price"). The enclosed Offer to Purchase, dated June 16, 1999 ("Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") set forth the objectives, terms and conditions of the Offer and are being provided to all of Cendant's shareholders.

The Offer extends to the approximately 2,967,044 Shares currently held by the Employee Savings Plan, 52,520 Shares currently held by the Deferred Compensation Plan and 46,756 Shares currently held by the PHH Plan. Only Merrill Lynch as Trustee of the Savings Plans can tender these Shares for sale. Nonetheless, as a Savings Plan participant, you have the right to direct Merrill Lynch whether or not to tender some or all Shares attributable to your individual account in the Savings Plan. If you direct Merrill Lynch to tender any Shares attributable to your individual account, you must also specify the price or prices at which Shares should be tendered (in multiples of $0.25).

Please note that Merrill Lynch is the holder of record of Shares attributable to your individual account under the Savings Plans. A tender of such Shares can be made only by Merrill Lynch as the holder of record. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares attributable to your individual account under the respective Savings Plan.

NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, MERRILL LYNCH, ITS AFFILIATES, OR ANY OTHER PARTY MAKES ANY RECOMMENDATIONS AS TO WHETHER TO DIRECT THE TENDER OF SHARES, THE PRICE AT WHICH TO TENDER, OR WHETHER TO REFRAIN FROM DIRECTING THE TENDER OF SHARES. EACH PARTICIPANT MUST MAKE HIS OR HER OWN DECISION ON THESE MATTERS.

Except as described below, Merrill Lynch will follow timely, properly completed Direction Forms of participants with respect to the Offer and will NOT tender Shares attributable to the individual accounts of participants from whom Merrill Lynch has not received timely, properly completed Direction Forms. Only in the event that Merrill Lynch determines that such directions violate the Employee Retirement Income Security Act of 1974 as amended ("ERISA") will Merrill Lynch exercise discretion with respect to the tender of Shares held by the respective Savings Plan.

CONFIDENTIALITY

To assure the confidentiality of your decision, Merrill Lynch and its affiliates or agents will tabulate the Direction Forms. Neither Merrill Lynch nor its affiliates or agents will make the results of your individual direction available to Purchaser.

HOW THE OFFER WORKS

The details of the Offer are described in the enclosed materials, which you should review carefully. However, in broad outline, the transaction will work as follows with respect to Savings Plans participants.

- Purchaser has offered to purchase up to 50,000,000 Shares at a single per Share price not greater than $22.50 nor less than $19.75.

- If you want any Shares attributable to your individual account under the Savings Plan sold on the terms and subject to the conditions of the Offer, you need to instruct Merrill Lynch by completing the enclosed Direction Form and returning it in the enclosed return envelope.

- As described in Section 1 of the Offer to Purchase, if fewer than all Shares validly tendered at or below the Purchase Price (as defined in the Offer to Purchase) and not properly withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) are to be purchased, Shares purchased first will consist of all Shares tendered by "Odd Lot Owners" who validly tendered all of their Shares at or below the Purchase Price (including by not designating a Purchase Price as set forth below the Odd Lots section of the Direction Form). "Odd Lot Owners" are shareholders, including participants in the Savings Plans with Shares credited to their individual accounts under the Savings Plans, who owned beneficially as of the close of business on June 15, 1999, and continue to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares credited to such participant's account under the Savings Plans but excluding Restricted Shares (as defined in the Offer to Purchase)). Partial tenders of Shares will not qualify for this preference and this preference will not be available unless the box captioned "Odd Lots" in the Direction Form is completed.

- You need to specify on the Direction Form the per Share price(s) (in multiples of $0.25), not greater than $22.50 nor less than $19.75, at which you wish to tender Shares attributable to your individual account under the Savings Plans, except that tendering shareholders who do not wish to specify a purchase price may check the box indicating that such shareholder is tendering all Shares at the Purchase Price determined by Purchaser.

- The Offer, proration period and withdrawal rights will expire at 12:00 Midnight, New York City time, on July 15, 1999, unless Purchaser extends the Offer. ACCORDINGLY, IN ORDER FOR

MERRILL LYNCH TO MAKE A TIMELY TENDER OF THE SHARES ATTRIBUTABLE TO YOUR INDIVIDUAL ACCOUNT UNDER THE SAVINGS PLANS, YOU MUST COMPLETE AND RETURN THE ENCLOSED DIRECTION FORM IN THE RETURN ENVELOPE SO THAT IT IS RECEIVED BY MERRILL LYNCH AT THE ADDRESS ON THE RETURN ENVELOPE NOT LATER THAN 3:30 P.M., NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED. Please complete and return the Direction Form even if you decide not to participate in the Offer. If Merrill Lynch does not receive a completed signed original Direction Form from you by such deadline, pursuant to the terms of the Trust Agreements relating to the respective Savings Plan, Merrill Lynch will NOT tender any of your Shares unless such Trust Agreement provision violates ERISA.

- After the deadline above for returning the Direction Form to Merrill Lynch, Merrill Lynch and its affiliates or agents will complete the tabulation of all directions and Merrill Lynch, as Trustee, will tender the appropriate number of Shares. For purposes of this tabulation, Merrill Lynch will calculate the number of Shares representing your interest in the Common Stock Fund allocated to your individual account based upon the number of Shares held by the Common Stock Fund as of the close of business on June 10, 1999.

- Purchaser will then determine the lowest single per Share purchase price (not greater than $22.50 nor less than $19.75) at which Purchaser can purchase 50,000,000 Shares.

- Unless the Offer is terminated or amended, in accordance with its terms, Purchaser will then buy all Shares, up to 50,000,000, that were validly tendered and not properly withdrawn at the Purchase Price or below. Participants will receive the same per Share Purchase Price, even if they tendered at or below the Purchase Price.

- If you direct the tender of any Shares attributable to your individual account at a price in excess of the Purchase Price as finally determined, those Shares will not be purchased, and your interest in the Common Stock Fund, will remain allocated to your individual account under the respective Savings Plan.

- If there is an excess of Shares tendered over the exact number desired by Purchaser at the Purchase Price, Shares tendered pursuant to the Offer may be subject to proration as set forth in Section 1 of the Offer to Purchase. However, as described above, all Shares tendered by participants who are Odd Lot Owners in accordance with Section 2 of the Offer to Purchase will be purchased in the Offer without proration.

- IMPORTANT: IF YOU DIRECT MERRILL LYNCH TO TENDER SAVINGS PLANS SHARES REFLECTING YOUR INTEREST IN THE COMMON STOCK FUND AND THEY ARE PURCHASED BY PURCHASER, ANY PROCEEDS WILL BE REINVESTED IN THE STABLE VALUE FUND ACCOUNT (THE "SV FUND") AND/OR THE MERRILL LYNCH RETIREMENT RESERVES FUND ACCOUNT (THE "RETIREMENT RESERVES FUND") AS SOON AS ADMINISTRATIVELY POSSIBLE AND SUCH INVESTMENT WILL BE CREDITED TO YOUR INDIVIDUAL ACCOUNT.

- IF YOU WISH TO HAVE ANY PROCEEDS OF THE SALE OF SHARES REFLECTING YOUR INTEREST IN THE COMMON STOCK FUND WHICH WERE REINVESTED IN THE SV FUND AND/OR THE RETIREMENT RESERVE FUND ACCOUNT INVESTED IN A DIFFERENT MANNER, SUBJECT TO THE PROVISIONS OF THE RESPECTIVE SAVINGS PLAN, PLEASE CALL MERRILL LYNCH AT 1 (800) 228-401K AFTER THE REINVESTMENT IS COMPLETE.

- Only after such time will you be able to instruct Merrill Lynch to invest any proceeds of the sale of Shares reflecting your interest in the Common Stock Fund (which will be invested in the SV Fund and/or the Retirement Reserves Fund Account) in any other manner.

This form of transaction is commonly called a modified Dutch auction and requires some strategy on your part. For example, if you are anxious to sell, you may want to tender the shares attributable to your

individual account at a price at or near the lower limit. If you are not sure whether or not you want to participate, but would be willing to sell at a price above the lower limit, then you may want to specify a higher price, not to exceed the upper limit, of course. If you do not want to sell for any price within the limits, you may direct that Shares attributable to your individual account not be tendered into the Offer.

PROCEDURE FOR DIRECTING TRUSTEE

A Direction Form for making your direction is enclosed. You must complete, sign and return the enclosed original Direction Form in the return envelope so that it is received at the address listed on the enclosed return envelope not later than 3:30 p.m., New York City time, on Thursday, July 15, 1999, unless the Offer is extended. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE OFFER. If your Direction Form is not received by this deadline, or if it is not fully or properly completed, Shares attributable to your individual account under the Savings Plans will not be tendered. Please contact Merrill Lynch at 1 (800) 228-401K to find out the actual number of Shares attributable to your individual account that you may tender in the Offer.

To properly complete your Direction Form, you must do the following:

(1) On the back of the Direction Form, check Box 1 or 2. CHECK ONLY ONE BOX. Make your decision which box to check as follows:

- CHECK BOX 1 if you do not want Shares attributable to your individual account tendered for sale at any price and simply want the Savings Plans to continue holding such Shares.

- CHECK BOX 2 in all other cases and either (i) complete the table immediately below Box 2, specifying the percentage of Shares attributable to your individual account that you want to tender at each price indicated, or (ii) if you are an Odd Lot Owner and you wish to tender all Shares attributable to your individual account, complete the section entitled "Odd Lots."

  You may direct the tender of Shares attributable to your individual account at different prices. To do so, you must state the percentage of Shares to be sold at each indicated price by filling in the percentage of such Shares on the line immediately before the price. Leave a line blank if you want no Shares reflecting your interest in the Common Stock Fund tendered at that price. The total percentage of Shares reflecting your interest in the Common Stock Fund tendered may not exceed 100%, but it may be less than 100%. If this amount is less than 100%, you will be deemed to have instructed Merrill Lynch NOT to tender the balance of Shares attributable to your individual account under the Savings Plan.

(2) Date and sign the Direction Form in the space provided.

(3) Return the Direction Form in the enclosed return envelope so that it is received by Merrill Lynch at the address on the return envelope no later than 3:30 p.m., New York City time, on Thursday, July 15, 1999, unless the Offer is extended. Please complete and return the Direction Form even if you decide not to participate in the Offer. NO FACSIMILE TRANSMITTALS OF THE DIRECTION FORM WILL BE ACCEPTED.

Your direction will be deemed irrevocable unless properly withdrawn by 3:30 p.m., New York City time, on Thursday, July 15, 1999, unless the Offer is extended. In order to make an effective withdrawal, you must submit a new Direction Form which may be obtained by calling Merrill Lynch at 1 (800) 228-401K. Your new Direction Form must include your name, address and Social Security number. Upon receipt of a new, completed and signed Direction Form, your previous direction will be deemed cancelled. You may direct the re-tendering of any Shares attributable to your individual account by obtaining an additional Direction Form from Merrill Lynch and repeating the previous instructions for directing tenders as set forth in this letter.

INVESTMENT OF TENDER PROCEEDS

For any Shares attributable to your individual account under the Savings Plans that are tendered and purchased by Purchaser, Purchaser will pay cash to the Savings Plans. Merrill Lynch will invest the

proceeds in the SV Fund and/or the Retirement Reserves Fund Account as soon as administratively possible and will credit such investment to your individual account. You may call Merrill Lynch at 1 (800) 228-401K after the reinvestment is complete to have the proceeds of the sale of Shares which were invested in the SV Fund and/or the Retirement Reserve Fund Account invested in other investment options offered under the respective Savings Plan.

INDIVIDUAL PARTICIPANTS IN THE SAVINGS PLANS WILL NOT RECEIVE ANY PORTION OF THE TENDER PROCEEDS DIRECTLY. ALL SUCH PROCEEDS WILL REMAIN IN THE SAVINGS PLANS AND MAY BE WITHDRAWN ONLY IN ACCORDANCE WITH THE TERMS OF THE SAVINGS PLANS.

For federal income tax purposes, no gain or loss will be recognized by participants in the Savings Plans as a result of the tender or sale of Shares held in the Savings Plans. However, certain tax benefits that may otherwise be available in connection with the future withdrawal or distribution of shares from the Savings Plans may be adversely affected if Savings Plans Shares are tendered and sold. Specifically, under current federal income tax rules, if a participant receives a distribution of Shares in kind as part of a "lump sum" withdrawal or distribution, the excess of the fair market value of the Shares on the date of such withdrawal or distribution over the cost to the Savings Plans of those Shares is excluded from the value of the withdrawal or distribution for purposes of determining the participant's federal income tax liability with respect to the withdrawal or distribution. Any excess in market value over the cost will be taxed to the extent realized when Shares are sold as long-term capital gain. If you direct Merrill Lynch to tender Shares attributable to your individual account in the Offer, you may adversely affect your ability to take advantage of this tax benefit. If you direct Merrill Lynch not to tender any Shares attributable to your individual account, the cost of Shares attributable to your individual account will not be affected.

SHARES OUTSIDE THE SAVINGS PLAN

If you hold Shares directly, you will receive, under separate cover, tender offer materials directly from Purchaser, which can be used to tender such Shares directly to Purchaser. Those tender offer materials may not be used to direct the Merrill Lynch to tender or not tender Shares attributable to your individual account under the Savings Plan. The direction to tender or not tender Shares attributable to your individual account under the Savings Plan may only be made in accordance with the procedures in this letter.

FURTHER INFORMATION

If you require additional information concerning the terms and conditions of the Offer, please call ChaseMellon Shareholder Services, L.L.C., the Information Agent, at 1-800-684-8823. If you require additional information concerning the procedure to tender Shares attributable to your individual account under the Savings Plan, please contact Merrill Lynch at 1 (800) 228-401K.

Sincerely,

CENDANT CORPORATION

QUESTIONS AND ANSWERS FOR SAVINGS PLANS PARTICIPANTS ABOUT
THE CENDANT STOCK CORPORATION TENDER OFFER

Q. WHY IS PURCHASER OFFERING THIS TENDER OFFER TO PARTICIPANTS IN THE SAVINGS PLANS?

A. As a participant in the Savings Plans, you may have a proportional interest in the Common Stock Fund. Under the terms of the Savings Plans, you have the right to direct the investment of the contributions allocated to your individual accounts. The contributions invested in the Common Stock Fund represent a proportional interest in the assets of the Common Stock Fund. The Common Stock Fund is held in an individual account for you by Merrill Lynch (along with the plan's other investment funds). The Savings Plans provide that in the event of a tender offer, you may direct Merrill Lynch to tender the Shares that reflect your proportional interest in the Common Stock Fund.

Q. IF I DECIDE TO DIRECT MERRILL LYNCH TO TENDER THE SHARES THAT REFLECT MY PROPORTIONAL INTEREST IN THE SV FUND AND/OR THE RETIREMENT RESERVE FUND, WILL I BE ABLE TO RECEIVE THE PROCEEDS?

A. No. All proceeds from any Savings Plans shares that are tendered and sold will be automatically invested by Merrill Lynch in the the Common Stock Fund. The proceeds will be part of your individual account and may not be distributed except in accordance with the applicable terms of the respective Savings Plan.

Q. WILL I BE ABLE TO CHANGE THE INVESTMENT FUNDS IN WHICH THE PROCEEDS OF SAVINGS PLANS SHARES TENDERED ARE INVESTED?

A. Yes. Proceeds from the sale of Shares held by the Savings Plans may be invested in a different manner subject to the provisions of the Savings Plan by contacting Merrill Lynch at 1(800) 228-401K after the reinvestment is complete.

Q. IS THERE A FORM I HAVE TO RETURN?

A. Included in this mailing is a "Direction Form." Complete and return this form even if you decide not to direct the tender of any shares.

Q. WHAT IS THE DEADLINE FOR RETURNING THE DIRECTION FORM?

A. The form must be received by Merrill Lynch at the address on the return envelope by 3:30 p.m., on Thursday, July 15, 1999, unless this deadline is extended.

Q. WHAT IF I HAVE QUESTIONS?

A. Contact Merrill Lynch at 1(800) 228-401K for information on the procedure for tendering Shares reflecting your interest in the Common Stock Fund under the Savings Plans. Contact ChaseMellon Shareholder Services, L.L.C., the Information Agent for the Offer, at 1-877-698-9870 for questions on the terms and conditions of the Offer.

DIRECTION FORM

FOR PARTICIPANTS IN THE
THE CENDANT CORPORATION SAVINGS PLANS

BEFORE COMPLETING THIS FORM, PLEASE READ CAREFULLY THE ACCOMPANYING OFFER TO PURCHASE AND ALL OTHER ENCLOSED MATERIALS

The undersigned acknowledges receipt of the letter of Cendant Corporation, a Delaware corporation ("Cendant"), and the enclosed Offer to Purchase, dated June 16, 1999, and the related Letter of Transmittal (which Offer to Purchase and Letter of Transmittal together constitute the "Offer") in connection with the Offer by Cendant Stock Corporation, a Delaware corporation and a wholly owned subsidiary of Cendant, to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share (the "Shares"), at prices not greater than $22.50 nor less than $19.75 per Share, upon the terms and subject to the conditions of the Offer.

This will instruct the Merrill Lynch Trust Company of New Jersey ("Merrill Lynch") as trustee of the Savings Plans (as defined below) to tender to Purchaser the percentage of Shares indicated below that are held by Merrill Lynch for the individual account of the undersigned in the Cendant Corporation Common Stock Fund (the "Common Stock Fund") under the Cendant Employee Savings Plan (the "Employee Savings Plan"), the Cendant Corporation Deferred Compensation Plan (the "Deferred Compensation Plan") and/or the PHH Corporation Directors Deferred Stock Retirement Plan (the "PHH Plan") (the "Savings Plans"), at the price(s) per Share indicated, upon the terms and subject to the conditions of the Offer.

For any Shares attributable to the individual account of the undersigned under the Savings Plans that are tendered and purchased by Purchaser, Purchaser will pay cash to the Savings Plans. Merrill Lynch will invest the proceeds in the Stable Value Fund (the "SV Fund") under the Employee Savings Plan and in the Merrill Lynch Retirement Reserve Fund Account (the "Retirement Reserve Fund") under the Deferred Compensation Plan and the PHH Plan as soon as administratively possible and will credit such investment to your individual account. The undersigned may call Merrill Lynch at 1 (800) 228-401K after the reinvestment is complete to have the proceeds of the sale of Shares which were invested in the SV Fund and/or the Retirement Reserve Fund invested in other investment options offered under the Savings Plan.

INDIVIDUAL PARTICIPANTS IN THE SAVINGS PLAN WILL NOT RECEIVE ANY PORTION OF THE TENDER PROCEEDS DIRECTLY. ALL SUCH PROCEEDS WILL REMAIN IN THE SAVINGS PLAN AND MAY BE WITHDRAWN ONLY IN ACCORDANCE WITH THE TERMS OF THE SAVINGS PLAN.

INSTRUCTIONS

Carefully complete the form below, insert today's date, print your name, address and Social Security number and sign in the spaces provided. Enclose this Direction Form in the included envelope and mail it promptly. YOUR DIRECTION FORM MUST BE RECEIVED BY MERRILL LYNCH AT THE ADDRESS ON THE RETURN ENVELOPE NOT LATER THAN 3:30 P.M., NEW YORK CITY TIME, ON JULY 15, 1999 UNLESS THE OFFER IS EXTENDED. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE OFFER. Direction Forms that are not fully or properly completed, dated and signed, or that are received after the deadline, will be disregarded, and Shares reflecting your interest in the SV Fund and/or the Retirement Reserves Fund will not be tendered. Note that Merrill Lynch also has the right to disregard any direction that it determines cannot be carried out without violating applicable law.

NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, MERRILL LYNCH, ITS AFFILIATES, OR ANY OTHER PARTY MAKES ANY RECOMMENDATIONS AS TO

WHETHER TO DIRECT THE TENDER OF SHARES THE PRICE AT WHICH TO TENDER, OR WHETHER TO REFRAIN FROM DIRECTING THE TENDER OF SHARES. EACH PARTICIPANT MUST MAKE HIS OR HER OWN DECISION ON THESE MATTERS.

(CHECK ONLY ONE BOX)

/ / 1. Please refrain from tendering and continue to HOLD all Shares reflecting my interest in the Common Stock Fund.

/ / 2. Please TENDER Shares reflecting my interest in the Common Stock Fund either (i) in the percentage indicated below for each of the prices provided or (ii) at the Purchase Price determined by Purchaser.

The total of the percentages may NOT exceed 100%, but it may be less than or equal to 100%. If the total of the percentages is less than 100%, Merrill Lynch will NOT tender the balance of the Shares reflecting my interest in the Common Stock Fund. A blank space before a given price will be taken to mean that no Shares reflecting my interest in the SV Fund and/or the Retirement Reserves Fund are to be tendered at that price. FILL IN THE TABLE BELOW ONLY IF YOU HAVE CHECKED BOX 2.

/ / PERCENTAGE OF SHARES BEING TENDERED:_____

IF SHARES ARE BEING TENDERED AT MORE THAN ONE PRICE, STATE THE PERCENTAGE OF SHARES TO BE SOLD AT EACH PRICE BY FILLING IN THE PERCENTAGE OF SHARES ON THE LINE IMMEDIATELY FOLLOWING THE PRICE.

PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES ARE BEING TENDERED

/ / $19.75	/ / $20.00	/ / $20.25	/ / $20.50
/ / $20.75	/ / $21.00	/ / $21.25	/ / $21.50
/ / $21.75	/ / $22.00	/ / $22.25	/ / $22.50

ODD LOTS

/ / This box is to be checked ONLY if (i) you have checked box 2, above, (ii) you are tendering all of the Shares attributable to your individual account under the Savings Plans, and (iii) your individual account was credited with, as of the close of business on June 15, 1999 and continues to be credited with as of the Expiration Date, an aggregate of fewer than 100 shares.

If you do not wish to specify a purchase price, check the following box, in which case you will be deemed to have tendered at the Purchase Price determined by Purchaser in accordance with the terms of the Offer (persons checking this box need not indicate the price per Share in the box entitled "Price (In Dollars) Per Share At Which Shares are Being Tendered" above. / /

RETURN THIS DIRECTION FORM IN THE ENCLOSED RETURN ENVELOPE SO THAT IT IS RECEIVED AT THE ADDRESS ON THE RETURN ENVELOPE NO LATER THAN 3:30 P.M., NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999 UNLESS THE OFFER IS EXTENDED.

Please complete and return this Direction Form even if you decide not to participate in the Offer. NO FACSIMILE TRANSMITTALS OF THE DIRECTION FORM WILL BE ACCEPTED.

SIGN HERE:

Name:
Dated: , 1999 (please print)
Address:
Social Security or Taxpayer ID No.

Exhibit 99.(a)(8)

Group Employee Services

Private Client Group

P.O. Box 30412
New Brunswick, New Jersey 08989-0412

MERRILL LYNCH

June 16, 1999

Dear Participant:

We have been advised that Cendant Stock Corporation is offering to purchase for cash, up to 50,000,000 shares of common stock of Cendant Corporation at a price to be specified by the shareholder not in excess of $22.50 nor less than $19.75 net per share.

The Company will determine a single per share purchase price that will allow it to purchase shares, taking into account the number of shares so tendered and the prices specified by tendering shareholders. The Company will first, purchase shares tendered by any holder of 99 or less shares who tenders all shares owned at a price at or below the price to be determined by the Company. The Company will then purchase all other shares tendered at or below the determined purchase price on a pro rata basis, if necessary.

The offer is not conditioned upon any minimum number of shares being tendered. The offer is, however, subject to certain other conditions. The shares are sold without any brokerage fees or commissions. Please note that this offer may be subject to proration.

Please note that if additional Shares are allocated to your account during the Tender Offer period after you have tendered your shares and you wish to tender those additional shares please call the Participant Service Center at 1-800-228-4015.

Enclosed please find additional documentation that will further explain the terms and conditions of the offer.

IF YOU WISH TO TENDER YOUR SHARES OF CENDANT CORPORATION COMMON STOCK BASED ON THIS OFFER, YOU MUST CONTACT A PARTICIPANT SERVICE REPRESENTATIVE TOLL-FREE AT 1-800-228-4015 BY 3:30 P.M. (NEW YORK CITY TIME) THURSDAY, JULY 15, 1999.

IN THE EVENT YOU CHOOSE TO WITHDRAW FROM THIS OFFER AFTER HAVING TENDERED YOUR HOLDINGS, YOU MUST CONTACT A PARTICIPANT SERVICE REPRESENTATIVE WITH YOUR WITHDRAWAL INSTRUCTIONS BY 3:30 P.M. (NEW YORK CITY TIME), THURSDAY, JULY 15, 1999. OUR REPRESENTATIVES ARE AVAILABLE MONDAY THROUGH FRIDAY 8:00 A.M. TO 7:00 P.M. (EASTERN STANDARD TIME).

The above offer, proration period, and withdrawal rights will expire at 12:00 Midnight (Eastern Standard Time) on Thursday, July 15, 1999, unless extended.

Sincerely,

Merrill Lynch Group Employee Services

[LOGO]

IMMEDIATE ATTENTION REQUIRED

June 16, 1999

Re:Cendant Membership Services, Inc. Savings Incentive Plan

Dear Participant in the Cendant Membership Services, Inc. Savings Incentive Plan:

Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), announced on June 16, 1999, that each of Purchaser's and Cendant's respective Board of Directors has approved a plan to repurchase up to 50,000,000 shares of Cendant common stock.

In this repurchase plan, called a Dutch auction tender offer, shareholders have an opportunity to sell their shares at prices within a range of not greater than $22.50 nor less than $19.75 per share. After shares are tendered by shareholders, Purchaser selects a price and buys back shares that have been tendered at or below such price which will be within that range.

Enclosed are tender offer materials and a Direction Form that require your immediate attention. These materials contain important information about the tender offer and should be carefully reviewed.

Our records reflect that a portion of your individual account in the Cendant Membership Services, Inc. Savings Incentive Plan (the "Savings Plan") is invested in the Cendant Corporation Common Stock Fund (the "Common Stock Fund"). As described below, you have the right to instruct Neuberger & Berman Trust Company ("Neuberger"), as Trustee of the Savings Plan, concerning whether and on what terms to tender shares attributable to your individual account under the Savings Plan.

YOU WILL NEED TO COMPLETE THE ENCLOSED DIRECTION FORM AND RETURN IT IN THE ENCLOSED RETURN ENVELOPE SO THAT IT IS RECEIVED BY 5:00 P.M., NEW YORK CITY TIME, ON THURSDAY, JULY 8, 1999, UNLESS THE OFFER IS EXTENDED. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE TENDER OFFER DESCRIBED BELOW.

The remainder of this letter summarizes the transaction, your rights under the Savings Plan and the procedures for completing the Direction Form. You should also review the more detailed explanation provided in the other materials including the Offer to Purchase and the related Letter of Transmittal enclosed with this letter. For purposes of this letter, unless otherwise provided, the term "participant" means an actual participant and an alternative payee with respect to an actual participant (i.e., a spouse, former spouse, child or other dependent of an actual participant who has an interest in a Savings Plan individual account pursuant to a qualified domestic relations order).

BACKGROUND

Purchaser has made a tender offer to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), at prices not greater than $22.50 nor less than $19.75 per Share (the "Purchase Price"). The enclosed Offer to Purchase, dated June 16, 1999 ("Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") set forth the objectives, terms and conditions of the Offer and are being provided to all of Cendant's shareholders.

The Offer extends to the approximately 1,491,423 Shares currently held by the Savings Plan. Only Neuberger, as Trustee of the Savings Plan, can tender these Shares for sale. Nonetheless, as a Savings Plan participant, you have the right to direct Neuberger whether or not to tender some or all Shares attributable to your individual account in the Savings Plan. If you direct Neuberger to tender any Shares attributable to your individual account, you must also specify the price or prices at which Shares should be tendered (in multiples of $0.25).

Please note that Neuberger is the holder of record of Shares attributable to your individual account under the Savings Plan. A tender of such Shares can be made only by Neuberger as the holder of record. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares attributable to your individual account under the Savings Plan.

NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, NEUBERGER, ITS AFFILIATES, OR ANY OTHER PARTY MAKES ANY RECOMMENDATIONS AS TO WHETHER TO DIRECT THE TENDER OF SHARES, THE PRICE AT WHICH TO TENDER, OR WHETHER TO REFRAIN FROM DIRECTING THE TENDER OF SHARES. EACH PARTICIPANT MUST MAKE HIS OR HER OWN DECISION ON THESE MATTERS.

Except as decribed below, Neuberger will follow timely, properly completed Direction Forms of participants with respect to the Offer and will NOT tender Shares attributable to the individual accounts of participants from whom Neuberger has not received timely, properly completed Direction Forms. Only in the event that Neuberger determines that such directions violate the Employee Retirement Income Security Act of 1974 as amended ("ERISA") will Neuberger exercise discretion with respect to the tender of Shares held by the Savings Plan.

CONFIDENTIALITY

To assure the confidentiality of your decision, Neuberger and its affiliates or agents will tabulate the Direction Forms. Neither Neuberger nor its affiliates or agents will make the results of your individual direction available to Purchaser.

HOW THE OFFER WORKS

The details of the Offer are described in the enclosed materials, which you should review carefully. However, in broad outline, the transaction will work as follows with respect to Savings Plan participants.

- Purchaser has offered to purchase up to 50,000,000 Shares at a single per Share price not greater than $22.50 nor less than $19.75.

- If you want any Shares attributable to your individual account under the Savings Plan sold on the terms and subject to the conditions of the Offer, you need to instruct Neuberger by completing the enclosed Direction Form and returning it in the enclosed return envelope.

- As described in Section 1 of the Offer to Purchase, if fewer than all Shares validly tendered at or below the Purchase Price (as defined in the Offer to Purchase) and not properly withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) are to be purchased, Shares purchased first will consist of all Shares tendered by "Odd Lot Owners" who validly tendered all of their Shares at or below the Purchase Price (including by not designating a Purchase Price as set forth below the Odd Lots section of the Direction Form). "Odd Lot Owners" are shareholders, including participants in the Savings Plan with Shares credited to their individual accounts under the Savings Plan, who owned beneficially as of the close of business on June 15, 1999, and continue to own beneficially as of the Expiration Date, an aggregate of fewer than 100 Shares (including Shares credited to such participant's account under the Savings Plan but excluding Restricted Shares (as defined in the Offer to Purchase)). Partial tenders of Shares will not qualify for this preference and this preference will not be available unless the box captioned "Odd Lots" in the Direction Form is completed.

- You need to specify on the Direction Form the per Share price(s) (in multiples of $0.25), not greater than $22.50 nor less than $19.75, at which you wish to tender Shares attributable to your individual account under the Savings Plan, except that tendering shareholders who do not wish to specify a purchase price may check the box indicating that such shareholder is tendering all Shares at the Purchase Price determined by Purchaser.

- The Offer, proration period and withdrawal rights will expire at 12:00 Midnight, New York City time, on July 15, 1999, unless Purchaser extends the Offer. ACCORDINGLY, IN ORDER FOR NEUBERGER TO MAKE A TIMELY TENDER OF THE SHARES ATTRIBUTABLE TO YOUR INDIVIDUAL ACCOUNT UNDER THE SAVINGS PLAN, YOU MUST COMPLETE AND RETURN THE ENCLOSED DIRECTION FORM IN THE RETURN ENVELOPE SO THAT IT IS RECEIVED BY NEUBERGER AT THE ADDRESS ON THE RETURN ENVELOPE NOT LATER THAN 5:00 P.M., NEW YORK CITY TIME, ON THURSDAY, JULY 8, 1999, UNLESS THE OFFER IS EXTENDED. Please complete and return the Direction Form even if you decide not to participate in the Offer. If Neuberger does not receive a completed signed original Direction Form from you by such deadline, pursuant to the terms of the Trust Agreement relating to the Savings Plan, Neuberger will NOT tender any of your Shares unless such Trust Agreement provision violates ERISA.

- After the deadline above for returning the Direction Form to Neuberger, Neuberger and its affiliates or agents will complete the tabulation of all directions and Neuberger, as Trustee, will tender the appropriate number of Shares. For purposes of this tabulation, Neuberger will calculate the number of Shares representing your interest in the Common Stock Fund allocated to your individual account based upon the number of Shares held by the Common Stock Fund as of the close of business on June 15, 1999.

- Purchaser will then determine the lowest single per Share purchase price (not greater than $22.50 nor less than $19.75) at which Purchaser can purchase 50,000,000 Shares.

- Unless the Offer is terminated or amended, in accordance with its terms, Purchaser will then buy all Shares, up to 50,000,000, that were validly tendered and not properly withdrawn at the Purchase Price or below. Participants will receive the same per Share Purchase Price, even if they tendered at or below the Purchase Price.

- If you direct the tender of any Shares attributable to your individual account at a price in excess of the Purchase Price as finally determined, those Shares will not be purchased, and your interest in the Common Stock Fund, will remain allocated to your individual account under the Savings Plan.

- If there is an excess of Shares tendered over the exact number desired by Purchaser at the Purchase Price, Shares tendered pursuant to the Offer may be subject to proration as set forth in Section 1 of the Offer to Purchase. However, as described above, all Shares tendered by participants who are Odd Lot Owners in accordance with Section 2 of the Offer to Purchase will be purchased in the Offer without proration.

- IMPORTANT: IF YOU DIRECT NEUBERGER TO TENDER SAVINGS PLAN SHARES REFLECTING YOUR INTEREST IN THE COMMON STOCK FUND AND THEY ARE PURCHASED BY PURCHASER, ANY PROCEEDS WILL BE REINVESTED IN THE EVERGREEN SELECT MONEY MARKET FUND ACCOUNT (THE "MONEY MARKET FUND") AS SOON AS ADMINISTRATIVELY POSSIBLE AND SUCH INVESTMENT WILL BE CREDITED TO YOUR INDIVIDUAL ACCOUNT.

- IF YOU WISH TO HAVE ANY PROCEEDS OF THE SALE OF SHARES REFLECTING YOUR INTEREST IN THE COMMON STOCK FUND WHICH WERE REINVESTED IN THE MONEY MARKET ACCOUNT INVESTED IN A DIFFERENT MANNER, SUBJECT TO THE PROVISIONS OF THE SAVINGS PLAN, PLEASE CALL METROPOLITAN LIFE INSURANCE COMPANY, THE PLAN ADMINISTRATOR ("MET LIFE"), AT 1 (800) I GOT MET AFTER THE REINVESTMENT IS COMPLETE.

- Only after such time will you be able to instruct Neuberger to invest any proceeds of the sale of Shares reflecting your interest in the Common Stock Fund (which will be invested in the Money Market Account) in any other manner.

This form of transaction is commonly called a modified Dutch auction and requires some strategy on your part. For example, if you are anxious to sell, you may want to tender the shares attributable to your individual account at a price at or near the lower limit. If you are not sure whether or not you want to participate, but would be willing to sell at a price above the lower limit, then you may want to specify a higher price, not to exceed the upper limit, of course. If you do not want to sell for any price within the limits, you may direct that Shares attributable to your individual account not be tendered into the Offer.

PROCEDURE FOR DIRECTING TRUSTEE

A Direction Form for making your direction is enclosed. You must complete, sign and return the enclosed original Direction Form in the return envelope so that it is received at the address listed on the enclosed return envelope not later than 5:00 p.m., New York City time, on Thursday, July 8, 1999, unless the Offer is extended. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE OFFER. If your Direction Form is not received by this deadline, or if it is not fully or properly completed, Shares attributable to your individual account under the Savings Plan will not be tendered. Please contact Met Life at 1 (800) I GOT MET to find out the actual number of Shares attributable to your individual account that you may tender in the Offer.

To properly complete your Direction Form, you must do the following:

(1) On the back of the Direction Form, check Box 1 or 2. CHECK ONLY ONE BOX. Make your decision which box to check as follows:

- CHECK BOX 1 if you do not want Shares attributable to your individual account tendered for sale at any price and simply want the Savings Plan to continue holding such Shares.

- CHECK BOX 2 in all other cases and either (i) complete the table immediately below Box 2, specifying the percentage of Shares attributable to your individual account that you want to tender at each price indicated, or (ii) if you are an Odd Lot Owner and you wish to tender all Shares attributable to your individual account, complete the section entitled "Odd Lots."

  You may direct the tender of Shares attributable to your individual account at different prices. To do so, you must state the percentage of Shares to be sold at each indicated price by filling in the percentage of such Shares on the line immediately before the price. Leave a line blank if you want no Shares reflecting your interest in the Common Stock Fund tendered at that price. The total percentage of Shares reflecting your interest in the Common Stock Fund tendered may not exceed 100%, but it may be less than 100%. If this amount is less than 100%, you will be deemed to have instructed Neuberger NOT to tender the balance of Shares attributable to your individual account under the Savings Plan.

(2) Date and sign the Direction Form in the space provided.

(3) Return the Direction Form in the enclosed return envelope so that it is received by Neuberger at the address on the return envelope no later than 5:00 p.m., New York City time, on Thursday, July 8, 1999, unless the Offer is extended. Please complete and return the Direction Form even if you decide not to participate in the Offer. NO FACSIMILE TRANSMITTALS OF THE DIRECTION FORM WILL BE ACCEPTED.

Your direction will be deemed irrevocable unless properly withdrawn by 5:00 p.m., New York City time, on Thursday, July 8, 1999, unless the Offer is extended. In order to make an effective withdrawal, you must submit a new Direction Form which may be obtained by calling Neuberger at 1 (800) I GOT MET. Your new Direction Form must include your name, address and Social Security number. Upon receipt of a new, completed and signed Direction Form, your previous direction will be deemed cancelled. You may direct the re-tendering of any Shares attributable to your individual account by obtaining an additional Direction Form from Neuberger and repeating the previous instructions for directing tenders as set forth in this letter.

INVESTMENT OF TENDER PROCEEDS

For any Shares attributable to your individual account under the Savings Plan that are tendered and purchased by Purchaser, Purchaser will pay cash to the Savings Plan. Neuberger will invest the proceeds in the Money Market Fund Account as soon as administratively possible and will credit such investment to your individual account. You may call Met Life at 1(800) I GOT MET after the reinvestment is complete to have the proceeds of the sale of Shares which were invested in the Money Market Fund Account invested in other investment options offered under the Savings Plan.

INDIVIDUAL PARTICIPANTS IN THE SAVINGS PLAN WILL NOT RECEIVE ANY PORTION OF THE TENDER PROCEEDS DIRECTLY. ALL SUCH PROCEEDS WILL REMAIN IN THE SAVINGS PLAN AND MAY BE WITHDRAWN ONLY IN ACCORDANCE WITH THE TERMS OF THE SAVINGS PLAN.

For federal income tax purposes, no gain or loss will be recognized by participants in the Savings Plan as a result of the tender or sale of Shares held in the Savings Plan. However, certain tax benefits that may otherwise be available in connection with the future withdrawal or distribution of shares from the Savings Plan may be adversely affected if Savings Plan Shares are tendered and sold. Specifically, under current federal income tax rules, if a participant receives a distribution of Shares in kind as part of a "lump sum" withdrawal or distribution, the excess of the fair market value of the Shares on the date of such withdrawal or distribution over the cost to the Savings Plan of those Shares is excluded from the value of the withdrawal or distribution for purposes of determining the participant's federal income tax liability with respect to the withdrawal or distribution. Any excess in market value over the cost will be taxed to the extent realized when Shares are sold as long-term capital gain. If you direct Neuberger to tender Shares attributable to your individual account in the Offer, you may adversely affect your ability to take advantage of this tax benefit. If you direct Neuberger not to tender any Shares attributable to your individual account, the cost of Shares attributable to your individual account will not be affected.

SHARES OUTSIDE THE SAVINGS PLAN

If you hold Shares directly, you will receive, under separate cover, tender offer materials directly from Purchaser, which can be used to tender such Shares directly to Purchaser. Those tender offer materials may not be used to direct Neuberger to tender or not tender Shares attributable to your individual account under the Savings Plan. The direction to tender or not tender Shares attributable to your individual account under the Savings Plan may only be made in accordance with the procedures in this letter.

FURTHER INFORMATION

If you require additional information concerning the terms and conditions of the Offer, please call ChaseMellon Shareholder Services, L.L.C., the Information Agent, at 1-800-684-8823. If you require additional information concerning the procedure to tender Shares attributable to your individual account under the Savings Plan, please contact Met Life at 1(800) I GOT MET.

Sincerely,

CENDANT CORPORATION

QUESTIONS AND ANSWERS FOR SAVINGS PLAN PARTICIPANTS ABOUT
THE CENDANT STOCK CORPORATION TENDER OFFER

Q. WHY IS PURCHASER OFFERING THIS TENDER OFFER TO PARTICIPANTS IN THE SAVINGS PLAN?

A. As a participant in the Savings Plan, you may have a proportional interest in the Common Stock Fund. Under the terms of the Savings Plan, you have the right to direct the investment of the contributions allocated to your individual accounts. The contributions invested in the Common Stock Fund represent a proportional interest in the assets of the Common Stock Fund. The Common Stock Fund is held in an individual account for you by Neuberger (along with the plan's other investment funds). The Savings Plan provides that in the event of a tender offer, you may direct Neuberger to tender the Shares that reflect your proportional interest in the Common Stock Fund.

Q. IF I DECIDE TO DIRECT THE NEUBERGER TO TENDER THE SHARES THAT REFLECT MY PROPORTIONAL INTEREST IN THE MONEY MARKET FUND ACCOUNT, WILL I BE ABLE TO RECEIVE THE PROCEEDS?

A. No. All proceeds from any Savings Plan shares that are tendered and sold will be automatically invested by Neuberger in the Common Stock Fund Account. The proceeds will be part of your individual account and may not be distributed except in accordance with the applicable terms of the Savings Plan.

Q. WILL I BE ABLE TO CHANGE THE INVESTMENT FUNDS IN WHICH THE PROCEEDS OF SAVINGS PLAN SHARES TENDERED ARE INVESTED?

A. Yes. Proceeds from the sale of Shares held by the Savings Plan may be invested in a different manner subject to the provisions of the Savings Plan by contacting Met Life at 1 (800) I GOT MET after the reinvestment is complete.

Q. IS THERE A FORM I HAVE TO RETURN?

A. Included in this mailing is a "Direction Form." Complete and return this form even if you decide not to direct the tender of any shares.

Q. WHAT IS THE DEADLINE FOR RETURNING THE DIRECTION FORM?

A. The form must be received by Neuberger at the address on the return envelope by 5:00 p.m., on Thursday, July 8, 1999, unless this deadline is extended.

Q. WHAT IF I HAVE QUESTIONS?

A. Contact Met Life at 1 (800) I GOT MET for information on the procedure for tendering Shares reflecting your interest in the Common Stock Fund under the Savings Plan. Contact ChaseMellon Shareholder Services, L.L.C., the Information Agent for the Offer, at 1-800-684-8823 for questions on the terms and conditions of the Offer.

DIRECTION FORM

FOR PARTICIPANTS IN THE
CENDANT MEMBERSHIP SERVICES, INC.
SAVINGS INCENTIVE PLAN

BEFORE COMPLETING THIS FORM, PLEASE READ CAREFULLY THE ACCOMPANYING OFFER TO PURCHASE AND ALL OTHER ENCLOSED MATERIALS

The undersigned acknowledges receipt of the letter of Cendant Corporation, a Delaware corporation ("Cendant"), and the enclosed Offer to Purchase, dated June 16, 1999, and the related Letter of Transmittal (which Offer to Purchase and Letter of Transmittal together constitute the "Offer") in connection with the Offer by Cendant Stock Corporation, a Delaware corporation and a wholly owned subsidiary of Cendant, to purchase up to 50,000,000 shares of Cendant common stock, par value $.01 per share (the "Shares"), at prices not greater than $22.50 nor less than $19.75 per Share, upon the terms and subject to the conditions of the Offer.

This will instruct Neuberger & Berman Trust Company ("Neuberger") as trustee of the Savings Plan (as defined below) to tender to Purchaser the percentage of Shares indicated below that are held by Neuberger for the individual account of the undersigned in the Cendant Corporation Common Stock Fund (the "Common Stock Fund") under the Cendant Membership Services, Inc. Savings Incentive Plan (the "Savings Plan"), at the price(s) per Share indicated, upon the terms and subject to the conditions of the Offer.

For any Shares attributable to the individual account of the undersigned under the Savings Plan that are tendered and purchased by Purchaser, Purchaser will pay cash to the Savings Plan. Neuberger will invest the proceeds in the Common Stock Fund Account as soon as administratively possible and will credit such investment to your individual account. The undersigned may call the Metropolitan Life Insurance Company, the Savings plan administrator, at 1(800) I Got Met after the reinvestment is complete to have the proceeds of the sale of Shares which were invested in the Common Stock Fund Account invested in other investment options offered under the Savings Plan.

INDIVIDUAL PARTICIPANTS IN THE SAVINGS PLAN WILL NOT RECEIVE ANY PORTION OF THE TENDER PROCEEDS DIRECTLY. ALL SUCH PROCEEDS WILL REMAIN IN THE SAVINGS PLAN AND MAY BE WITHDRAWN ONLY IN ACCORDANCE WITH THE TERMS OF THE SAVINGS PLAN.

INSTRUCTIONS

Carefully complete the form below, insert today's date, print your name, address and Social Security number and sign in the spaces provided. Enclose this Direction Form in the included envelope and mail it promptly. YOUR DIRECTION FORM MUST BE RECEIVED BY NEUBERGER AT THE ADDRESS ON THE RETURN ENVELOPE NOT LATER THAN 5:00 P.M., NEW YORK CITY TIME, ON JULY 8, 1999 UNLESS THE OFFER IS EXTENDED. PLEASE COMPLETE AND RETURN THE DIRECTION FORM EVEN IF YOU DECIDE NOT TO PARTICIPATE IN THE OFFER. Direction Forms that are not fully or properly completed, dated and signed, or that are received after the deadline, will be disregarded, and Shares reflecting your interest in the Money Market Fund will not be tendered. Note that Neuberger also has the right to disregard any direction that it determines cannot be carried out without violating applicable law.

NONE OF PURCHASER, CENDANT, THEIR RESPECTIVE BOARDS OF DIRECTORS, NEUBERGER, ITS AFFILIATES, OR ANY OTHER PARTY MAKES ANY RECOMMENDATIONS AS TO WHETHER TO DIRECT THE TENDER OF SHARES THE PRICE AT WHICH TO TENDER, OR

WHETHER TO REFRAIN FROM DIRECTING THE TENDER OF SHARES. EACH PARTICIPANT MUST MAKE HIS OR HER OWN DECISION ON THESE MATTERS.

(CHECK ONLY ONE BOX)

/ / 1. Please refrain from tendering and continue to HOLD all Shares reflecting my interest in the Common Stock Fund.

/ / 2. Please TENDER Shares reflecting my interest in the Cendant Corporation Common Stock Fund either (i) in the percentage indicated below for each of the prices provided or (ii) at the Purchase Price determined by Purchaser.

The total of the percentages may NOT exceed 100%, but it may be less than or equal to 100%. If the total of the percentages is less than 100%, Neuberger will NOT tender the balance of the Shares reflecting my interest in the Common Stock Fund. A blank space before a given price will be taken to mean that no Shares reflecting my interest in the Money Market Fund are to be tendered at that price. FILL IN THE TABLE BELOW ONLY IF YOU HAVE CHECKED BOX 2.

/ / PERCENTAGE OF SHARES BEING TENDERED: _____

IF SHARES ARE BEING TENDERED AT MORE THAN ONE PRICE, STATE THE PERCENTAGE OF SHARES TO BE SOLD AT EACH PRICE BY FILLING IN THE PERCENTAGE OF SHARES ON THE LINE IMMEDIATELY FOLLOWING THE PRICE.

PRICE (IN DOLLARS) PER SHARE AT WHICH SHARES ARE BEING TENDERED

/ / $19.75	/ / $20.00	/ / $20.25	/ / $20.50
/ / $20.75	/ / $21.00	/ / $21.25	/ / $21.50
/ / $21.75	/ / $22.00	/ / $22.25	/ / $22.50

ODD LOTS

/ / This box is to be checked ONLY if (i) you have checked box 2, above, (ii) you are tendering all of the Shares attributable to your individual account under the Savings Plan, and (iii) your individual account was credited with, as of the close of business on June 15, 1999 and continues to be credited with as of the Expiration Date, an aggregate of fewer than 100 shares.

If you do not wish to specify a purchase price, check the following box, in which case you will be deemed to have tendered at the Purchase Price determined by Purchaser in accordance with the terms of the Offer (persons checking this box need not indicate the price per Share in the box entitled "Price (In Dollars) Per Share At Which Shares are Being Tendered" above. / /

RETURN THIS DIRECTION FORM IN THE ENCLOSED RETURN ENVELOPE SO THAT IT IS RECEIVED AT THE ADDRESS ON THE RETURN ENVELOPE NO LATER THAN 5:00 P.M., NEW YORK CITY TIME, ON THURSDAY, JULY 8, 1999 UNLESS THE OFFER IS EXTENDED.

Please complete and return this Direction Form even if you decide not to participate in the Offer. NO FACSIMILE TRANSMITTALS OF THE DIRECTION FORM WILL BE ACCEPTED.

SIGN HERE:

Name:
Dated: , 1999 (please print)
Address:
Social Security or Taxpayer ID No.

M E M O R A N D U M

TO: Advance Ross Common Stockholders
Advance Ross 5% Cumulative Preferred Stockholders
Davidson & Associates Common Stockholders
Entertainment Publications Common Stockholders
HFS Incorporated Common Stockholders
Ideon Group Common Stockholders
Knowledge Adventure Series C Preferred Stockholders
Knowledge Adventure Common Stockholders
PHH Corporation Common Stockholders
Sierra On-Line Common Stockholders

RE: Letter to Unexchanged Holders of Cendant Corporation Common Stock

- ---

As an unexchanged holder of Cendant Corporation common stock, par value $.01 per share ("Shares"), by virtue of holding one of the securities specified above, you are invited to tender your unexchanged securities pursuant to the offer by Cendant Stock Corporation, a Delaware Corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware Corporation ("Cendant"), to purchase up to 50,000,000 Shares at prices not greater than $22.50 nor less than $19.75 per Share, net to the Seller in cash, without interest thereon, specified by the tendering shareholders, upon the terms and subject to the conditions of the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer").

For your convenience, you may determine the exchange rate for the security you hold into Shares as specified below. Information specific to your holdings is specified on the label enclosed herein. Unless otherwise specified below, the following exchange rates are based on the number of Shares exchangeable for each shares of the security specified below:

Advance Ross Common Stock	.833333 Shares
Advance Ross 5% Cumulative Preferred Stock	.82450 Shares
Davidson & Associates Common Stock	.8500 Shares
Entertainment Publications Common Stock	1.10 Shares
HFS Incorporated Common Stock	2.4031 Shares
Ideon Group Common Stock	.3944 Shares
Knowledge Adventure Common Stock	.0981476625 Shares
Knowledge Adventure Series C Preferred Stock	.1954863630 Shares
PHH Corporation Common Stock	1 share of PHH converts to .8250 shares of HFS Corporation Common Stock; each share of HFS Corporation Common Stock converts into 2.4031 Shares.
Sierra On-Line Common Stock	1.2250 Shares

WHETHER OR NOT YOU TENDER ANY SHARES IN THE OFFER, WE ENCOURAGE YOU TO CONTACT CHASEMELLON SHAREHOLDER SERVICES, L.L.C., THE TRANSFER AGENT FOR CENDANT, AT 1-800-684-8823 TO EXCHANGE THE AFOREMENTIONED SECURITIES FOR SHARES.

CENDANT CORPORATION

June 16, 1999

CENDANT CORPORATION ANNOUNCES "DUTCH AUCTION"
SELF-TENDER OFFER TO REPURCHASE UP TO 50 MILLION SHARES

NEW YORK, NY--JUNE 16, 1999--Cendant CorporatioN (NYSE: CD) today announced that its Board of Directors has authorized a "Dutch Auction" self-tender offer for 50 million shares of its common stock or approximately 7.0% of its shares outstanding through its wholly owned subsidiary, Cendant Stock Corporation. The offer will commence on June 16, 1999 and will expire at midnight, New York City time, on July 15, 1999, unless the offer is extended.

Under the terms of the offer, the company will invite shareholders to tender shares at prices between $19.75 and $22.50 per share. Based upon the number of shares tendered and the prices specified by the tendering shareholders, the company will determine the single per share price within that price range that will allow the company to purchase 50 million shares or such lesser number of shares as are properly tendered. The company will not prorate shares tendered by any shareholder owning beneficially fewer than 100 shares in the aggregate as of June 16, 1999, who continues to beneficially own fewer than 100 shares at the expiration of the offer and who tenders all such shares in the offer.

The company expects to fund the offer with proceeds from the divestiture of Cendant's fleet segment which is expected to close on or about June 30, 1999. Completion of the tender is conditioned upon the closing of the fleet segment transaction. Cendant's common stock price closed at $19.75 on the New York Stock Exchange on June 15, 1999, the last full trading day on the NYSE prior to the announcement of the offer.

Cendant Chairman, President and CEO, Henry R. Silverman stated: "This action by our board is a strong vote of confidence in Cendant's long-term performance and strategic growth plan. The repurchase of our shares is clearly the best investment available to our company at this time and is consistent with our long-term goal of increasing shareholder value while maintaining a debt to total capitalization ratio of about 40 percent."

-more-

Banc of America Securities LLC will act as dealer manager and Chase Mellon Shareholder Services LLC. will act as information agent and depositary for the offer. Any questions or requests for assistance or for additional copies of the Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery related to the offer, may be directed to the information agent at 1-800-684-8823 or the dealer manager at 1-212-847-5535. Shareholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the offer.

Statements about future results made in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. Cendant cautions that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in Cendant's Annual Report on Form 10-K/A for the year ended December 31, 1998, including the resolution of the pending class action litigation against Cendant and its ability to implement its plan to divest non-strategic assets.

Cendant Corporation is a global provider of consumer and business services. Cendant's core competencies include building franchise systems, providing outsourcing solutions and direct marketing. As a franchisor, Cendant is the world's leading franchisor of hotels, rental car agencies, tax preparation services and real estate brokerage offices. The real estate segment also includes Welcome Wagon/GETKO and Cendant's soon-to-be created residential real estate services portal on the Internet. As a provider of outsourcing solutions, Cendant is the world's largest vacation exchange service; a major provider of mortgage services to consumers and the global leader in employee relocation. In direct marketing, Cendant provides access to insurance, travel, shopping, auto, and other services, primarily to customers of its affinity partners. Other business units include NCP, the UK's largest private car park operator, and Wizcom. Headquartered in New York, NY, the company has more than 30,000 employees and operates in over 100 countries. More information about Cendant, its companies and brands may be obtained by visiting our Web site at WWW.CENDANT.COM or by calling 877-4INFO-CD (877-446-3623).

MEDIA CONTACT:
- --------------
Elliot Bloom
212-413-1832

INVESTOR CONTACTS:

Denise Gillen
212-413-1833

Sam Levenson
212-413-1834

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase dated June 16, 1999 and the related Letter of Transmittal. The Offer is not being made to, nor will Purchaser accept tenders from or on behalf of, holders of Shares in any jurisdiction in which the Offer or its acceptance would violate that jurisdiction's laws. Purchaser is not aware of any jurisdiction in which the making of the Offer or the tender of Shares would not be in compliance with the laws of such jurisdiction. In jurisdictions whose laws require that the Offer be made by a licensed broker or dealer, the Offer shall be deemed to be made on Purchaser's behalf by Banc of America Securities LLC, or by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash

Up to 50,000,000 Shares of Common Stock
of
Cendant Corporation
At a Purchase Price Not Greater than $22.50
Nor Less Than $19.75 Per Share
By
Cendant Stock Corporation
A Wholly Owned Subsidiary of
Cendant Corporation

Cendant Stock Corporation, a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Cendant Corporation, a Delaware corporation ("Cendant"), invites Cendant shareholders to tender up to 50,000,000 shares of Cendant common stock, par value $.01 per share ("Shares"), to Purchaser at prices not greater than $22.50 nor less than $19.75 per Share in cash, specified by tendering shareholders, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 16, 1999 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, JULY 15, 1999, UNLESS THE OFFER IS EXTENDED.

The Offer is not conditioned on any minimum number of Shares being tendered. The Offer is, however, subject to certain other conditions set forth in the Offer to Purchase.

Each of the respective Boards of Directors of Purchaser and Cendant has approved the Offer. However, shareholders must make their own decisions whether to tender Shares and, if so, how many Shares to tender and the price or prices at which Shares should be tendered. None of Purchaser, Cendant, their respective Boards of Directors, the Dealer Manager, the Information Agent or the Depositary makes any recommendation to any shareholder as to whether to tender or refrain from tendering Shares. Except as set forth in Section 9 of the Offer to Purchase, Purchaser and Cendant have been advised that none of their respective directors or executive officers intends to tender any Shares pursuant to the Offer. Purchaser will, upon the terms and subject to the conditions of the Offer, determine a single per Share price (not greater than $22.50 nor less than $19.75 per Share), net to the seller in cash, without interest thereon (the "Purchase Price"), that it will pay for Shares validly tendered and not properly withdrawn pursuant to the Offer, taking into account the number of Shares so tendered and the prices specified by tendering shareholders. Purchaser will select the lowest Purchase Price that will allow it to buy 50,000,000 Shares (or such lesser number of Shares as are validly tendered at prices not greater than $22.50 nor less than $19.75 per Share) validly tendered and not properly withdrawn pursuant to the Offer. Purchaser will pay the Purchase Price for all Shares validly tendered and not properly withdrawn prior to the Expiration Date (as defined below) at prices at or below the Purchase Price, upon the terms and subject to the conditions of the Offer including the proration terms described below. The term "Expiration Date" means 12:00 Midnight, New York City time, on Thursday, July 15, 1999, unless and until Purchaser in its sole discretion shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by Purchaser, shall expire. Purchaser reserves the right, in its sole discretion, to purchase more than 50,000,000 Shares pursuant to the Offer. Purchaser will be deemed to have accepted for payment (and therefore purchased), subject to proration, Shares that are validly tendered and not properly withdrawn at or below the Purchase Price when, as and if it gives oral or written notice to ChaseMellon

Shareholder Services, L.L.C. (the "Depositary"), of its acceptance of such Shares for payment pursuant to the Offer. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly (subject to possible delay in the event of proration) but only after timely receipt by the Depositary of certificates for such Shares (or a timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase)), a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any other required documents.

Upon the terms and subject to the conditions of the Offer, in the event that more than 50,000,000 Shares (or such greater number of Shares as Purchaser may elect to purchase pursuant to the Offer) are validly tendered and not properly withdrawn at or below the Purchase Price, Purchaser will purchase such validly tendered Shares in the following order of priority: (i) all Shares validly tendered and not properly withdrawn at or below the Purchase Price prior to the Expiration Date by any Odd Lot Owner (as defined in the Offer to Purchase) who (a) tenders all such Shares (including Shares attributable to individual accounts under the Savings Plan (as defined in the Offer to Purchase)) beneficially owned by such Odd Lot Owner at or below the Purchase Price (tenders of fewer than all Shares owned by such shareholder will not qualify for this preference) and (b) who completes the box captioned "Odd Lots" on the Letter of Transmittal (or, in the case of Savings Plan Participants (as defined in the Offer to Purchase) holding Odd Lots, the Direction Form (as defined in the Offer to Purchase) and, if applicable, on the Notice of Guaranteed Delivery, and (ii) after purchase of all of the foregoing Shares, all other Shares validly tendered at or below the Purchase Price prior to the Expiration Date on a pro rata basis.

Purchaser's and Cendant's respective Boards of Directors believe that Cendant's financial condition and outlook and current market conditions make this an attractive time to repurchase a portion of the outstanding Shares. In addition, Purchaser's and Cendant's respective Boards of Directors believe that the Offer is in the best interest of their companies and their shareholders and they further believe that it will enhance shareholder value in the short term and the long term. Purchaser is making the Offer to (i) improve Cendant's capital structure for the benefit of Cendant shareholders, by using certain of the proceeds to be realized by Cendant from the disposition of Cendant's fleet management and fuel card businesses to Avis Rent A Car, Inc., and (ii) afford to those shareholders who desire liquidity an opportunity to sell all or a portion of their Shares without the usual transaction cost association with open market sales. The Offer also gives shareholders an opportunity to sell their Shares at a price equal to or greater than the prevailing market prices of the Shares immediately prior to the announcement of the Offer.

Purchaser expressly reserves the right, at any time or from time to time, in its sole discretion, to extend the period of time during which the Offer is open by giving notice of such extension to the Depositary and making a public announcement thereof. Subject to certain conditions set forth in the Offer to Purchase, Purchaser also expressly reserves the right to terminate the Offer and not accept for payment any Shares not theretofore accepted for payment.

Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Date and, unless accepted for payment by Purchaser as provided in the Offer to Purchase, may also be withdrawn after August 12, 1999. For a withdrawal to be effective, the Depositary must receive a notice of withdrawal in written, telegraphic or facsimile transmission form in a timely manner. Such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares tendered, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If the certificates have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the tendering shareholder must also submit the serial numbers shown on the particular certificates evidencing the Shares and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase) (except in the case of Shares tendered by an Eligible Institution). If Shares have been tendered pursuant to the procedure for book-entry transfer, the notice of withdrawal must specify the name and the number of the account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn Shares and otherwise comply with the procedures of the facility.

The Offer to Purchase and the Letter of Transmittal contain important information which should be read carefully before shareholders decide whether to accept or reject the Offer and, if accepted, at what price

or prices to tender their Shares. These materials are being mailed to record holders of Shares and are being furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on Cendant's shareholder list (or, if applicable, who are listed as participants in a clearing agency's security position listing) for transmittal to beneficial holders of Shares.

The information required to be disclosed by Rule 13e-4(d)(1) under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated by reference herein. Additional copies of the Offer to Purchase and the Letter of Transmittal may be obtained from the Information Agent and will be furnished at Purchaser's expense. Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager as set forth below:

The Information Agent for the Offer is:

ChaseMellon Shareholder Services
450 West 33rd Street, 14th Floor
New York, New York 10001
Call Toll Free: 1-800-684-8823
Bankers and Brokers may call: (212) 273-8035

The Dealer Manager for the Offer is:

Banc of America Securities LLC
9 West 57th Street
New York, New York 10019
(212) 847-5355
June 17, 1999

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: I.E., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: I.E., 00-0000000. The table below will help determine the number to give the payer.

	FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF-
1.	An individual's account	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3.	Husband and wife	The actual owner of the account or, if joint funds, either person(1)
4.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5.	Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6.	Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor, or incompetent person(3)
7.	a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)

	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF-
8.	Sole proprietorship	The owner(4)
9.	A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10.	Corporate account	The corporation
11.	Religious, charitable, or educational organization account	The organization
12.	Partnership account	The partnership
13.	Association, club, or other tax-exempt organization	The organization
14.	A broker or registered nominee	The broker or nominee

15.	Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

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(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner. If the owner does not have an employer identification number, furnish the owner's social security number.

(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card (for individuals), or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number.

PAYEES AND PAYMENTS EXEMPT FROM BACKUP WITHHOLDING

The following is a list of payees exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except item (9). For broker transactions, payees listed in items (1) through (13) and a person registered under the Investment Advisors Act of 1940 who regularly acts as a broker are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7), except a corporation (other than certain hospitals described in Regulations section 1.6041-3(c)) that provides medical and health care services or bills and collects payments for such services is not exempt from backup withholding or information reporting. Only payees described in items (1) through (5) are exempt from backup withholding for barter exchange transactions and patronage dividends.

(1) An organization exempt from tax under section 501(a), or an IRA, or a custodial account under section 403(b)(7), if the account satisfies the requirements of section 401(f)(2).

(2) The United States or any of its agencies or instrumentalities.

(3) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.

(4) A foreign government or any of its political subdivisions, agencies or instrumentalities.

(5) An international organization or any of its agencies or instrumentalities.

(6) A corporation.

(7) A foreign central bank of issue.

(8) A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.

(9) A futures commission merchant registered with the Commodity Futures Trading Commission.

(10) A real estate investment trust.

(11) An entity registered at all times during the tax year under the Investment Company Act of 1940.

(12) A common trust fund operated by a bank under section 584(a).

(13) A financial institution.

(14) A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List.

(15) A trust exempt from tax under section 664 or described in section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. NOTE: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).

- Payments described in section 6049(b)(5) to non-resident aliens.

- Payments on tax-free covenant bonds under section 1451.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE SHOULD FILE SUBSTITUTE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER. IF YOU ARE A NON-RESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, FILE WITH PAYER A COMPLETED INTERNAL REVENUE FORM W-8 (CERTIFICATE OF FOREIGN STATUS).

Certain payments other than interest, dividends and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may aIso apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

Exhibit 99.(c)

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

BY AND AMONG

PHH CORPORATION,

PHH HOLDINGS CORPORATION,

AVIS RENT A CAR, INC.

AND

AVIS FLEET LEASING AND MANAGEMENT CORPORATION

DATED AS OF MAY 22, 1999

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MISCELLANEOUS PROVISIONS

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

This AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, dated as of May 22, 1999, is by and among PHH CORPORATION, a Maryland corporation ("Parent"), PHH HOLDINGS CORPORATION, a Texas corporation and a wholly owned subsidiary of Parent ("Holdings"), AVIS RENT A CAR, INC., a Delaware corporation ("Acquiror"), and AVIS FLEET LEASING AND MANAGEMENT CORPORATION, a Texas corporation and a wholly owned subsidiary of Acquiror ("Acquiror Sub").

WHEREAS, Acquiror desires to acquire, and Holdings desires to transfer to Acquiror Sub, all of the vehicle management and fuel card businesses of Holdings (collectively, the "Business"), in exchange for the Merger Consideration (as hereinafter defined);

WHEREAS, the Boards of Directors of Holdings and Acquiror Sub have each approved this Agreement and the merger (the "Merger") of Holdings and Acquiror Sub in accordance with the provisions of Article Five of the Texas Business Corporation Act (the "TBCA"), upon the terms and subject to the conditions set forth herein;

WHEREAS, Acquiror, as the sole stockholder of Acquiror Sub, and Parent, as the sole stockholder of Holdings, each have approved this Agreement and the Merger upon the terms and subject to the conditions set forth herein;

WHEREAS, the Merger will result in, among other things, (i) the survival of each of Holdings and Acquiror Sub, (ii) the allocation to and vesting in Acquiror Sub of the Transferred Assets, the Transferred Liabilities, the Acquiror Sub Retained Assets and the Acquiror Sub Retained Liabilities (each, as hereinafter defined) and (iii) the allocation to and vesting in Holdings of the Holdings Retained Assets and Holdings Retained Liabilities (each, as hereinafter defined); and

WHEREAS, for U.S. Federal income tax purposes, the parties intend that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement be adopted as a plan of reorganization under Section 368 of the Code.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 THE MERGER. Upon the terms and subject to the conditions hereof, at the Effective Time (as hereinafter defined), Holdings and Acquiror Sub shall be merged in accordance with the provisions of Article Five of the TBCA. Following the Effective Time, each of Holdings and Acquiror Sub shall survive the Merger and, subject to Sections 1.4 and 1.14 hereof, shall maintain its separate corporate existence and shall continue to be governed by the laws of the State of Texas.

1.2 EFFECTIVE TIME. The Merger shall become effective on the date and at the time that a certificate of merger (the "Certificate of Merger") is issued by the Secretary of State of the State of Texas. As used in this Agreement, the term "Effective Time" shall mean the date and time at which the Certificate of Merger is issued.

1.3 MERGER CONSIDERATION. At the Closing, Acquiror shall cause Acquiror Sub to deliver or cause to be delivered to Parent or Holdings, as the case may be, the following (collectively, the "Merger Consideration"), in consideration of the Merger and the allocation to Acquiror Sub of the Transferred Assets:

(a) Acquiror shall cause Acquiror Sub to deliver to Parent, an aggregate of 7,200,000 shares of series A cumulative participating redeemable convertible preferred stock, par value $0.01 per share, of Acquiror Sub (the "Acquiror Sub Series A Preferred Stock"), having an aggregate liquidation preference of $360,000,000, the terms of which are set forth in EXHIBIT A hereto;

(b) Acquiror shall cause Acquiror Sub to deliver to Parent, an aggregate of 40,000 shares of series C cumulative redeemable preferred stock, par value $0.01 per share, of Acquiror Sub (the "Acquiror Sub Series C Preferred Stock" and, together with the Acquiror Sub Series A Preferred Stock, the "Acquiror Sub Preferred Stock"), having an aggregate liquidation preference of $2,000,000, the terms of which are set forth in EXHIBIT B hereto; and

(c) Acquiror shall cause Acquiror Sub to deliver to Parent and Holdings the Instrument of Assumption and the Undertaking (each, as hereinafter defined) evidencing the assumption of the Transferred Liabilities allocated to, assumed by and vested in Acquiror Sub, which includes the outstanding indebtedness of Holdings to Parent which, on the Closing Date, shall not exceed an aggregate principal amount of $1,438,000,000 (the "Holdings Indebtedness").

1.4 EFFECTS OF THE MERGER. At the Effective Time, by virtue of the Merger and without any further act or deed on the part of Parent, Holdings, Acquiror or Acquiror Sub, the Merger shall have the following effects in accordance with the applicable provisions of the TBCA:

(a) each of Holdings and Acquiror Sub shall survive the Merger and shall maintain its separate corporate existence; Holdings shall continue as a surviving corporation under its same name ("Holdings Surviving Corporation"); and Acquiror Sub shall continue as a surviving corporation under its same name ("Acquiror Sub Surviving Corporation");

(b) the Transferred Assets shall be allocated to and vested in Acquiror Sub and the Transferred Liabilities shall be allocated to, assumed by and vested in Acquiror Sub;

(c) the Acquiror Sub Retained Assets and the Acquiror Sub Retained Liabilities shall be allocated to, retained by and vested in Acquiror Sub; and

(d) the Holdings Retained Assets and the Holdings Retained Liabilities shall be allocated to, retained by and vested in Holdings.

1.5 TRANSFERRED ASSETS. The rights, properties and assets of Holdings to be allocated to and vested in Acquiror Sub in the Merger pursuant to Section 1.4 hereof (the "Transferred Assets") shall be all of Holdings' right, title and interest in and to those assets of Holdings set forth on SCHEDULE II hereto.

1.6 HOLDINGS RETAINED ASSETS. The rights, properties and assets of Holdings to be allocated to, retained by and vested in Holdings in the Merger pursuant to Section 1.4 hereof (the "Holdings Retained Assets") shall be all of Holdings' right, title and interest in and to all of the properties, assets, rights, claims, contracts and businesses of Holdings immediately prior to the Effective Time, other than the Transferred Assets, and shall include, without limitation, those assets set

forth on SCHEDULE III hereto, which are not to be allocated to or vested in Acquiror Sub by virtue of the Merger or otherwise in connection with this Agreement or the transactions contemplated hereby.

1.7 TRANSFERRED LIABILITIES. The liabilities and obligations of Holdings to be allocated to, assumed by and vested in Acquiror Sub in the Merger pursuant to Section 1.4 hereof (the "Transferred Liabilities") shall be those liabilities and obligations of Holdings set forth on SCHEDULE IV hereto, whether direct or indirect, known or unknown, absolute or contingent.

1.8 HOLDINGS RETAINED LIABILITIES. The liabilities and obligations of Holdings to be allocated to, retained by and vested in Holdings in the Merger pursuant to Section 1.4 hereof (the "Holdings Retained Liabilities") shall be all liabilities and obligations of Holdings and its Affiliates and subsidiaries immediately prior to the Effective Time, other than the Transferred Liabilities, and shall include, without limitation, the liabilities and obligations set forth on SCHEDULE V hereto, which are not to be allocated to, assumed by or vested in Acquiror Sub by virtue of the Merger or otherwise in connection with this Agreement or the transactions contemplated hereby.

1.9 ACQUIROR SUB RETAINED ASSETS. The rights, properties and assets of Acquiror Sub to be allocated to, retained by and vested in Acquiror Sub in the Merger pursuant to Section 1.4 hereof (the "Acquiror Sub Retained Assets") shall be all of Acquiror Sub's right, title and interest in and to all of the properties, assets, rights, claims, contracts and businesses of Acquiror Sub immediately prior to the Effective Time. No properties, assets, rights, claims, contracts or businesses of Acquiror Sub shall be allocated to or vested in Holdings by virtue of the Merger or otherwise in connection with this Agreement or the transactions contemplated hereby.

1.10 ACQUIROR SUB RETAINED LIABILITIES. The liabilities and obligations of Acquiror Sub to be allocated to, retained by and vested in Acquiror Sub in the Merger pursuant to Section 1.4 hereof (the "Acquiror Sub Retained Liabilities") shall be all liabilities and obligations of Acquiror Sub immediately prior to the Effective Time. No liabilities or obligations of Acquiror Sub shall be allocated to, assumed by or vested in Holdings by virtue of the Merger or otherwise in connection with this Agreement or the transactions contemplated hereby.

1.11 UNALLOCATED OR CONTINGENT ASSETS OR LIABILITIES. It is the intention and agreement of the parties that all assets and liabilities of Holdings and

Acquiror Sub be allocated between them pursuant to Sections 1.4 through 1.10 hereof. Nevertheless, to the extent that there exist any unallocated or contingent assets or liabilities of Holdings or Acquiror Sub that are not allocated pursuant to this Agreement, upon consummation of the Merger, such assets or liabilities shall be allocated as follows:

(a) to the extent such unallocated or contingent assets or liabilities of Holdings or Acquiror Sub relate to or arise out of the Transferred Assets, the Transferred Liabilities, the Acquiror Sub Retained Assets or the Acquiror Sub Retained Liabilities, such unallocated or contingent assets or liabilities shall be allocated to, assumed by and vested in Acquiror Sub; and

(b) to the extent such unallocated or contingent assets or liabilities of Holdings relate to or arise out of the Holdings Retained Assets or the Holdings Retained Liabilities, such unallocated or contingent assets or liabilities shall be allocated to, retained by and vested in Holdings.

1.12 CHARTER AND BY-LAWS.

(a) The Articles of Incorporation and By-Laws of Holdings, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation and By-Laws of the Holdings Surviving Corporation following the Merger until amended as provided by the TBCA and such Articles of Incorporation and By-Laws.

(b) The Articles of Incorporation and By-Laws of Acquiror Sub, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation and By-Laws of the Acquiror Sub Surviving Corporation following the Merger until amended as provided by the TBCA and such Articles of Incorporation and By-Laws.

1.13 DIRECTORS; OFFICERS.

(a) The directors of Holdings immediately prior to the Effective Time shall be the initial directors of the Holdings Surviving Corporation following the Merger and shall hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Holdings Surviving Corporation or as otherwise provided by the TBCA.

(b) The directors of Acquiror Sub immediately prior to the Effective Time shall be the initial directors of the Acquiror Sub Surviving Corporation following the Merger and shall hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Acquiror Sub Surviving Corporation or as otherwise provided by the TBCA.

(c) The officers of Holdings immediately prior to the Effective Time shall be the initial officers of the Holdings Surviving Corporation following the Merger and shall hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Holdings Surviving Corporation or as otherwise provided by the TBCA.

(d) The officers of Acquiror Sub immediately prior to the Effective Time shall be the initial officers of the Acquiror Sub Surviving Corporation following the Merger and shall hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Acquiror Sub Surviving Corporation or as otherwise provided by the TBCA.

1.14 EFFECT ON CAPITAL STOCK. At the Effective Time, by virtue of the Merger and without any act or deed on the part of Parent, Holdings, Acquiror, Acquiror Sub or any holder of any of the following securities:

(a) Each issued and outstanding share of class A common stock, par value $.01 per share, of Holdings ("Holdings Class A Common Stock") shall remain issued and outstanding and shall become and thereafter represent one fully paid and nonassessable share of class A common stock, par value $.01 per share, of the Holdings Surviving Corporation ("HSC Class A Common Stock") (which shall continue to be represented by the certificate representing such share immediately prior to the Effective Time).

(b) (i) One hundred and thirty (130) issued and outstanding shares of class B common stock, par value $0.01 per share of Holdings ("Holdings Class B Common Stock") shall be converted into the right to receive an aggregate of 7,200,000 fully paid and nonassessable shares of Acquiror Sub Series A Preferred Stock, (ii) one (1) issued and outstanding share of Holdings Class B Common Stock shall be converted into the right to receive 40,000 fully paid and nonassessable shares of Acquiror Sub Series C Preferred Stock and (iii) each of the

remaining issued and outstanding shares of Holdings Class B Common Stock shall remain issued and outstanding and shall become and thereafter represent one fully paid and nonassessable share of class B common stock, par value $.01 per share, of the Holdings Surviving Corporation ("HSC Class B Common Stock") (which shall continue to be represented by the certificate representing such share immediately prior to the Effective Time).

(c) Each issued and outstanding share of common stock, par value $0.01 per share, of Acquiror Sub shall remain issued and outstanding and shall become and thereafter represent one fully paid and nonassessable share of common stock, par value $0.01 per share, of the Acquiror Sub Surviving Corporation (which shall continue to be represented by the certificate representing such share immediately prior to the Effective Time).

ARTICLE II

CLOSING; FURTHER ASSURANCES

2.1 CLOSING DATE. The closing of the transactions contemplated by this Agreement (the "Closing") and all actions specified in this Agreement to occur at the Closing shall take place at 10:00 a.m. on June 30, 1999; PROVIDED, however, that if the conditions set forth in Articles VII and VIII hereof shall not have been satisfied or waived on or prior to such date, then the Closing shall take place on the third business day following satisfaction or waiver of the conditions set forth in Articles VII and VIII hereof, at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022, unless the parties shall agree in writing to another time, date or place. The date on which the Closing occurs is referred to herein as the "Closing Date." The filing of the Articles of Merger (as hereinafter defined) in accordance with the TBCA shall be made on the Closing Date.

2.2 ESCROWED FUNDS. At the Closing, Acquiror shall cause Acquiror Sub to deposit immediately available funds into an escrow account with an escrow agent mutually agreeable to Acquiror Sub and Holdings (the "Escrow Agent") in an amount equal to $1,438,000,000 (collectively, the "Escrowed Funds") for repayment in full the Holdings Indebtedness. Once Acquiror Sub deposits the Escrowed Funds pursuant to this Section 2.2, it shall have no further obligations in respect of the Holdings Indebtedness.

2.3 DELIVERIES AT THE CLOSING.

(a) At the Closing, the following documents and agreements shall be duly executed and delivered by Acquiror, Acquiror Sub, Parent and Holdings, as applicable, and any other parties thereto:

(i) the Stockholders' Agreement (as hereinafter defined);

(ii) the Trademark License Agreement (as hereinafter defined);

(iii) the Transition Services Agreement (as hereinafter defined);

(iv) the Escrow Agreement (as hereinafter defined);

(v) the Transitional License Agreement (as hereinafter defined);

(vi) the Non-Competition Agreement (as hereinafter defined);

(vii) IT Agreement (as hereinafter defined);

(viii) the License Amendment Agreement (as hereinafter defined); and

(ix) articles of merger and a plan of merger (together, the "Articles of Merger"), substantially in the form of EXHIBIT C hereto.

(b) At the Closing, Acquiror and Acquiror Sub shall deliver or cause to be delivered to Parent and Holdings:

(i) duly executed stock certificates representing the shares of Acquiror Sub Series A Preferred Stock and Acquiror Sub Series C Preferred Stock to be issued in the Merger pursuant to Section 1.14(a) hereof;

(ii) an instrument of assumption, substantially in the form of EXHIBIT D hereto (the "Instrument of Assumption"), duly executed by Acquiror Sub, evidencing the assumption by Acquiror Sub of the Holdings Indebtedness;

(iii) a payment by wire transfer of immediately available funds in an amount equal to the Intercompany Indebtedness (as hereinafter defined) to a bank account designated in writing by Parent at least two (2) business days prior to the Closing Date;

(iv) an undertaking substantially in the form of EXHIBIT E hereto (the "Undertaking") and any other documents and agreements with third parties as may be reasonably necessary to evidence (a) the assumption by Acquiror Sub of the Transferred Liabilities (other than the Holdings Indebtedness and the Intercompany Indebtedness) or (b) the guaranties, letters of credit and/or letters of comfort referred to in Section 5.17(b) hereof;

(v) a certificate of Acquiror executed on its behalf by a duly authorized executive officer of Acquiror, certifying as to the satisfaction of the conditions set forth in Sections 8.1 and 8.2 hereof; and

(vi) such other instruments or documents as may reasonably be requested by Holdings in order to effect the transactions contemplated by this Agreement.

(c) At the Closing, Acquiror and Acquiror Sub shall deliver or cause to be delivered to the Escrow Agent the wire transfer referred to in Section 2.2 hereof.

(d) At the Closing, Holdings shall deliver or cause to be delivered to Acquiror and Acquiror Sub:

(i) (x) stock certificates representing all of the issued and outstanding shares of capital stock of the Transferred Companies (as hereinafter defined) together with the books and records of each of the Transferred Companies (other than books and records located on the premises of any Transferred Company); and (y) stock powers duly executed in blank as to the issued and out standing shares of capital stock of each of the Transferred Companies that is a direct subsidiary of Holdings (collectively, the "Directly Transferred Companies");

(ii) evidence in writing reasonably satisfactory to Acquiror that the Intercompany Agreements set forth in Section 5.17(i) of the HOLDINGS DISCLOSURE SCHEDULE (other than the Intercompany Agreements listed in Section 5.17(ii) thereof) shall have been terminated and any liabilities of the Transferred Companies to any Person with respect thereto shall have been released;

(iii) a certificate of Holdings executed on its behalf by a duly authorized executive officer of Holdings, certifying as to the satisfaction of the conditions set forth in Sections 7.1 and 7.2 hereof;

(iv) written resignations, effective as of the Effective Time, of each of the officers (except as otherwise agreed by Acquiror) and directors of the Transferred Companies; and

(v) such other instruments or documents as may reasonably be requested by Acquiror in order to effect the transactions contemplated by this Agreement.

(e) At the Closing, immediately following the Effective Time, Parent shall transfer to a third party not affiliated with Parent or Acquiror the shares of Acquiror Sub Series C Preferred Stock issued to Parent in the Merger, pursuant to a binding agreement to be entered into between the date hereof and the Closing Date.

2.4 SIMULTANEOUS TRANSACTIONS. All of the transactions contemplated hereby and each of the deliveries at the Closing shall be deemed to occur simultaneously at the Effective Time, and no such transaction shall be deemed to have been consummated until each and every transaction has been consummated.

2.5 TAX TREATMENT. The parties intend that the Merger shall qualify as a reorganization under Section 368(a) of the Code, and that this Agreement shall constitute a "plan of reorganization" for purposes of Section 368 of the Code.

2.6 FURTHER ASSURANCES. After the Effective Time, the parties hereto shall from time to time, at the reasonable request of the other, execute and deliver such instruments of conveyance and transfer or instruments of assumption and take such other actions as the other may reasonably request, in order to more effectively consummate the transactions contemplated hereby and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from

time to time after the Effective Time, (a) at the request of Acquiror, Parent (to the extent applicable) and Holdings shall take such action including, without limitation, executing and delivering all such deeds, bills of sale, assignments and any documents and agreements with third parties as may be reasonably necessary to more effectively allocate to and vest in the Acquiror Sub Surviving Corporation all of Holdings' right, title and interest in and to the Transferred Assets and (b) at the request of Holdings, Acquiror shall, and shall cause the Acquiror Sub Surviving Corporation to, take such action to more effectively assume and vest in the Acquiror Sub Surviving Corporation the Transferred Liabilities, including, without limitation, executing such documents, instruments and agreements with third parties as may be reasonably necessary for the Acquiror Sub Surviving Corporation to assume all of Holdings' obligations under each of the Transferred Liabilities.

2.7 SUBSEQUENT CLOSING.

(a) In the event that (i) all Required Approvals (as herein after defined) of any Governmental Entity having jurisdiction over Wright Express Financial Services Corporation, a Utah corporation ("WEX"), have not been obtained and (ii) all other conditions to Closing set forth in Articles VII and VIII hereof in respect of the Merger and all of the other Transferred Assets have been fulfilled or waived in accordance with the terms of this Agreement, then the parties hereto agree that the Merger shall be consummated and the Closing shall proceed in respect of all of the Transferred Assets other than the outstanding shares of capital stock of WEX (the "Deferred Assets"), and that a subsequent closing ("Subsequent Closing") in respect of the Deferred Assets take place following the Closing. The Subsequent Closing shall take place at 10:00 a.m., New York City time, on a date (the "Subsequent Closing Date") to be agreed upon by the parties hereto, which shall be no later than the third business day following the date on which all Required Approvals of Governmental Entities having jurisdiction over WEX shall have been obtained, any conditions to the Required Approvals shall have been satisfied and any statutory waiting periods in respect thereof shall have expired, at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022 or such other date or place as the parties may agree in writing.

(b) Notwithstanding any other provision of this Agreement, if there is to be a Subsequent Closing, then the following shall apply:

(i) Following the Closing, Holdings (or an Affiliate thereof) shall retain all right, title and interest in and to the Deferred Assets

and each of Parent, Holdings, Acquiror and Acquiror Sub shall continue to use their best efforts to obtain the Required Approvals as soon as practicable;

(ii) $15,500,000 of the Escrowed Funds (the "Retained Escrow Amount") shall remain in escrow with the Escrow Agent following the Closing and, except as provided in subsection (d) below, shall be released and delivered to Holdings, together with any interest earned thereon, at the Subsequent Closing;

(iii) After all Required Approvals are obtained, the Subsequent Closing shall occur in accordance with Subsection (a) above and, at the Subsequent Closing, (A) the Escrow Agent shall release and deliver to Acquiror Sub the Deferred Assets, upon which all of Holdings right, title and interest in and to the Deferred Assets shall be transferred to Acquiror Sub or, at the election of Holdings, to Acquiror or such other Affiliate of Acquiror (other than Acquiror Sub) as may be specified by Acquiror, and (B) the Escrow Agent shall release and deliver to Holdings the Retained Escrow Amount, together with all interest earned thereon through the Subsequent Closing Date;

(iv) It is the intention of the parties that, upon the occurrence of a Subsequent Closing, the acquisition of WEX by Acquiror Sub or Acquiror, as the case may be, shall be effective as of the Closing Date for purposes of this Agreement, and the business of WEX shall be run for the benefit of Acquiror Sub or Acquiror, as the case may be, during the period from the Closing Date through and including the Subsequent Closing Date; and

(v) During the period from the Closing Date through the Subsequent Closing, WEX will continue to provide to the Business the credit card and other services currently provided to the Business on the terms set forth in the Transition Services Agreement or such other management agreement as may be mutually agreed upon by the parties hereto and Acquiror shall, and shall cause the Transferred Companies to, provide to WEX such services as are currently provided by Wright Express Corporation, a Delaware corporation and the parent company of WEX ("Wright Express").

(c) During the period from the Closing Date to the Subsequent Closing Date, except as consented to by Acquiror in writing, Parent and Holdings shall cause WEX:

(i) to conduct its business and operations in the ordinary course in substantially the same manner as presently conducted and to use reasonable best efforts to preserve its relationships with customers, suppliers and others having business with WEX;

(ii) provide Wright Express and Wright Express Canada, Inc. with substantially the same services and on the same terms as it provided to such entities prior to the Closing;

(iii) to provide Acquiror Sub with information (financial or otherwise) regarding WEX or its services to the Transferred Companies as may be reasonably requested by Acquiror Sub;

(iv) to take such or omit to take such actions as may be reasonably requested by Acquiror Sub; and

(v) not to take any action that, if taken during the period from the date of this Agreement through the Effective Time without the consent of Acquiror, would constitute a breach of Section 5.1 hereof, assuming for this purpose that the threshold for capital expenditures in Section 5.1(viii) hereof is $100,000 individually and in the aggregate and "material" in Section 5.1 shall be measured with regard to WEX as a stand-alone entity.

(d) If the Governmental Entities having jurisdiction over WEX (i) notify Holdings and/or Acquiror that a final, nonappealable decision has been made by such Governmental Entities that the Required Approvals will not be granted or (ii) have failed to provide the Requisite Approval on or prior to October 31, 1999, then (i) the Subsequent Closing with respect to the Deferred Assets shall not occur, (ii) Holdings shall retain all right, title and interest in and to the Deferred Assets and (iii) the Retained Escrow Amount, together with any interest earned thereon, shall be released and delivered by the Escrow Agent to Acquiror Sub. All obligations of Parent and Holdings with respect to delivering the Deferred Assets to Acquiror and Acquiror Sub pursuant to this Agreement shall thereafter cease and be null and void, and Holdings shall be free to exercise all rights of ownership over the Deferred Assets, including the right to freely dispose thereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT AND HOLDINGS

Parent and Holdings jointly and severally represent and warrant to Acquiror and Acquiror Sub as follows (it being understood and agreed that, notwithstanding anything to the contrary contained in this Article III or in any other Article of this Agreement, neither Parent nor Holdings makes any representation or warranty with respect to any direct or indirect subsidiary of Parent or Holdings that is not a Transferred Company, or with respect to any properties, assets, liabilities, obligations or businesses of Parent or Holdings or their respective subsidiaries or Affiliates that are not included in the Transferred Assets, the Transferred Liabilities or the Business, except as explicitly set forth herein):

3.1 ORGANIZATION. Each of Parent and Holdings is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is presently being conducted.

3.2 AUTHORIZATION. Each of Parent and Holdings has all requisite corporate power and authority to execute and deliver this Agreement, and to execute and deliver each of the Stockholders' Agreement, the Trademark License Agreement, the IT Agreement, the License Amendment Agreement, the Non-Competition Agreement, the Transition Services Agreement, the Escrow Agreement, the Transitional License Agreement, the Undertaking and the Instrument of Assumption (collectively, the "Transaction Agreements") to which it is a party, and to perform its obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby. The execution and delivery by Parent and Holdings of this Agreement and each of the Transaction Agreements to which it is a party, and the consummation by Parent and Holdings of the transactions contemplated hereby and thereby, have been duly authorized by all requisite corporate action on the part of Parent and Holdings. This Agreement has been, and, at the Closing, each of the Transaction Agreements will be, duly executed and delivered by each of Parent and Holdings to the extent it is a party thereto, and (assuming the valid authorization, execution and delivery thereof by the other parties thereto) this Agreement constitutes, and each of the Transaction Agreements, when duly executed and

delivered, will constitute, a valid and binding agreement of Parent and Holdings to the extent it is a party thereto, enforceable against them in accordance with its terms, except that (a) such enforcement may be subject to bankruptcy, reorganization, fraudulent conveyance, moratorium, insolvency and other laws now or hereafter in effect relating to or affecting creditors' rights and (b) enforcement thereof, including, among other things, the remedy of specific performance and injunctive and other forms of equitable relief, may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

3.3 TRANSFERRED COMPANIES.

(a) SCHEDULE I hereto sets forth a complete list of all of the Transferred Companies and their respective jurisdictions of organization. Except as set forth in Section 3.3 of the disclosure schedule being delivered by Parent and Holdings to Acquiror concurrently herewith (the "HOLDINGS DISCLOSURE SCHEDULE"), (i) those direct and indirect subsidiaries of Holdings listed on SCHEDULE I hereto (the "Transferred Companies") are the only subsidiaries or Affiliates of Parent or Holdings that presently are actively engaged in the conduct of the Business and (ii) none of the Transferred Companies owns any equity interest in any corporation or other entity, other than another Transferred Company. Each Transferred Company is duly organized, validly existing and (in the case of those Transferred Companies that are incorporated in a jurisdiction where such expression has legal significance) in good standing under the laws of its jurisdiction of organization and has all requisite corporate or other power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is presently being conducted, except where the failure to be so organized, existing or in good standing or to have such power or authority would not, individually or in the aggregate, have a Material Adverse Effect on the Business (as hereinafter defined). Each of the Transferred Companies is duly qualified to do business, and is in good standing, in each jurisdiction in which the nature of its business or the ownership, operation or leasing of its properties makes such qualification necessary, except where the failure to be so qualified and in good standing would not individually or in the aggregate, have a Material Adverse Effect on the Business.

(b) As used in this Agreement (i), "Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person; PROVIDED, HOWEVER, that the term "Affiliate" shall not include, with respect to any Person, any public corporation in which such Person owns securities representing less than 50% of the outstanding voting power; and (ii)

"Material Adverse Effect on the Business" means any material adverse change in, or effect on, the business, assets, liabilities, results of operation or condition (financial or otherwise) of the Transferred Companies, taken as a whole; PROVIDED, HOWEVER, that the effects of changes that are generally applicable to the industries in which the Transferred Companies operate or to the economy generally shall be excluded from such determination.

3.4 CAPITALIZATION; OWNERSHIP OF SHARES.

(a) Section 3.4(a) of the HOLDINGS DISCLOSURE SCHEDULE sets forth the authorized capital stock of, and the number of issued and outstanding shares of capital stock or other equity interests in, Holdings and each of the Transferred Companies. As of the date of this Agreement, except as set forth in Section 3.4(a) of the HOLDINGS DISCLOSURE SCHEDULE, there are no issued and outstanding shares of capital stock or other equity interests in any of the Transferred Companies, or any subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character obligating Parent, Holdings or any of the Transferred Companies to issue, transfer or sell, or cause to be issued, transferred or sold, any capital stock or other equity interests in any of the Transferred Companies, nor are there any shares of capital stock or other equity interests reserved for issuance pursuant thereto. Each outstanding share of capital stock of each Transferred Company that is a corporation is duly authorized, validly issued, fully paid and nonassessable and (except as otherwise required by applicable Law (as hereinafter defined)) free of preemptive rights. Each equity interest of each Transferred Company that is not a corporation is duly authorized, validly issued and (except as otherwise required by applicable Law) free of preemptive rights.

(b) Except as set forth in Section 3.4(b) of the HOLDINGS DISCLOSURE SCHEDULE, (i) all of the issued and outstanding shares of capital stock of, or other equity or membership interests in, the Transferred Companies (collectively, the "Shares") are owned of record and beneficially by Holdings either directly or indirectly through a Transferred Company, free and clear of all liens, pledges, charges, claims, security interests or other encumbrances, except for liens for current Taxes not yet due and payable (collectively, "Liens"), (ii) there are no restrictions on the payment of dividends by any of the Transferred Companies (other than by operation of Law) and (iii) no Transferred Company is subject to any obligation or requirement to provide funds for or to make any investment (in the form of a loan, capital contribution or otherwise) in any Person. The consummation of the Merger will convey to Acquiror Sub good title to the Shares of the Directly Transferred Companies, free and clear of all Liens, except for those created by Acquiror or the

Acquiror Sub Surviving Corporation or arising out of ownership of the Shares by the Acquiror Sub Surviving Corporation.

3.5 CONSENTS AND APPROVALS; NO VIOLATION. Except for the filing of the Articles of Merger under the TBCA and the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "H-S-R Act"), or as set forth in Section 3.5 of the HOLDINGS DISCLOSURE SCHEDULE, neither the execution and delivery by Parent or Holdings of this Agreement or the Transaction Agreements to which it is a party nor the consummation by Parent or Holdings of the transactions contemplated hereby or thereby will: (i) conflict with or violate the certificate or articles of incorporation, by-laws or comparable charter or organizational documents of Parent, Holdings or any of the Transferred Companies, (ii) violate any statute, law, judgment, decree, order, regulation or rule (collectively, "Laws") of any Governmental Entity (as hereinafter defined) applicable to Parent, Holdings or the Transferred Companies or any of their respective properties or assets, (iii) result in a violation or breach of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or require any consent of another party to, any indenture, license, lease, contract, instrument, agreement or commitment (collectively, "Contracts") to which Parent or Holdings (each, with respect to the Business) or any of the Transferred Companies is a party or by which Parent or Holdings (each, with respect to the Business) or any of the Transferred Companies or any of their respective properties or assets is bound, (iv) result in the creation of any Lien on any of the assets of Holdings or any Transferred Company or (v) require any filing with, or the obtaining of any consent, approval, certificate, license, permit, waiver or authorization of ("Governmental Consent"), any governmental or regulatory authority, court or agency, whether federal, state, local or foreign (each, a "Governmental Entity"), other than, in the case of clauses (ii), (iii), (iv) and (v), such violations, breaches, conflicts, defaults, terminations, accelerations, third-party consents, Liens and Governmental Consents which, individually or in the aggregate, would not have a Material Adverse Effect on the Business, would not adversely affect in any material respect the ability of Parent or Holdings to consummate the transactions contemplated hereby or would not adversely affect in any material respect the ability of Acquiror Sub to conduct the Business after the Closing in substantially the same manner as presently conducted.

3.6 FINANCIAL INFORMATION; ABSENCE OF UNDISCLOSED LIABILITIES.

(a) Section 3.6(a) of the HOLDINGS DISCLOSURE SCHEDULE sets forth the audited combined balance sheets of the Transferred Companies as of

December 31, 1998 and the related audited combined statements of income and changes in cash flows for the year then ended (collectively, the "Audited Financial Statements"). Except as otherwise noted therein, the Audited Financial Statements were prepared in conformity with United States generally accepted accounting principles ("GAAP"), consistently applied, and fairly present in all material respects the combined financial condition, results of operations and cash flows of the Transferred Companies as of and for the period indicated therein.

(b) Except as set forth in Section 3.6(b) of the HOLDINGS DISCLOSURE SCHEDULE, since December 31, 1998, none of the Transferred Companies has incurred any liabilities or obligations (whether direct or indirect, accrued, contingent or otherwise) that would be required to be reflected on a balance sheet or in notes thereto prepared in accordance with GAAP, except for (i) liabilities and obligations incurred in the ordinary course of business and (ii) liabilities and obligations that, individually or in the aggregate, would not have a Material Adverse Effect on the Business.

3.7 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as disclosed in Section 3.7 of the HOLDINGS DISCLOSURE SCHEDULE, since December 31, 1998, (a) there has been no action taken by any of the Transferred Companies through the date hereof that, if taken during the period from the date of this Agreement through the Effective Time without the consent of Acquiror, would constitute a breach of Section 5.1 hereof; and (b) there has been no event or development that has had or would have, individually or in the aggregate, a Material Adverse Effect on the Business.

3.8 TAX MATTERS. Except as set forth on Section 3.8 of the HOLDINGS DISCLOSURE SCHEDULE:

(a) Each of the Transferred Companies (i) has timely filed (or there has been timely filed on its behalf) with the appropriate taxing authorities all material Tax Returns (as hereinafter defined) required to be filed by or with respect to it, and all such Tax Returns are correct in all material respects, and (ii) has timely paid or accrued and adequately disclosed and fully provided for on the Audited Financial Statements all material Taxes (as hereinafter defined) required to be paid;

(b) There are no outstanding waivers in writing or comparable consents regarding the application of any statute of limitations in respect of any material Taxes of any of the Transferred Companies nor have any of the Transferred Companies been requested to enter into an agreement or waiver

extending any statute of limitations relating to the payment or collection of any material Taxes of the Transferred Companies;

(c) There is no action, suit, investigation, audit, claim or assessment pending or proposed to any Transferred Company in writing with respect to Taxes of Holdings or any of the Transferred Companies nor has Holdings or any of the Transferred Companies received any written notices from any taxing authority relating to any issue which could affect the Tax liability of the Transferred Companies;

(d) There are no Liens for Taxes upon any of the Transferred Assets or any assets of the Transferred Companies, except for Liens relating to current Taxes not yet due and payable or Liens for Taxes being contested in good faith which have been fully disclosed and adequately provided for on the Audited Financial Statements in accordance with GAAP;

(e) (i) Since April 30, 1997 and (ii) prior to April 30, 1997, to the knowledge of all responsible tax officers of Holdings, none of the Transferred Companies has been included in any "consolidated," "unitary" or "combined" income Tax Return provided for under the law of the United States, any foreign jurisdiction or any state or locality with respect to Taxes for any taxable period for which the statute of limitations has not expired;

(f) All material Taxes which Holdings or any of the Transferred Companies is (or was) required by law to withhold or collect have been duly withheld or collected, and have been timely paid over to the proper authorities to the extent due and payable;

(g) (i) Since April 30, 1997 and (ii) prior to April 30, 1997, to the knowledge of all responsible tax officers of Holdings, no claim has been made in writing by any taxing authority in a jurisdiction where Holdings or any of the Transferred Companies does not file Tax Returns that Holdings or any of the Transferred Companies is or may be subject to taxation by that jurisdiction;

(h) None of the Transferred Companies is a party to any agreement that, as a result of the consummation of the transactions contemplated by this Agreement, would require any of the Transferred Companies to make any payment that would constitute an "excess parachute payment" for purposes of Sections 280G and 4999 of the Code;

(i) No indebtedness of any of the Transferred Companies consists of "corporate acquisition indebtedness" within the meaning of Section 279 of the Code; and

(j) There are no Tax sharing, allocation, indemnification or similar agreements in effect as between any of the Transferred Companies or any predecessors or Affiliates thereof and any other party (including Holdings or any predecessor or Affiliate thereof) under which Acquiror or Acquiror Sub or any of the Transferred Companies could be liable after the Closing Date for any Taxes or other claims of any party.

3.9 LITIGATION.

(a) Except as set forth in Section 3.9 of the HOLDINGS DISCLOSURE SCHEDULE, as of the date of this Agreement, there is no action, suit, proceeding or investigation by or before any Governmental Entity which is pending or, to Holdings' Knowledge, threatened, against Parent or Holdings (in each case, relating to the Business) or any Transferred Company, which, if adversely determined, individually or in the aggregate, would (a) have a Material Adverse Effect on the Business, (b) adversely affect in any material respect the ability of Parent or Holdings to consummate the transactions contemplated hereby or (c) adversely affect, in any material respect, the ability of Acquiror Sub to conduct the Business after the Closing in substantially the same manner as presently conducted.

(b) For purposes of this Agreement, "Holdings' Knowledge" shall mean, with respect to any representation and warranty, the actual knowledge of each of Messrs. Mark Miller, President and Chief Executive Officer of PHH Vehicle Management Services, LLC ("VMS"), Neil Cashen, Senior Vice President, Finance and Planning of VMS, John Cullum, President, Cendant Business Answers (Europe) PLC ("CBA"), David Bird, Managing Director of CBA, and Joseph Weikel, Vice President and General Counsel of VMS, and Ms. Mairead McKenna, Legal Services Director of CBA, after having reviewed the applicable representation and warranty and any disclosure schedule related thereto.

3.10 PERMITS; COMPLIANCE WITH LAWS.

(a) Holdings (to the extent related to the Business) and each of the Transferred Companies is in possession of all franchises, authorizations, licenses, permits, easements, variances, consents, certificates, approvals and orders of any Governmental Entity necessary for it to own, lease and operate its properties

or to carry on the Business as it is presently being conducted (the "Permits"), except where the failure to have any of the Permits would not, individually or in the aggregate, have a Material Adverse Effect on the Business.

(b) Except (i) as disclosed in Section 3.10(b) of the HOLDINGS DISCLOSURE SCHEDULE, and (ii) with respect to tax, labor, ERISA and employee benefit, intellectual property and environmental Laws, which are exclusively addressed in Sections 3.8, 3.12, 3.13, 3.14 and 3.16 hereof, respectively, the Business presently is being conducted in compliance in all material respects with all applicable Laws.

3.11 MATERIAL CONTRACTS.

(a) Except for Contracts set forth in Section 3.11(a) of the HOLDINGS DISCLOSURE SCHEDULE (collectively, the "Material Contracts"), neither Holdings (with respect to the Business) nor any Transferred Company is a party to or bound by:

(i) any Contract that provides for payment to a Transferred Company for the performance of services in an amount in excess of $1,000,000 annually;

(ii) any Contract to be performed relating to capital expenditures (other than those provided for in the Capital Expenditure Plans of the Business for 1999) in excess of $500,000 in any calendar year, or in the aggregate require expenditures in excess of $2,000,000;

(iii) any Contract not entered into the ordinary course of business, requiring payments by or to the Transferred Companies in excess of $1,000,000;

(iv) any Contract which contains restrictions with respect to payment of dividends or any other distribution in respect of the capital stock of a Transferred Company;

(v) any Contract relating to indebtedness for borrowed money in an amount in excess of $1,000,000 (excluding trade payables in the ordinary course of business, intercompany indebtedness and leases for telephones, copy machines, facsimile machines and other office equipment);

(vi) any lease (or sublease) of Real Property requiring payments by the Transferred Companies in an amount in excess of $1,000,000 annually;

(vii) any loan or advance to (other than advances to employees in the ordinary course of business in amounts not exceeding $1,000,000 in the aggregate), or investment in (other than investments in any Transferred Company), any Person, or any Contract relating to the making of any such loan, advance or investment;

(viii) any guarantee in respect of any indebtedness or obligation of any Person in an amount in excess of $1,000,000 (other than in the ordinary course of business and other than with respect to any indebtedness or obligation of any Transferred Company);

(ix) any material Contract limiting the ability of any Transferred Company to engage in any line of business or to compete with any Person;

(x) any material amendment, modification or supplement in respect of any of the foregoing.

(b) Except as set forth in Section 3.12(b) of the HOLDINGS DISCLOSURE SCHEDULE: (i) there is no pending default under or breach of any Material Contract by Holdings or any Transferred Company party thereto, and no event has occurred that, with the lapse of time or the giving of notice or both, would constitute a default thereunder by Holdings or any Transferred Company party thereto, in any such case in which such default, breach or event, individually or in the aggregate, would have a Material Adverse Effect on the Business; and (ii) no party to any such Material Contract has given written notice to Holdings or any Transferred Company of, or made a written claim against Holdings or any Transferred Company with respect to, any breach or default thereunder, in any such case, in which such breach or default, individually or in the aggregate, would have a Material Adverse Effect on the Business.

3.12 LABOR RELATIONS. Except as set forth in Section 3.12 of the HOLDINGS DISCLOSURE SCHEDULE, (a) neither Holdings nor any of the Transferred Companies is a party to any collective bargaining agreement or labor Contract with respect to any Persons employed by any of the Transferred Companies (the "Business Personnel"), (b) Holdings is not a party to any employment agreement with any of the

Business Personnel, (c) since January 1, 1998, neither Holdings nor any of the Transferred Companies has engaged in any unfair labor practice with respect to the Business Personnel, and there is no unfair labor practice complaint or grievance against Holdings or any of the Transferred Companies by the National Labor Relations Board or any comparable state agency pending or, to Holdings' Knowledge, threatened in writing with respect to the Business Personnel, except where such unfair labor practice, complaint or grievance would not, individually or in the aggregate, have a Material Adverse Effect on the Business, and (d) there is no labor strike, dispute, slowdown or stoppage pending or, to Holdings' Knowledge, threatened against Holdings (with respect to the Business) or any of the Transferred Companies which may interfere with the business activities of the Business, except for such disputes, strikes or work stoppages which would not, individually or in the aggregate, have a Material Adverse Effect on the Business.

3.13 EMPLOYEE BENEFIT PLANS; ERISA.

(a) Each "employee benefit plan," within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by Holdings and/or any of its subsidiaries or any organization which, together with Holdings and/or any such subsidiary (each, an "ERISA Affiliate"), would be treated as a "single employer" within the meaning of Section 414 of the Code or to which Holdings or any such ERISA Affiliate contributes (or has any obligation to contribute) or is a party and in which any Business Personnel participates or under which any of them has accrued and remains entitled to any benefit (collectively, the "Employee Benefit Plans") is listed on Section 3.13(a) of the HOLDINGS DISCLOSURE SCHEDULE. Except as set forth on Section 3.13(a) of the HOLDINGS DISCLOSURE SCHEDULE: (i) each Employee Benefit Plan is in compliance with applicable law and has been administered and operated in accordance with its terms, except to the extent that any such noncompliance, administration or operation would not result in a material liability; (ii) each Employee Benefit Plan which is intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service, dated after December 31, 1993 and, to Holdings' Knowledge, no event has occurred and no condition exists which could reasonably be expected to result in the revocation of any such determination; (iii) neither Holdings (with respect to the Business) or any of the Transferred Companies is a participant in any "multiemployer plan," within the meaning of Section 4001(a)(3) of ERISA; (iv) the actuarial present value of the accumulated plan benefits (whether or not vested) under any Employee Benefit Plan covered by Title IV of ERISA as of the close of the plan year ended April 30, 1998 did not exceed the fair value of the assets allocable thereto; (v) the execution of this

Agreement and consummation of the transactions contemplated hereby do not constitute a triggering event under any Employee Benefit Plan, policy, arrangement, statement, commitment or agreement, which (A) (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment, "parachute payment" (as such term is defined in Section 280G of the Code) or (B) by itself will result in any material payment, severance, bonus, retirement, or increase any benefits or accelerate the payment or vesting of any benefits to any employee or former employee or director of Holdings or any of its subsidiaries (other than that which would be solely a liability of Parent); (vi) no Employee Benefit Plan provides for post-employment or retiree welfare benefits, except to the extent required by Part 6 of Subtitle B of Title I of ERISA or Section 4980B of the Code or such other similar law; (vii) no Employee Benefit Plan maintained by Holdings or an ERISA Affiliate which is covered by Title IV of ERISA has been terminated and no proceedings have been instituted to terminate or appoint a trustee to administer any such plan; (viii) no "reportable event" (as defined in Section 4043 of ERISA) has occurred with respect to any Employee Benefit Plan maintained by Holdings or an ERISA Affiliate and covered by Title IV of ERISA; (ix) no Employee Benefit Plan maintained by Holdings or an ERISA Affiliate which is subject to Section 412 of the Code or Section 302 or ERISA has incurred any "accumulated funding deficiency," within the meaning of Section 412 of the Code or Section 302 of ERISA, or obtained a waiver of any minimum funding standard or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA; (x) neither Holdings nor any ERISA Affiliate has incurred any unsatisfied withdrawal liability under Part 1 of Subtitle E of Title IV of ERISA to any "multiemployer plan," within the meaning of Section 4001(a)(3) of ERISA; (xi) full payment has been timely made of all amounts which Holdings and/or any of its subsidiaries is required under applicable law or under any Employee Benefit Plan or related agreement to have paid as of the last day of the most recent fiscal year of such Employee Benefit Plan ended prior to the date hereof, and Holdings and each of its subsidiaries have made adequate provisions, in accordance with GAAP, in their financial statements for all obligations and liabilities under all Employee Benefit Plans or any related agreement or applicable law, and, to Holdings' Knowledge, no event has occurred and no condition exists that would reasonably be expected to result in a material increase in the level of such amounts paid or accrued for the most recently ended fiscal year; (xii) no Employee Benefit Plan provides for the payment of severance, termination, change in control or similar-type payments or benefits; (xiii) neither Holdings nor any of its subsidiaries, nor, to Holdings' Knowledge, any other "disqualified person" or "party in interest" (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively) has engaged in any transaction in connection with any Employee Benefit Plan that could reasonably be expected to result in the imposition of a material penalty

pursuant to Section 502 of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975 of the Code; and (xiv) no claim, action or litigation, has been made or commenced with respect to any Employee Benefit Plan (other than routine claims for benefits payable in the ordinary course, and appeals of denied such claims).

(b) Each "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is maintained outside of the United States by Holdings and/or any of its subsidiaries primarily for the benefit of Business Personnel substantially all of whom are residing outside of the United States (collectively, the "Foreign Plans") is listed on Section 3.13(a) of the HOLDINGS DISCLOSURE SCHEDULE. Except as set forth on Section 3.13(b) of the HOLDINGS DISCLOSURE SCHEDULE: (i) no event has occurred with respect to any Foreign Plan that would reasonably be expected to result directly in any material liability under any applicable law; (ii) Holdings and/or its subsidiaries have complied with, and each Foreign Plan conforms in form and operation to, all applicable Laws, except to the extent that any such noncompliance or nonconformance would not result in a material liability; (iii) all pension and incentive compensation obligations under any Foreign Plan have been fully funded, accrued on the Audited Financial Statements or paid by Holdings and/or one of its subsidiaries, as applicable; and (iv) no liability, claim, action or litigation, has been made, commenced or, to Holdings' Knowledge, threatened with respect to any Foreign Plan (other than routine claims for benefits payable in the ordinary course, and appeals of denied such claims).

3.14 INTELLECTUAL PROPERTY.

(a) The Transferred Companies own or possess valid and enforceable and adequate licenses or other legal rights to use all Intellectual Property Rights (as hereinafter defined) as are necessary to permit the Transferred Companies to conduct the Business as presently conducted, except where the failure to have such Intellectual Property Rights would not, individually or in the aggregate, have a Material Adverse Effect on the Business. Except as set forth in Section 3.14 of the HOLDINGS DISCLOSURE SCHEDULE, (i) no claims, or, to Holdings' Knowledge, threat of claims, have been asserted by any Person related to the use in the conduct of the Business of any Intellectual Property Rights or challenging or questioning the validity or effectiveness of any license or agreement relating to Intellectual Property Rights, except for such claims which, individually or in the aggregate, would not have a Material Adverse Effect on the Business, (ii) the conduct of the Business as presently conducted does not infringe on the Intellectual Property Rights of any Person, except for such infringements which, individually or in the aggregate, would

not have a Material Adverse Effect on the Business, and (iii) to Holdings' Knowledge, all filings, registrations and issuances pertaining to the Intellectual Property Rights owned by the Transferred Companies, including any and all patents, registered trademarks and copyright registrations, are in full force and effect and the Transferred Companies have good and marketable title thereto.

(b) For purposes of this Agreement, (i) "Person" shall mean an individual, partnership, limited partnership, limited liability partnership, limited liability company, foreign limited liability company, trust, estate, corporation, custodian, trustee, executor, administrator, nominee or any other entity and (ii) "Intellectual Property Rights" shall mean rights under patents, trademarks, trade names, service marks, Internet domain names, trade secrets, copyrights, software, mailing lists and other proprietary intellectual property rights, whether or not registered, and all registrations thereof and applications for registration with respect thereto.

3.15 YEAR 2000 COMPLIANCE.

(a) To Holdings Knowledge, the Transferred Companies have identified substantially all of their internal systems and software that are subject to Year 2000 Compliance risk and, to Holdings Knowledge, no Material Adverse Effect on the Business will result from the failure of such systems or software to be Year 2000 Compliant. As used herein, "Year 2000 Compliant" shall mean, with respect to all internal computer systems and software, whether embedded or otherwise, the ability to consistently and accurately handle date information before, on and after January 1, 2000 without a material loss of functionality, including, but not limited to, accepting date input, providing date output, performing calculations on dates or portions of dates and comparing, sequencing, storing and displaying dates (including all leap year considerations).

(b) The Transferred Companies have adopted a Year 2000 Compliance program, which consists of four phases: (i) identification of all MISSION CRITICAL BUSINESS systems and software subject to Year 2000 Compliance risks; (ii) assessment of such business systems and software to determine the method of correcting Year 2000 Compliance problems; (iii) implementing the corrective measures; and (iv) testing and maintaining Year 2000 Compliance. The Transferred Companies have completed at least phases (i), (ii) and (iii) above with respect to all of their mission critical internal systems and software.

(c) Parent and Holdings make no representation or warranty concerning the Year 2000 Compliance of suppliers of products and services to the Transferred Companies or of the Transferred Companies' customers, or as to whether the failure of such suppliers or customers to be Year 2000 Compliant would have a Material Adverse Effect on the Business. The Transferred Companies are developing contingency plans intended to minimize the effects of any such failures by crucial third parties.

(d) The above stated representation is a Year 2000 readiness disclosure statement pursuant to the Year 2000 Readiness and Disclosure Act.

3.16 ENVIRONMENTAL MATTERS. Except as set forth in Section 3.16 of the HOLDINGS DISCLOSURE SCHEDULE:

(a) The Business presently is being conducted in compliance with all applicable Environmental Laws (as hereinafter defined), including, but not limited to, the possession of all Permits and other governmental authorizations required under applicable Environmental Laws, except where the failure to comply with such Environmental Laws would not have a Material Adverse Effect on the Business;

(b) There is no pending or, to Holdings' Knowledge, threatened Environmental Claim against Holdings (relating to the Business or any Real Property) or any of the Transferred Companies under any Environmental Laws, which, if adversely determined, individually or in the aggregate, would have a Material Adverse Effect on the Business; and

(c) There have been no releases, spills or discharges of Hazardous Substances (as hereinafter defined) by any of the Transferred Companies during the period of Parent's (or its Affiliates') ownership of such Transferred Company or, to Holdings' Knowledge, by any of the Transferred Companies prior to such period, or by any other Person, on or underneath any of the properties presently owned, leased or operated by any of the Transferred Companies that would have a Material Adverse Effect on the Business.

(d) There are no presently existing facts, circumstances, conditions or occurrences regarding any business or operations of the Transferred Companies or any Real Property that would reasonably be anticipated (i) to form the basis of an Environmental Claim against the Transferred Companies or any Real

Property or (ii) to cause such Real Property to be subject to any restrictions on its ownership, occupancy, use or transferability under any Environmental Law, which, in either case, would have a Material Adverse Effect on the Business.

(e) For purposes of this Agreement, "Environmental Laws" shall mean any applicable national, federal, state or local Laws relating to the environment, pollution or protection of the environment, health, safety or Hazardous Substances. "Hazardous Substances" means all substances defined as hazardous, toxic, petroleum or petroleum products, asbestos in any form that is friable, polychlorinated biphenyls, radon gas and any other restricted pollutant or a contaminant under the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. ss. 300.5, or defined, limited or prohibited as such by, or regulated as such under, any Environmental Law. "ENVIRONMENTAL CLAIMS" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any such Environmental Law (for purposes of this definition, "Claims"), including, without limitation (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims, by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to health or the environment.

3.17 REAL PROPERTY. With respect to each parcel of real property owned in fee, leased or subleased by the Transferred Companies (the "Real Property"), Section 3.17 of the HOLDINGS DISCLOSURE SCHEDULE sets forth a complete and accurate list setting forth its address and, in the case of owned Real Property, its legal description. Except as set forth in Section 3.17 of the HOLDINGS DISCLOSURE SCHEDULE, each of the Transferred Companies has fee simple title to all Real Property owned by such entity, and has valid leasehold interests in all Real Property leased by such entity, in each case free and clear of all Liens except for defects in title or Liens which, individually or in the aggregate, would not have a Material Adverse Effect on the Business.

3.18 INSURANCE. Section 3.18 of the HOLDINGS DISCLOSURE SCHEDULE sets forth an accurate summary of all material insurance policies maintained by Holdings (with respect to the Business) and the Transferred Companies. Such insurance policies are in full force and effect on the date hereof, and are in such amounts, on such terms and covering such risks, including fire and other risks

insured against by extended coverage, as are, in the opinion of Holdings' management, reasonably prudent for the Business.

3.19 ACQUISITION OF SHARES FOR INVESTMENT. Holdings is acquiring the shares of Acquiror Sub Series A Preferred Stock to be issued by Acquiror Sub upon consummation of the Merger for investment purposes without any present intention of distributing or selling any such shares in violation of federal or state securities laws.

3.20 SUFFICIENCY OF ASSETS. Except as contemplated by the Intercompany Agreements and the items set forth in Section 3.20 of the HOLDINGS DISCLOSURE SCHEDULE, the assets of the Transferred Companies constitute all the assets necessary to conduct the Business in substantially the same manner as presently conducted.

3.21 CUSTOMERS. Section 3.21 of the HOLDINGS DISCLOSURE SCHEDULE sets forth the twenty (20) largest customers (each a "Material Customer") of the Business for the period from January 1, 1999 through March 31, 1999, based on gross revenues received from each such customer during such period. No Transferred Company has received written notice, or to Holding's Knowledge, any oral notice, from any Material Customer that such Material Customer is canceling or otherwise substantially reducing its usage or purchase of the products and services of, the Business.

3.22 BROKERS; FINDERS AND FEES. Except for Chase Securities Inc., whose fees will be paid by Parent, none of Parent, Holdings, any Transferred Company or any of their respective Affiliates has employed any investment banker, broker or finder or incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND ACQUIROR SUB

Acquiror and Acquiror Sub jointly and severally represent and warrant to Parent and Holdings as follows:

4.1 ORGANIZATION.

(a) Each of Acquiror and Acquiror Sub is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is presently being conducted. Each of Acquiror and Acquiror Sub is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction in which the nature of its business or the ownership, operation or leasing of its properties makes such qualification necessary, except where the failure to be so qualified and in good standing would not have an Acquiror Material Adverse Effect (as hereinafter defined).

(b) As used in this Agreement, "Acquiror Material Adverse Effect" means any material adverse change in, or effect on, the business, assets, liabilities, results of operations or condition (financial or otherwise) of Acquiror, Acquiror Sub or Acquiror's other subsidiaries, taken as a whole; PROVIDED, HOWEVER, that the effects of changes that are generally applicable to the industries in which such entities operate or to the economy generally shall be excluded from such determination.

4.2 AUTHORIZATION. Each of Acquiror and Acquiror Sub has all requisite corporate power and authority to execute and deliver this Agreement and each of the Transaction Agreements to which it is a party and to perform its obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby. The execution and delivery by Acquiror and Acquiror Sub of this Agreement and each of the Transaction Agreements to which it is a party and the consummation by Acquiror and Acquiror Sub of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of each of Acquiror and Acquiror Sub. This Agreement has been, and, at the Closing, each of the Transaction Agreements will be, duly executed and delivered by each of Acquiror and Acquiror Sub to the extent it is a party thereto and (assuming the valid authorization, execution and delivery thereof by the other parties thereto) this Agreement constitutes, and each of the Transaction Agreements, when duly executed and delivered, will constitute, a valid and binding agreement of Acquiror and Acquiror Sub to the extent it is a party thereto, enforceable against them in accordance with its terms, except that (a) such enforcement may be subject to any bankruptcy, reorganization, fraudulent conveyance, moratorium, insolvency and other Laws, now or hereafter in effect, relating to or limiting creditors' rights generally and (b) enforcement thereof, including, among other things, the remedy of

specific performance and injunctive and other forms of equitable relief, may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

4.3 CAPITALIZATION.

(a) Section 4.3 of the disclosure schedule being delivered by Acquiror to Holdings concurrently herewith (the "ACQUIROR DISCLOSURE SCHEDULE") sets forth the authorized capital stock of, and the number of issued and outstanding shares of capital stock in, Acquiror and Acquiror Sub. As of the date of this Agreement, except as set forth in Section 4.3 of the ACQUIROR DISCLOSURE SCHEDULE, there are no issued and outstanding shares of capital stock or other equity interests in Acquiror or Acquiror Sub or any subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character obligating Acquiror or Acquiror Sub to issue, transfer or sell, or cause to be issued, transferred or sold, any capital stock or other equity interests in Acquiror or Acquiror Sub, nor are there any shares of capital stock or other equity interests reserved for issuance pursuant thereto. Each outstanding share of capital stock of Acquiror and Acquiror Sub is duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights.

(b) Acquiror Sub is a newly formed company incorporated under the laws of the State of Texas and has engaged in no activity other than as provided in, or contemplated by, this Agreement. Acquiror has no present plan or intention to cause Acquiror Sub to reincorporate out of the State of Texas. Except as set forth in Section 4.3 of the ACQUIROR DISCLOSURE SCHEDULE, (i) all of the issued and outstanding shares of capital stock of Acquiror Sub are, and immediately prior to the Effective Time, will be, owned of record and beneficially by Acquiror and are, and immediately prior to the Effective Time, will be, free and clear of all Liens, (ii) there are no restrictions of any kind which prevent the payment of dividends by Acquiror Sub and (iii) Acquiror Sub (except by operation of Law) is not subject to any obligation or requirement to provide funds for or to make any investment (in the form of a loan, capital contribution or otherwise) to or in any Person.

(c) The shares of Acquiror Sub Preferred Stock to be issued upon consummation of the Merger pursuant to the terms of this Agreement have been duly authorized and reserved for issuance and, at the Effective Time, such shares of Acquiror Sub Preferred Stock will be validly issued, fully paid and nonassessable shares of preferred stock of Acquiror Sub, free of preemptive rights, and will be entitled to the rights, preferences and powers set forth in the Certificate of

Designations with respect thereto. The shares of Series B cumulative PIK preferred stock of Acquiror Sub ("Acquiror Sub Series B Preferred Stock") have been duly authorized and when issued as paid-in-kind dividends upon the Acquiror Sub Series A Preferred Stock, such shares will be validly issued, fully paid and nonassessable shares of Acquiror Sub Series B Preferred Stock, free of preemptive rights and will be entitled to the rights, preferences and powers set forth in the Certificate of Designations with respect thereto.

(d) The shares of common stock, par value $0.01 per share, of Acquiror (the "Acquiror Common Stock"), issuable upon exchange of the non-voting class B common stock of Acquiror (the "Acquiror Class B Common Stock") which is issuable upon conversion of the Acquiror Sub Series A Preferred Stock pursuant to the terms of the Certificate of Designations with respect thereto, have been duly authorized and reserved for issuance and, upon issuance after such conversion, such shares of Acquiror Common Stock will be validly issued, fully paid and nonassessable, and free of preemptive rights. The transactions contemplated by this Agreement, which includes the issuance of shares of Acquiror Class B Common Stock upon conversion of the Acquiror Sub Series A Preferred Stock, have been duly authorized by the board of directors of Acquiror and, subject to the receipt of the Class B Stockholder Approval (as defined in the Stockholders' Agreement), when issued upon conversion of the Acquiror Sub Series A Preferred Stock, such shares of Acquiror Class B Common Stock will be duly authorized, validly issued, fully paid and nonassessable, and free of preemptive rights.

4.4 CONSENTS AND APPROVALS; NO VIOLATION. Except for the filing of the Articles of Merger under the TBCA and the applicable requirements of the H-S-R Act, or as set forth in Section 4.4 of the ACQUIROR DISCLOSURE SCHEDULE, neither the execution and delivery by Acquiror or Acquiror Sub of this Agreement or the Transaction Agreements to which it is a party nor the consummation by Acquiror and Acquiror Sub of the transactions contemplated hereby or thereby will (i) conflict with or violate the certificate or articles of incorporation, by-laws or comparable charter or organizational documents of Acquiror or Acquiror Sub, (ii) violate any Laws of any Governmental Entity applicable to Acquiror or Acquiror Sub or any of their respective properties or assets, (iii) result in a violation or breach of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or require any consent of another party to, any Contract to which Acquiror or Acquiror Sub is a party or by which Acquiror or Acquiror Sub or any of their respective properties or assets is bound, (iv) result in the creation of any Lien on any of the assets of Acquiror Sub or (v) require any Governmental Consent of any

Governmental Entity, other than, in the case of clauses (ii), (iii), (iv) and (v), such violations, breaches, conflicts, defaults, terminations, accelerations, third-party consents, Liens and Governmental Consents, which would not, individually or in the aggregate, have an Acquiror Material Adverse Effect and would not adversely affect in any material respect the ability of Acquiror or Acquiror Sub to consummate the transactions contemplated hereby.

4.5 ACQUIROR SEC DOCUMENTS. Acquiror has filed all reports, forms, registrations, schedules, statements and other documents required to be filed by it with the Securities and Exchange Commission ("SEC") since January 1, 1998 (the "Acquiror SEC Documents"). As of their respective dates, the Acquiror SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended, as the case may be, and the applicable rules and regulations promulgated thereunder. Except to the extent that information contained in any Acquiror SEC Document has been revised, amended or superseded by a later Acquiror SEC Document, none of the Acquiror SEC Documents filed prior to the date hereof, when filed, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.6 FINANCIAL INFORMATION; ABSENCE OF UNDISCLOSED LIABILITIES.

(a) Except as otherwise noted therein, the consolidated financial statements of Acquiror included in the Acquiror SEC Documents were prepared in accordance with GAAP, consistently applied (except, in the case of the unaudited statements, for normal year-end audit adjustments), and fairly present in all material respects the consolidated financial condition, results of operations and cash flows of Acquiror and its consolidated subsidiaries as of and for the periods indicated therein (subject, in the case of the unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein).

(b) Except as set forth in the Acquiror SEC Documents filed prior to the date hereof or in Section 4.6(b) of the ACQUIROR DISCLOSURE SCHEDULE, since the date of the most recent audited financial statements included in the Acquiror SEC Documents, Acquiror has not incurred any liabilities or obligations (whether direct or indirect, accrued, contingent or otherwise) that would be required to be reflected on a balance sheet or in notes thereto prepared in accordance with GAAP, except for (i) liabilities and obligations incurred in the ordinary course of

business and (ii) liabilities and obligations that, individually or in the aggregate, would not have a Acquiror Material Adverse Effect.

4.7 LITIGATION. Except as set forth in the Acquiror SEC Documents filed prior to the date hereof or in Section 4.7 of the ACQUIROR DISCLOSURE SCHEDULE, as of the date of this Agreement, there is no action, suit, proceeding or investigation by or before any Governmental Entity which is pending, or, to the knowledge of Acquiror, threatened against Acquiror, Acquiror Sub or any of Acquiror's other subsidiaries, which, if adversely determined, individually or in the aggregate, would (a) have a Acquiror Material Adverse Effect or (b) adversely affect in any material respect the ability of Acquiror or Acquiror Sub to consummate the transactions contemplated hereby.

4.8 COMPLIANCE WITH LAWS. Except as disclosed in the Acquiror SEC Documents filed prior to the date hereof or as set forth in Section 4.8 of the ACQUIROR DISCLOSURE SCHEDULE, the businesses of Acquiror and Acquiror Sub are presently being conducted in compliance with all applicable Laws, except for such noncompliance which, individually or in the aggregate, would not have a Acquiror Material Adverse Effect.

4.9 AVAILABILITY OF FUNDS. Acquiror has delivered to Holdings, prior to the date hereof, true, correct and complete copies of commitment letters (the "Commitment Letters") providing commitments by the financial institutions issuing such letters ("Lenders") to lend to Acquiror the Financing (as hereinafter defined). Such Commitment Letters are in full force and effect on the date hereof. Pursuant to such Commitment Letters, Acquiror has commitments for, and at the Closing will have available (assuming such Commitment Letters are honored and the conditions set forth therein are satisfied by the Lenders) the Financing. As used in this Agreement, "Financing" means immediately available funds in an amount sufficient to consummate the transactions contemplated hereby and pay all related fees and expenses.

4.10 AMORTIZATION OF GOODWILL. Acquiror has been advised by Deloitte & Touche LLP, that as of the date hereof, pursuant to GAAP, the goodwill generated by the transactions contemplated hereby would be amortized by Acquiror over forty (40) years.

4.11 NO REGISTRATION. Assuming the accuracy of Holdings' representations in Section 3.19, no registration of the shares of Acquiror Sub Preferred Stock to be issued by Acquiror Sub upon consummation of the Merger, pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, will be required by the issuance of such shares upon consummation of the Merger.

4.12 INVESTIGATION BY ACQUIROR; PARENT'S AND HOLDINGS' LIABILITY. Acquiror has conducted its own independent review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, and prospects of the Business and acknowledges that Acquiror has been provided access to the personnel, properties, premises and records of the Business for such purpose. Except for the specific representations and warranties of Parent and Holdings set forth in Article III of this Agreement (subject to the limitations and restrictions contained therein) and the indemnities of Parent and Holdings set forth in Sections 6.2 and 9.2 of this Agreement, in entering into this Agreement, Acquiror: (a) acknowledges that none of Parent, Holdings, the Transferred Companies or any of their respective directors, officers, shareholders, employees, Affiliates, controlling persons, agents, advisors or representatives makes or has made any representation or warranty, either express or implied, as to the accuracy or completeness of any of the information provided or made available to Acquiror or its directors, officers, employees, Affiliates, controlling persons, agents or representatives; and (b) agrees, to the fullest extent permitted by Law, that none of Parent, Holdings, the Transferred Companies or any of their respective directors, officers, employees, shareholders, Affiliates, controlling persons, agents, advisors or representatives shall have any liability or responsibility whatsoever to Acquiror or its directors, officers, employees, Affiliates, controlling persons, agents or representatives on any basis (including, without limitation, in contract or tort, under federal or state securities Laws or otherwise) based upon any information provided or made available, or statements made (including, without limitation, in materials furnished in the Business' data room, in presentations by the management of the Business or otherwise), to Acquiror or Acquiror Sub or their directors, officers, employees, Affiliates, controlling persons, advisors, agents or representatives (or any omissions therefrom).

4.13 BROKERS; FINDERS AND FEES. Except for Lehman Brothers Inc. and BT Wolfensohn, whose fees will be paid by Acquiror, neither Acquiror nor any of its Affiliates has employed any investment banker, broker or finder or incurred any liability for any investment banking, financial advisory or brokerage fees, commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby.

ARTICLE V
COVENANTS OF THE PARTIES

5.1 CONDUCT OF THE BUSINESS. During the period from the date of this Agreement to the Effective Time, except for the right of Holdings, at its option, at any time prior to the Effective Time, to convert Wright Express Corporation, a Delaware corporation, into a limited liability company, whether by merger or otherwise, and as otherwise contemplated by this Agreement or the transactions contemplated hereby or consented to by Acquiror in writing, Parent and Holdings shall cause each of the Transferred Companies:

(a) to conduct its business and operations in the ordinary course in substantially the same manner as presently conducted and to use reasonable best efforts to preserve its relationships with customers, suppliers and others having business dealings with the Business; and

(b) not to:

(i) sell, license or dispose of any of its material properties or assets, except (A) to a Transferred Company or (B) in the ordinary course of business in substantially the same manner as presently conducted;

(ii) make any loans, advances (other than loans or advances (A) in the ordinary course of business (including to Holdings in accordance with Holdings' normal cash management policies) in substantially the same manner as presently conducted and (B) required by the terms of any existing written agreements), capital contributions to, or investments in, any Person other than another Transferred Company;

(iii) enter into any new written employment agreement with any of the Business Personnel providing for annual compensation in excess of $75,000 (plus customary sales quota payments in the case of sales or similar personnel) or increase in any manner the compensation of any of the Business Personnel, except for such renewals of employment agreements and increases as are granted in the ordinary course of business pursuant to its customary practices (which shall include normal periodic performance reviews and related compensation and benefit increases);

(iv) except for the Holdings Plan, adopt, grant, extend or increase the rate or term of any Plan or any new bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such Business Personnel, except (A) increases required by any applicable Law, (B) increases in the ordinary course of business consistent with past practice, (C) the adoption of the Holdings Plan (as defined below), (D) grants of options ("Cendant Options") to purchase the common stock of Cendant Corporation, a Delaware corporation and an Affiliate of Holdings ("Cendant"), to Business Personnel, and (E) any other benefits payable in any form by Holdings;

(v) make any change in any of its present accounting methods and practices, except as required by changes in GAAP;

(vi) issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other voting securities or any securities convertible into, or any options, warrants or rights to acquire, any such shares, voting securities or convertible securities;

(vii) split, combine or reclassify, or pay any dividend in respect of, any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock (other than to another Transferred Company and distributions to repay intercompany indebtedness or to pay Taxes in the ordinary course of business);

(viii) make or authorize any capital expenditures (in addition to those provided for in the Capital Expenditures Plans of the Business for 1999) in excess of $500,000, individually, or $2,000,000 in the aggregate;

(ix) settle or compromise any material Tax liability, except in the ordinary course of business;

(x) (A) incur any indebtedness for borrowed money other than in the ordinary course of business to acquire vehicles and/or for ordinary course of business working capital, relating to current Taxes or for Tax allocations to Cendant and its Affiliates (including to Holdings or Affiliates of Holdings), or (B) issue any debt securities or assume, guarantee or endorse the obligations of any other Person other than in connection with indebtedness referred to in clause A above;

(xi) amend its respective certificate or articles of incorporation or by-laws or comparable organizational documents; or

(xii) take, or agree to take, any of the foregoing actions.

5.2 CONDUCT OF BUSINESS BY ACQUIROR. During the period from the date of this Agreement to the Effective Time, except as otherwise contemplated by this Agreement or the transactions contemplated hereby or consented to by Holdings in writing:

(a) Acquiror shall not, and shall cause Acquiror Sub and each of Acquiror's other subsidiaries not to, take any action that would or would be reasonably likely to result in the disqualification of the Merger as a "reorganization" for purposes of Section 368 of the Code; and

(b) Acquiror shall cause Acquiror Sub not to:

(i) issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other voting securities or any securities convertible into, or any options, warrants or rights to acquire, any such shares, voting securities or convertible securities;

(ii) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

(iii) amend its articles of incorporation or by-laws; or

(iv) take, or agree to take, any of the foregoing actions.

(c) Acquiror shall not take any action, including, without limitation, repurchasing any shares of Acquiror Common Stock, that would result in Cendant owning, directly or indirectly, more than twenty percent (20%) of the outstanding shares of Acquiror Common Stock.

5.3 CONDUCT OF BUSINESS BY ACQUIROR SUB. From the date of this Agreement to the Effective Time, Acquiror Sub will not engage in any activities of any nature, acquire any assets or incur any indebtedness or assume any liabilities or obligations, in each case, except as expressly provided in or contemplated by this

Agreement and as may be related to Acquiror Sub incurring indebtedness necessary to refinance indebtedness required to be repaid under the terms of this Agreement.

5.4 ACCESS TO INFORMATION.

(a) From the date of this Agreement to the Closing, Parent and Holdings shall, and shall cause each of the Transferred Companies to, (i) except as set forth in subparagraph (c), give Acquiror and its authorized representatives reasonable access to all books, records, personnel, offices and other facilities and properties of the Business, (ii) permit Acquiror to make such copies and inspections thereof as Acquiror may reasonably request and (iii) cause the officers, independent auditors (subject to Acquiror and Acquiror Sub executing indemnification letters and waiver letters satisfactory to such independent auditor) of the Transferred Companies to furnish Acquiror with such financial and operating data and other information with respect to the business and properties of the Transferred Companies as Acquiror may from time to time reasonably request; PROVIDED, HOWEVER, that any such access shall be conducted at Acquiror's expense, at a reasonable time, under the supervision of Holdings or the Transferred Companies and in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated hereby and not to interfere unreasonably with the operation of the business of Holdings or any Transferred Company (iv) take such action, including without limitation, providing the reasonable use of appropriate officers as Acquiror and Acquiror Sub may reasonably request in connection with obtaining the Financing; provided that such action does not unreasonably interfere with such officer's duties in connection with the conduct of the Business.

(b) From the date of this Agreement to the Closing, Acquiror shall, and shall cause Acquiror Sub to, (i) give Holdings and its authorized representatives reasonable access to all books, records, personnel, offices and other facilities and properties of Acquiror Sub, (ii) permit Holdings to make such copies and inspections thereof as Holdings may reasonably request and (iii) cause the officers of Acquiror and Acquiror Sub to furnish Holdings with (x) such financial and operating data and other information with respect to the business and properties of Acquiror Sub as Holdings may from time to time reasonably request and (y) such financial data of Acquiror as Holdings may from time to time reasonably request; PROVIDED, HOWEVER, that any such access shall be conducted at Holdings' expense, at a reasonable time, under the supervision of Acquiror and Acquiror Sub and in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated hereby and not to interfere unreasonably with the operation of the business of Acquiror or Acquiror Sub.

(c) All information and access provided to Acquiror and its representatives pursuant to subsection (a) above shall be subject to the terms and conditions of the letter agreement (the "Confidentiality Agreement"), among Acquiror, Cendant, Parent and PHH Vehicle Management Services Corporation, dated March 19, 1999. The Confidentiality Agreement shall survive the execution of this Agreement and the Closing, without limitation. Notwithstanding anything to the contrary contained in this Agreement, none of Cendant, Parent, Holdings, any Transferred Company or any of their respective Affiliates shall have any obligation to make available or provide to Acquiror or its representatives a copy of any consolidated, combined or unitary Tax Return filed by Cendant, Parent, Holdings, or any of their respective Affiliates or predecessors, or any related materials.

(d) Parent and Holdings shall, and shall cause their representatives to, keep confidential all information provided by Acquiror and Acquiror Sub. Such information shall not be used by Parent or Holdings or their representatives for any purpose other than in connection with analyzing the transactions contemplated hereby.

5.5 BOOKS AND RECORDS; FURNISHING INFORMATION.

(a) For a period of three years after the Closing Date, the Holdings Surviving Corporation shall make available to Acquiror and Acquiror Sub Surviving Corporation for inspection and copying at Acquiror's expense, at reasonable times after reasonable request therefor, any records and documents (or portions thereof) retained by the Holdings Surviving Corporation relating primarily to the Business which, at the time of said request, are in the Holdings Surviving Corporation's possession or control. Holdings agrees that it shall preserve and keep all books and records referred to above for a period of at least three years from the Closing Date; PROVIDED, HOWEVER, that records relating to Taxes and Tax Returns shall be kept for the applicable statutory period (including extensions thereof). After such period, before the Holdings Surviving Corporation shall dispose of any of such books and records, at least 90 calendar days' prior written notice to such effect shall be given by the Holdings Surviving Corporation to Acquiror, and Acquiror shall be given an opportunity, at its cost and expense, to remove and retain all or any part of such books and records as Acquiror may select.

(b) For a period of three years after the Closing Date, Acquiror and the Acquiror Sub Surviving Corporation shall make available to the Holdings Surviving Corporation for inspection and copying at the Holdings Surviving Corporation's expense, at reasonable times after reasonable request

therefor, any records and documents (or portions thereof) relating primarily to the Business delivered by Holdings to Acquiror hereunder which, at the time of said request, are in Acquiror's or the Acquiror Sub Surviving Corporation's possession or control. Acquiror agrees that it shall preserve and keep all books and records referred to above for a period of at least three years from the Closing Date; PROVIDED, HOWEVER, that records relating to Taxes and Tax Returns shall be kept for the applicable statutory period (including extensions thereof). After such period, before Acquiror shall dispose of any of such books and records, at least 90 calendar days' prior written notice to such effect shall be given by Acquiror to the Holdings Surviving Corporation, and the Holdings Surviving Corporation shall be given an opportunity, at its cost and expense, to remove and retain all or any part of such books and records as the Holdings Surviving Corporation may select.

5.6 CONSENTS AND APPROVALS.

(a) Each of Parent, Holdings, Acquiror and Acquiror Sub shall cooperate and use best efforts to make all filings and obtain all consents of Governmental Entities and third parties required to consummate the transactions contemplated hereby, including, without limitation, under the H-S-R Act and any mandatory foreign antitrust or competition Laws, and in connection with the Required Approvals. In furtherance of the foregoing, each of Parent, Holdings, Acquiror and Acquiror Sub shall file or cause to be filed with the United States Federal Trade Commission ("FTC") and the United States Department of Justice ("DOJ") a notification and report form under the HSR Act within five (5) business days following the date hereof.

(b) Each of Parent, Holdings, Acquiror and Acquiror Sub shall promptly inform the other parties hereto of any material communication from the FTC, DOJ or any other Governmental Entity regarding any of the transactions contemplated by this Agreement. If any of Parent, Holdings, Acquiror or Acquiror Sub, or any Affiliate thereof, receives a request for additional information or documentary material from any such Governmental Entity with respect to the transactions contemplated by this Agreement, then such party shall use its best efforts to respond to such request, as promptly as practicable, after consultation and coordination with the other parties hereto. In addition to the foregoing, Acquiror agrees to provide, and cause Acquiror Sub to provide, such assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any third party whose consent is sought hereunder.

5.7 COMMERCIALLY REASONABLE EFFORTS. Each of Parent, Holdings, Acquiror and Acquiror Sub shall cooperate, and use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate the transactions contemplated by this Agreement.

5.8 FINANCING.

(a) Acquiror and Acquiror Sub shall comply with all terms of the Commitment Letters and shall take all actions required on their part under the terms of the Commitment Letters, including without limitation, providing the Lenders with all information that they may request and entering into appropriate loan agreements or other agreements in order to obtain the Financing.

(b) In the event that (i) any Lender shall notify Acquiror or Acquiror Sub that it is withdrawing or terminating the Commitment Letters or that any of the conditions to the Financing in the Commitment Letters cannot be satisfied and will not be waived or (ii) Acquiror has agreed to any amendment to the Commitment Letters that establish additional conditions to the Lenders' obligations to provide the Financing or otherwise makes it more difficult for Acquiror to obtain the Financing (unless Holdings has agreed in writing that Acquiror can effect any such amendment) (each a "Funding Termination Event"), then Acquiror shall immediately notify Holdings of such Funding Termination Event. In the event all or any portion of the Financing becomes unavailable for any reason under the Commitment Letters, Acquiror shall use its commercially reasonable efforts to secure all or such portion of the Financing on terms no less favorable in the aggregate to Acquiror than the terms contained in the Commitment Letters. Acquiror shall immediately notify Holdings if any Lenders shall notify Acquiror or Acquiror Sub that it is amending the Commitment Letters.

5.9 EMPLOYEES; EMPLOYEE BENEFITS.

(a) On and after the Closing, until at least the first anniversary of the Closing Date, Acquiror shall cause the Transferred Companies to provide such Business Personnel with salaries and benefit plans, programs and arrangements substantially equivalent in the aggregate (without consideration given to defined benefit pension plans) as those provided by Parent and its Affiliates as of the date hereof.

(b) If any Business Personnel becomes a participant in any employee benefit plan, practice or policy of Acquiror or any of its Affiliates, such employee shall be given credit under such plan for all service prior to the Closing Date with the Transferred Companies or any predecessor employer or other Affiliate of Holdings (to the extent such credit was given by the Transferred Companies, such predecessor or other Affiliate of Holdings), and all service with the Transferred Companies or Acquiror or any of its Affiliates following the Closing Date but prior to the time such employee becomes such a participant, for purposes of determining eligibility and vesting and for all other purposes for which such service is either taken into account or recognized; PROVIDED, HOWEVER, such service need not be credited to the extent it would result in a duplication of benefits including, without limitation, benefit accrual under defined benefit plans. To the extent allowable under applicable Law, Acquiror shall, and shall cause the Transferred Companies to, (i) waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Business Personnel under any welfare benefit plans in which such Business Personnel may be eligible to participate after the Closing Date and (ii) provide the Business Personnel with credit for any co-payments and deductibles paid prior to the Closing Date in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans of Acquiror or any of its Affiliates in which the Business Personnel are eligible to participate after the Closing Date.

(c) In the event that any of the Business Personnel employed by the Transferred Companies immediately prior to the Closing (each, an "Affected Employee") is discharged by the Transferred Companies after the Effective Time, then Acquiror shall be responsible for any and all severance costs for such Affected Employee, including, without limitation, payments owing under those agreements, plans or arrangements listed in Section 5.9 of the HOLDINGS DISCLOSURE SCHEDULE. Acquiror shall be responsible and assume all liability for all notices or payments due to any Affected Employees, and all notices, payments, fines or assessments due to any Governmental Entity, pursuant to any applicable foreign, federal, state or local Law, with respect to the employment, discharge or layoff of employees by the Transferred Companies after the Closing, including, but not limited to, the Worker Adjustment and Retraining Notification Act, COBRA and any rules or regulations as have been issued in connection therewith.

(d) Prior to the Closing, Parent shall take all such action as it shall deem necessary or appropriate, including, if necessary, adopting any amendments, so that, effective as of the Effective Time, each of the Transferred Companies shall cease to be a participating employer in the PHH Corporation

Pension Plan (the "Pension Plan") and that all Business Personnel shall become fully vested in their accrued benefits under the Pension Plan. Following the Effective Time, distribution of benefits under the Pension Plan to employees and former employees of the Transferred Companies shall be made in accordance with the terms of the Pension Plan.

(e) There shall be established a bonus plan providing for bonuses to employees of the Transferred Companies substantially in the form of the bonus plan set forth in Section 5.9(e) of the HOLDINGS DISCLOSURE SCHEDULE (the "Holdings Plan"). Holdings shall be responsible for all amounts payable pursuant to the Holdings Plan (other than severance payments due thereunder) and shall pay all amounts due thereunder (other than severance payments due thereunder) to the Acquiror Sub Surviving Corporation (which shall immediately pay or cause to be paid all such amounts to the appropriate employees entitled thereto) as and when such amounts become due.

(f) Subject to Section 6.15 hereof, Holdings shall remain fully responsible for, and shall indemnify Acquiror, the Acquiror Sub Surviving Corporation, the Transferred Companies and their respective Affiliates, and the officers, directors, employees and agents of Acquiror, the Acquiror Sub Surviving Corporation, the Transferred Companies and their respective Affiliates and hold them harmless from and against, any and all claims, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) and other liabilities and obligations relating to under or arising in connection with the Holdings Plan (other than severance payments due thereunder).

(g) After the Closing, Acquiror shall be responsible for, and shall indemnify and hold harmless Parent, Holdings and their respective Affiliates, and the officers, directors, employees and agents of Parent, Holdings and their respective Affiliates, and the fiduciaries (including plan administrators) of the Employee Benefit Plans, from and against any and all claims, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) and other liabilities and obligations relating to or arising out of (i) all salaries, commissions and vacation entitlements accrued but unpaid as of the Closing and post-Closing bonuses due to any Affected Employee (other than those arising under the Holdings Plan, except for severance payment obligations) and (ii) any claims of, or damages or penalties sought by, any Affected Employee, or any Governmental Entity on behalf of or concerning any Affected Employee, with respect to any act or failure to act by Acquiror to the extent arising from the employment, discharge, layoff, termination or constructive termination after the Closing of any Affected

Employee who becomes an employee of Acquiror or becomes or remains an employee of the Transferred Companies on or after the Closing.

(h) Effective as of the Closing, the parties hereto shall take all action necessary and appropriate to cause the applicable Transferred Companies to (i) remain or become the sole sponsor of (A) the PHH Europe PLC Employee Benefits Plan (the "UK DB Plan") and (B) the PHH Flexible Pension Scheme (the "UK DC Plan and, collectively with the UK DB Plan, the "UK Plans") and (ii) subject to paragraphs (b) and (c) of this Section 5.9, assume and be solely responsible for all assets, liabilities and obligations whatsoever under the UK Plans.

(i) As soon as practicable following the Closing, but in no event later than required by applicable law (i) Parent or one of its affiliates shall have in effect a defined contribution plan (the "Parent DC Plan") and a defined benefit plan (the "Parent DB Plan"), each of which shall fully comply with all applicable laws, (ii) Acquiror shall cause the UK DB Plan to transfer to the Parent DB Plan all of the assets and liabilities relating to each of the currently active employees of Parent and its affiliates who are not also Business Personnel (the "Remaining DB Participants") and (iii) Acquiror shall cause the UK DC Plan to transfer to the Parent DC Plan all of the assets and liabilities relating to each of the currently active employees of Parent and its affiliates who are not also Business Personnel (the "Remaining DC Participants").

(j) With respect to the transfer described in clause (iii) of paragraph (b) above, an amount of cash or property reasonably acceptable to the trustee of the Parent DC Plan shall be transferred which shall equal 100% of the account balances of the Remaining DC Participants as of the date of such transfer. With respect to the transfer described in clause (ii) of paragraph (b) above, an amount of cash or property reasonably acceptable to the trustee of the Parent DB Plan shall be transferred which shall equal the total fair market value of assets funded in the UK DB Plan as of the date of transfer, multiplied by the Pro Rata Fraction. The Pro Rata Fraction shall equal the total liabilities applicable to the Remaining DB Participants, divided by the total liabilities under the UK DB Plan, in each case as of the date of transfer. Further, the Pro Rata Fraction shall be determined (i) in a manner consistent with all applicable laws, and (ii) based upon accrued service and final pensionable pay at the date of transfer and, subject to the next sentence hereof, the actuarial assumptions and methods utilized in connection with the most recently completed actuarial valuation as of the date of transfer. If the actuary for the UK DB Plan and the actuary for the Parent DB Plan cannot agree on the reasonableness of the actuarial assumptions and methods to be used in connection with the

determination of the Pro Rata Fraction, such reasonableness shall be determined by a third enrolled actuary selected by the parties hereto which determination shall be binding and final. The costs of such third actuary shall be borne equally by the parties. Nothing contained in the foregoing shall in any way adversely impact the accrued benefits or legal rights of any participant of the UK DB Plan. Immediately following the date hereof, the parties hereto shall work together in good faith to develop a reasonable and equitable method of valuation and transfer in respect of the foregoing and shall effectuate such transfers as soon as practicable.

5.10 NO SOLICITATION. From and after the date hereof, neither Parent nor Holdings shall, and each shall cause each of the Transferred Companies not to, nor will they permit any of their respective Affiliates to, nor shall they authorize any officer, director, employee, investment banker, attorney or representative of Parent, Holdings or any of their Affiliates to, (a) directly or indirectly, solicit, initiate or encourage the submission of any proposal or offer from any Person other than Acquiror or its directors, officers, employees, Affiliates or representatives, (b) enter into or approve any agreement with respect to, or (c) directly or indirectly participate in any discussions or negotiations with, or provide any information to, any Person other than Acquiror or its directors, officers, employees, Affiliates or representatives, relating to any (i) merger, consolidation or other business combination involving the Business or any of the Transferred Companies, (ii) restructuring, recapitalization or liquidation of the Business or any of the Transferred Companies, or (iii) acquisition or disposition of any substantial portion of the assets of the Business or any of the Transferred Companies or any of the securities of the Transferred Companies (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal").

5.11 INDEMNIFICATION. Following the Closing, Acquiror shall cause each of the Transferred Companies not to make any changes to its respective certificate or articles of incorporation or by-laws (or similar document) which would adversely affect the rights of Persons who are current or former officers and directors of the Transferred Companies, as applicable, to claim indemnification from such entity under the terms of such certificate or articles of incorporation or by-laws (or similar document) as in effect on the date hereof for acts taken prior to the Effective Time. Acquiror shall make, or cause the Transferred Companies to make, any payments required under such indemnification provisions relating to facts or circumstances occurring prior to the Effective Time.

5.12 TRADEMARK LICENSE AGREEMENTS. It is understood and agreed that the Transferred Assets do not include, and Acquiror Sub shall not acquire direct or indirect ownership of, the items of intellectual property used in the Business and

listed on SCHEDULE VI hereto, which intellectual property is owned by Holdings (the "Retained Intellectual Property"). At the Closing, Holdings, on the one hand, and Acquiror and Acquiror Sub, on the other hand, shall enter into a license agreement with respect to the Retained Intellectual Property substantially in the form of EXHIBIT F hereto (the "Trademark License Agreement").

5.13 STOCKHOLDERS' AGREEMENT AND REGISTRATION RIGHTS AGREEMENT. At the Closing, Holdings, Acquiror and Acquiror Sub shall enter into (i) a stockholders' agreement, substantially in the form of EXHIBIT G hereto (the "Stockholders' Agreement"), and (ii) a registration rights agreement with respect to the shares of Acquiror Common Stock to be issued to Parent upon exchange of the Acquiror Class B Common Stock issuable upon conversion of the Acquiror Sub Series A Preferred Stock, substantially in the form of the existing registration rights agreement between Acquiror and Cendant.

5.14 TRANSITION SERVICES AGREEMENT AND IT AGREEMENT. Parent, Holdings, Acquiror and Acquiror Sub shall use their reasonable best efforts to negotiate, on a good faith basis, the terms and conditions of (i) a transition services agreement which shall set forth the services to be provided between the Transferred Companies, on the one hand, and Parent and its Affiliates, on the other hand, as may reasonably be requested by Parent and/or Acquiror Sub, on a basis to be mutually agreed upon (the "Transition Services Agreement") and (ii) an Information Technology Services Agreement, to be mutually agreed upon (the "IT Agreement").

5.15 ESCROW AGREEMENT. At the Closing, Acquiror, Acquiror Sub, Parent, Holdings and the Escrow Agent shall enter into an escrow agreement, substantially in the form of EXHIBIT H hereto (the "Escrow Agreement").

5.16 TRANSITIONAL LICENSE AGREEMENT. Parent shall cause Cendant to grant to Acquiror and Acquiror Sub a limited license to use the marks CENDANT, CENDANT BUSINESS ANSWERS, the "C" logo and the other items of intellectual property set forth in Section 5.16 of the HOLDINGS DISCLOSURE SCHEDULE for the sole purpose of selling off or otherwise disposing of any existing inventory of products or business materials of the Business in the United Kingdom, which license shall commence at the Effective Time and end as soon as practicable, but in no event later than the first anniversary of the Effective Time or the disposal of all such existing inventory. At the Closing, Parent shall cause Cendant, on the one hand, and Acquiror and Acquiror Sub, on the other hand, to enter into a transitional license agreement substantially in the form of EXHIBIT I hereto (the "Transitional License Agreement").

5.17 INTERCOMPANY OBLIGATIONS; AFFILIATE AGREEMENTS.

(a) Section 5.17(i) of the HOLDINGS DISCLOSURE SCHEDULE lists all intercompany accounts, obligations (including indebtedness) and agreements between Holdings or any of its Affiliates (other than the Transferred Companies) on the one hand, and the Transferred Companies, on the other hand (the "Intercompany Agreements"). Except as set forth in Section 5.17(ii) of the HOLDINGS DISCLOSURE SCHEDULE, as of the Effective Time, Holdings and the Transferred Companies shall cause all Intercompany Agreements to be terminated in all respects such that there is no cost or liability thereunder on the part of the Transferred Companies.

(b) Notwithstanding subsection (a) or any other provision of this Agreement, but subject to the following sentence of this Section 5.17(b), all intercompany indebtedness between any of the Transferred Companies, on the one hand, and Parent, on the other hand, outstanding on the date hereof and not repaid prior to the Effective Time or incurred after the date hereof as permitted by Section 5.1(b)(x) and not repaid prior to the Effective Time, which in any event will not exceed, at the Effective Time, without the agreement of Acquiror, an aggregate of $425,000,000 (such amount collectively, the "Intercompany Indebtedness"), shall be repaid at the Effective Time pursuant to Section 2.3(b)(iii) hereof. From the date of this Agreement to the Effective Time, the amount of the Intercompany Indebtedness may be increased, either as permitted by Section 5.1(b)(x) or with the written consent of Acquiror, in connection with the operation of the Business, and any such increase shall be included in the amount of the Intercompany Indebtedness that is to be paid pursuant to Section 2.3(b)(iii) hereof to the extent such increased amount has not been repaid prior to the Effective Time. If Parent or Holdings requests in writing to increase the amount of the Intercompany Indebtedness in connection with operating the Business between the date of this Agreement and the Effective Time and Acquiror does not consent to such request within two (2) business days of receiving such request, neither Acquiror or Acquiror Sub shall have any right under this Agreement resulting or arising from or related to the failure of any Transferred Company to engage in, or continue, any transaction as a result of Acquiror's failure to consent to increase the amount of the Intercompany Indebtedness in connection with such transaction, including without limitation, any rights under Articles VII or IX hereof. Upon payment of the Intercompany Indebtedness as required by Section 2.3(b) (iii), Acquiror Sub and the Transferred Companies shall have no further obligations with respect to Intercompany Indebtedness and in any event shall have no obligations with respect to any other such intercompany indebtedness not included in the Intercompany Indebtedness.

(c) Acquiror shall use its commercially reasonable efforts to cause itself, Acquiror Sub or any other Affiliate of Acquiror to be substituted in all respects for Parent and/or Holdings, effective as of the Effective Time, in respect of all obligations of Parent and/or Holdings under each of the guaranties, letters of credit, letters of comfort and other obligations obtained by Parent and/or Holdings (including, without limitation, leases of real and personal property) that are listed on Section 5.17(c)(i) of the Disclosure Schedule for the benefit of the Business or any of the Transferred Companies or any extensions or modifications thereto in accordance with this Agreement (collectively, the "Guaranties"). If Acquiror and Acquiror Sub are unable to effect such a substitution with respect to any Guaranty after using all commercially reasonable efforts to do so, Acquiror and Acquiror Sub shall (a) obtain letters of credit for the benefit of Parent and/or Holdings, as applicable, on terms and from financial institutions reasonably satisfactory to Parent and Holdings, with respect to the obligations covered by each of those Guaranties listed on Section 5.17(c)(ii) of the Disclosure Schedule for which Acquiror and Acquiror Sub do not effect such substitution and (b) indemnify and hold harmless Parent and/or Holdings, as the case may be, from and against all obligations, liabilities, losses, claims, actions and causes of action incurred by or asserted against Parent and/or Holdings arising out of or relating to such Guaranties from and after the Effective Time.

5.18 SUPPLEMENTS TO DISCLOSURE SCHEDULES. Holdings and Acquiror may supplement or amend the HOLDINGS DISCLOSURE SCHEDULE and ACQUIROR DISCLOSURE SCHEDULE, respectively, prior to the Effective Time with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or otherwise disclosed therein (the "Updated Information"). No such supplement or amendment to include the Updated Information shall (i) affect the ability of Parent, Holdings, Acquiror or Acquiror Sub to rely on the conditions to Closing set forth in Sections 7.1 and 8.1, respectively, (ii) be deemed to have been set forth or otherwise disclosed as of the date of this Agreement unless the parties specifically agree thereto in writing or (iii) affect the ability of Parent, Holdings, Acquiror or Acquiror Sub to make any claim for indemnification or otherwise as a result of any breach of any representation or warranty.

5.19 PUBLIC ANNOUNCEMENTS. Prior to the Closing, except as otherwise agreed to by the parties, the parties and each of their respective Affiliates shall not issue any report, statement or press release or otherwise make any public statements with respect to this Agreement and the transactions contemplated hereby, except as in the reasonable judgment of a party or its Affiliate may be required by Law or in connection with their obligations as publicly-held, exchange-listed

companies, in which case, the parties and each of their Affiliates will cooperate to reach mutual agreement as to the language of any such report, statement or press release. Immediately following the execution and delivery of this Agreement, Parent, Holdings and Acquiror are each issuing press releases to be mutually agreed upon with respect to this Agreement and the transactions contemplated hereby.

5.20 NON-COMPETITION; NON-SOLICITATION. At the Closing, Parent, Holdings, Acquiror and Acquiror Sub shall enter into a non-competition and non-solicitation agreement, substantially in the form of EXHIBIT J hereto (the "Non-Competition Agreement").

5.21 PREFERRED ALLIANCE AGREEMENTS. Between the date hereof and the Closing Date, the parties shall use best efforts to negotiate in good faith and enter into preferred alliance agreements and such other joint marketing programs as the parties deem appropriate and desirable.

5.22 LICENSE AMENDMENT AGREEMENT. Between the date hereof and the Closing Date, the parties shall use commercially reasonable efforts to negotiate in good faith and enter into as of the Effective Time an amendment to the Master License Agreement, dated July 30, 1997, among Acquiror, Wizard Co., Inc. and Cendant Car Rental, Inc. (the "License Amendment Agreement") substantially on the terms set forth in a letter dated May 21, 1999 from Cendant Car Rental, Inc. to Acquiror.

5.23 NO OTHER REPRESENTATIONS. Acquiror and Acquiror Sub understand and acknowledge that, except for the representations and warranties contained in Article III hereof, none of Parent, Holdings or any other Person makes any representation or warranty, express or implied, on behalf of Parent, Holdings or any of their respective subsidiaries or Affiliates, including the Transferred Companies.

ARTICLE VI

TAX MATTERS

6.1 TAX RETURNS. Subject to Sections 6.1(g) and 6.5.

(a) Parent or an Affiliate of Parent shall file or cause to be filed when due all Tax Returns that are required to be filed by or with respect to Holdings and each of the Transferred Companies for taxable years or periods ending

on or before the Closing Date and Parent or an Affiliate of Parent shall remit (or cause to be remitted), subject to Section 6.2(a) below, any Taxes due in respect of such Tax Returns and, with respect to recurring items, such returns shall be prepared in a manner consistent with past practices to the extent permissible under applicable Laws. Acquiror shall pay to Parent any Excluded Taxes in respect of such Tax Returns.

(b) Acquiror shall file or cause to be filed when due all Tax Returns that are required to be filed by or with respect to the Acquiror Sub Surviving Corporation and each of the Transferred Companies for taxable years or periods ending after the Closing Date (including Straddle Periods (as hereinafter defined)) and Acquiror shall remit (or cause to be remitted) any Taxes due in respect of such Tax Returns.

(c) Any Tax Return required to be filed by Acquiror with respect to the Transferred Companies relating to any taxable year or period beginning on or before and ending after the Closing Date (the "Straddle Period") shall be submitted (with copies of any relevant schedules, work papers and other documentation then available) to Parent for Parent's approval not less than 30 days prior to the due date for the filing of such Tax Return, which approval shall not be unreasonably withheld or delayed. Parent shall have the option of providing to Acquiror, at any time at least 15 days prior to the Due Date (as hereinafter defined), written instructions as to how Parent wants any, or all, of the items for which it may be liable reflected on such Tax Return. Acquiror shall, in preparing such Tax Return, cause the items for which Parent is liable hereunder to be reflected in accordance with Parent's instructions (unless, in the opinion of nationally recognized tax counsel to Acquiror, complying with the Parent's instructions would likely subject Acquiror to any criminal penalty or to civil penalties under sections 6662 through 6664 of the Code or similar provisions of applicable state, local or foreign Laws) and, in the absence of having received such instructions, in accordance with past practice, if any, to the extent permissible under applicable Law.

(d) Subject to Section 6.1(c), Parent shall pay to Acquiror the Taxes for which Parent is liable pursuant to Section 6.2(a)(ii) but which are payable with any Tax Return to be filed by Acquiror with respect to any Straddle Period upon the written request of Acquiror, setting forth in detail the computation of the amount owed, no later than 5 days prior to the Due Date.

(e) Within 120 days after the Closing Date, Acquiror shall cause the Acquiror Sub Surviving Corporation to prepare and provide to Parent a

package of Tax information materials, including, without limitation, schedules and work papers (the "Tax Package") required by Parent or an Affiliate of Parent to enable Parent or an Affiliate of Parent to prepare and file all Tax Returns required to be prepared and filed by it pursuant to Section 6.1(a). The Tax Package shall be prepared in good faith in a manner consistent with past practice.

(f) Parent or an Affiliate of Parent may, in its sole and absolute discretion, amend any Tax Return filed or required to be filed for any taxable years or periods ending on or before the Closing Date; PROVIDED, HOWEVER, that neither Parent nor any Affiliate of Parent shall amend any such Tax Return that materially and adversely affects or may materially and adversely affect the Tax liability of the Acquiror, Acquiror Sub Surviving Corporation or any of the Transferred Companies or any Affiliate of the foregoing for any period ending after the Closing Date, including the portion of any Straddle Period that is after the Closing Date, without the prior consent of the Acquiror, which consent shall not be unreasonably withheld or delayed.

(g) Notwithstanding anything to the contrary contained in this Section 6.1, Parent shall file or cause to be filed any Forms 5471 with respect to any of the Transferred Companies (that are incorporated in a foreign jurisdiction) that are required to be filed for any taxable period that ends on or before, or that includes, the Closing Date.

6.2 INDEMNIFICATION.

(a) Parent shall indemnify, defend and hold Acquiror and Acquiror's subsidiaries and Affiliates and the successors to the foregoing (and their respective shareholders, officers, directors, employees and agents) harmless on an after-Tax basis (subject to Section 6.13) from and against the following (net of the amount of any Tax Benefit (as hereinafter defined) Actually Realized (as hereinafter defined) by Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies as a result of the payment or accrual of any of the following:

(i) any liability for Taxes of or attributable to Holdings or any of the Transferred Companies as members of the "affiliated group" (within the meaning of Section 1504(a) of the Code) of which Cendant (or any predecessor or successor) is the common parent that arises under Treasury Regulation Section 1.1502-6(a) or comparable provisions of foreign, state or local Law; and

(ii) any liability for Taxes of or attributable to Holdings or any of the Transferred Companies for any taxable year or period that ends on or before the Closing Date ("Pre-Closing Period") and, with respect to any Straddle Period, the portion of such Straddle Period deemed to end on and include the Closing Date (in the manner set forth in Section 6.3(a));

PROVIDED, HOWEVER, that Parent shall not be liable for and shall not indemnify Acquiror (and its subsidiaries and Affiliates) for (A) any liability for Taxes resulting from transactions or actions taken by Acquiror, Acquiror Sub or any of the Transferred Companies on the Closing Date that are taken after the Closing, except for transactions or actions undertaken in the ordinary course of business; (B) any Taxes that result from an actual or deemed election under Section 338 of the Code (or any similar provisions of state, local or other Law) with respect to any of the Transferred Companies in connection with any of the transactions contemplated by this Agreement; and (C) any Transfer Taxes (as hereinafter defined) for which Acquiror is liable pursuant to Section 6.5 hereof (collectively, the Taxes described in (A) through (C) above are referred to hereinafter as "Excluded Taxes").

(b) Acquiror shall indemnify and hold Parent and Parent's subsidiaries and Affiliates (including Cendant) harmless from and against (net of the amount of any Tax Benefit Actually Realized by Parent or its subsidiaries or Affiliates as a result of the payment or accrual of any of the following):

(i) Taxes of or attributable to the Acquiror Sub Surviving Corporation or any of the Transferred Companies for any taxable year or period that begins after the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period beginning after the Closing Date (in the manner set forth in Section 6.3(a)); and

(ii) Excluded Taxes.

6.3 COMPUTATION OF TAX LIABILITIES.

(a) To the extent permitted or required by Law or administrative practice, (i) the taxable year of Holdings and each of the Transferred Companies that includes the Closing Date shall be treated as closing on (and including) the Closing Date and, notwithstanding the foregoing, (ii) all transactions of or with respect to the Acquiror Sub Surviving Corporation or any of the Transferred Companies not in the ordinary course of business occurring after the Closing shall be reported on Acquiror's or the Acquiror Sub Surviving Corporation's

consolidated United States federal income Tax Return to the extent permitted by Treasury Regulation Section 1.1502-76(b)(1)(ii)(B) and shall be similarly reported on other Tax Returns of Acquiror or its Affiliates to the extent permitted by Law. For purposes of Section 6.2(a) and (b), where it is necessary to apportion between Parent and Acquiror the Tax liability of an entity for a Straddle Period (which is not treated under the immediately preceding sentence as closing on the Closing Date), such liability shall be apportioned between the period deemed to end at the close of the Closing Date, subject to Sections 6.2(a) and 6.3(a)(ii), and the period deemed to begin at the beginning of the day following the Closing Date on the basis of an interim closing of the books, except that Taxes (such as real property Taxes) imposed on a periodic basis shall be allocated on a daily basis; PROVIDED, HOWEVER, that if the capital structure of an entity is changed after the Closing Date, the Tax liability of the entity for a Straddle Period apportioned to the period deemed to end at the close of the Closing Date shall not exceed the Tax liability which would have been due if the Tax liability had been calculated as of such date, based on the income, assets, capital, liability and other attributes of the entity on the Closing Date.

(b) In determining Parent's liability for Taxes pursuant to this Agreement, Parent shall be credited with the amount of estimated Taxes paid by or on behalf of Holdings or any of the Transferred Companies prior to the Closing. To the extent that Parent's liability for Taxes for a taxable year or period is less than the amount of estimated income Taxes previously paid by or on behalf of Holdings or any of the Transferred Companies with respect to all or a portion of such taxable year or period, Acquiror shall pay Parent the difference within two days of the earlier of (i) the receipt of a refund relating to such overpayment or (ii) the filing of a Tax Return in which a credit attributable to such overpayment is utilized.

6.4 CONTEST PROVISIONS.

(a) Each of Acquiror, on the one hand, and Parent, on the other hand (the "Recipient"), shall notify the chief tax officer of the other party in writing within 15 days of receipt by the Recipient of written notice of any pending or threatened audits, notice of deficiency, proposed adjustment, assessment, examination or other administrative or court proceeding, suit, dispute or other claim (a "Tax Claim") which could affect the liability for Taxes of such other party. If the Recipient fails to give such prompt notice to the other party it shall not be entitled to indemnification for any Taxes arising in connection with such Tax Claim if and to the extent that such failure to give notice materially and adversely affects the other party's right to participate in the Tax Claim.

(b) Parent shall have the sole right to represent Holdings for any taxable period, and shall have the sole right to represent any of the Transferred Companies' interests in any Tax Claim relating to taxable periods ending on or before the Closing Date and to employ counsel of its choice at its expense. Parent or any Affiliate of Parent may not settle or otherwise dispose of any Tax Claim of any of the Transferred Companies relating to such periods if such settlement or disposition materially and adversely affects or may materially and adversely affect the Tax liability of the Acquiror, Acquiror Sub Surviving Corporation or any of the Transferred Companies or any Affiliate of the foregoing without the prior written consent of Acquiror, which consent may not be unreasonably withheld or delayed. In the case of a Straddle Period, Parent shall be entitled to provide comments which shall be considered in good faith with respect to any Tax Claim relating in any part to Taxes attributable to the portion of such Straddle Period deemed to end on or before the Closing Date and, with the written consent of Acquiror, at Parent's sole expense, may assume the control of such entire Tax Claim. None of Acquiror, any of its Affiliates, the Acquiror Sub Surviving Corporation or the Transferred Companies may settle or otherwise dispose of any Tax Claim with respect to any Straddle Period for which Parent may have a liability under this Agreement without the prior written consent of Parent, which consent may not be unreasonably withheld or delayed.

(c) Acquiror shall have the sole right to control any audit or examination by any taxing authority, initiate any claim for refund or amend any Return, and contest, resolve and defend against any assessment for additional Taxes, notice of Tax deficiency or other adjustment of Taxes of, or relating to, the income, assets or operations of the Transferred Companies for all taxable periods beginning after the Closing Date ("Post-Closing Period"); PROVIDED, HOWEVER, that Acquiror shall not initiate any such claim for refund or amend any such Tax Return or settle or dispose of any Tax Claim with respect to a Post-Closing Period if such claim for refund, amendment, settlement, or disposition materially and adversely affects or may materially and adversely affect the Tax liability of Cendant, Parent, Holdings or any of its Affiliates, without the prior written consent of Parent, which consent shall not be unreasonably withheld or delayed.

6.5 TRANSFER TAXES. All excise, sales, use, privilege, transfer (including real property transfer or gains), stamp, documentary, filing, recordation, value added, bulk sales and other similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, arising out of or in connection with or attributable to the transactions contemplated by this Agreement (collectively, "Transfer Taxes"), shall be borne one

half Acquiror and one half by Parent. Notwithstanding Section 6.1 of this Agreement, which shall not apply to Tax Returns relating to Transfer Taxes, any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local Law for filing such Tax Returns, and such party shall pay the Transfer Taxes shown to be due on such Tax Return, and notify the other party in writing of the Transfer Taxes shown to be due on such Tax Return and how such Transfer Taxes were calculated, and if the other party is Acquiror, Acquiror shall, or shall cause the Acquiror Sub Surviving Corporation to, reimburse Parent in immediately available funds within 10 days of the receipt of such notice.

6.6 REFUNDS.

(a) Any Tax refund (including any interest in respect thereof) received by Acquiror, the Acquiror Sub Surviving Corporation or any Transferred Company, and any amounts of overpayments of Tax credited against Tax which Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies otherwise would be or would have been required to pay that relate to any taxable period, or portion thereof, ending on or before the Closing Date shall be for the account of Parent, and Acquiror shall pay over to Parent any such refund or the amount of any such credit within 15 days after receipt or entitlement thereto. Acquiror shall pay Parent interest at the rate prescribed under Section 6621(a)(1) of the Code, compounded daily, on any amount not paid when due under this Section 6.6. For purposes of this Section 6.6, where it is necessary to apportion a refund or credit between Acquiror and Parent for a Straddle Period, such refund or credit shall be apportioned between the period deemed to end at the close of the Closing Date, and the period deemed to begin at the beginning of the day following the Closing Date on the basis of an interim closing of the Company's books, except that refunds or credits of Taxes (E.G., real property Taxes) imposed on a periodic basis shall be allocated on a daily basis.

(b) Acquiror shall cooperate, and shall cause the Acquiror Sub Surviving Corporation and any of the Transferred Companies to cooperate, in obtaining any refund that Parent reasonably believes should be available with respect to Pre-Closing Periods, including, without limitation, through filing a Form 1139 or other appropriate form with the applicable taxing authorities; PROVIDED, HOWEVER, that Acquiror and Acquiror Sub Surviving Corporation and any of the Transferred Companies shall not be obligated to carry back any Tax attribute of a Post-Closing Period to a Pre-Closing Period.

6.7 CERTAIN POST-CLOSING SETTLEMENT PAYMENTS.

(a) If the examination of any Federal, state, local or other Tax Return of Cendant, Parent, Holdings, or any of the Transferred Companies for any taxable period ending on or before the Closing Date, the pre-closing portion of any Straddle Period or for any taxable year in which the Merger occurs, shall result (by settlement or otherwise) in any adjustment which permits Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies or any Affiliate thereof to increase deductions, losses or tax credits or decrease the income, gains or recapture of tax credits which would otherwise (but for such adjustments) have been reported or taken into account (including by way of any increase in basis) by Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies or any Affiliate thereof for one or more periods ending after the Closing Date, in each case in respect of the Transferred Assets, Parent will notify Acquiror and provide it with adequate information so that Acquiror (or its Affiliates), the Acquiror Sub Surviving Corporation or any of the Transferred Companies or any Affiliate thereof, as the case may be, can reflect on its Tax Returns such increases in deductions, losses or tax credits or decreases in income (including by way of increase in basis), gains or recapture of tax credits. Upon receipt of such information and upon the reasonable request of Parent, Acquiror (or its Affiliates), the Acquiror Sub Surviving Corporation or any of the Transferred Companies, as the case may be, shall reflect on its Tax Returns (including amended Tax Returns) the information provided above. Acquiror shall pay to Holdings the amount of any resulting Tax Benefits Actually Realized by the Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies (or any of their respective Affiliates).

(b) If the examination of any Federal, state, local or other Tax Return of Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies for any taxable period beginning and ending after the Closing Date or the post-closing portion of any Straddle Period shall result (by settlement or otherwise) in any adjustment which permits Parent (or its Affiliates) to increase deductions, losses or tax credits or decrease the income, gains or recapture of tax credits which would otherwise (but for such adjustments) have been reported or taken into account (including by way of any increase in basis) by Parent (or its Affiliates) for one or more periods ending on or before the Closing Date, in each case in respect of the Transferred Assets, Acquiror will notify Parent and provide it with adequate information so that Parent can reflect on its or its Affiliates' Tax Returns (including amended Tax Returns) such increases in deductions, losses or tax credits or decreases in income, gains or recapture of tax credits. Upon receipt of such

information, and upon the reasonable request of Acquiror, Parent (or its Affiliates) shall reflect on its tax returns the information provided above. Parent shall pay to Acquiror the amount of any resulting Tax Benefits Actually Realized by Parent (or any of its Affiliates).

(c) Upon (A) the exercise of a Cendant Option by an employee or former employee of any of the Transferred Companies and the payment of cash or other property by Cendant (or its designated agent) to the holder of the Cendant Option or (B) the payment by Holdings of any amount with respect to the Holdings Plan, as described in Section 5.9, Acquiror shall pay or cause the Acquiror Sub Surviving Corporation or any of the Transferred Companies to pay, as the case may be, to Holdings the amount of any Tax Benefit Actually Realized by Acquiror, Acquiror Sub Surviving Corporation or any of the Transferred Companies (or any of their respective Affiliates) attributable to any exercise or payment described in this Section 6.7(c).

(d) Prior to the Closing Date, Acquiror and Holdings shall negotiate and draft a schedule (the "Allocation Schedule") allocating the Merger Consideration among the Transferred Assets. Upon completion of the Allocation Schedule, each of the Acquiror and Holdings shall execute a copy thereof and return such copy to the other party. For all purposes (including tax and accounting), the parties shall treat the fair market value of the Transferred Assets as set forth in the Allocation Schedule.

(e) For purposes of this Agreement, "Tax Benefit" shall mean the sum of the amount by which the actual Tax liability (after giving effect to any alternative minimum or similar Tax) of a corporation to the appropriate taxing authority is reduced (including, without limitation, by or as a result of a deduction, increase in basis, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to the taxable income in any other taxable year or as a carryforward or carryback, as applicable) plus any interest (on an after-Tax basis) from such government or jurisdiction relating to such Tax liability. For purposes of this Agreement, a Tax Benefit shall be deemed to have been "Actually Realized" at the time any refund of Taxes is actually received or applied against other Taxes due, or at the time of the filing of a Tax Return (including any Tax Return relating to estimated Taxes) on which a loss, deduction or credit or increase in basis is applied to reduce the amount of Taxes which would otherwise be payable. In accordance with the provisions of this paragraph (e), Acquiror and Parent agree that for purposes of this Agreement, where a Tax Benefit may be realized that may result in the payment to, or reduce a payment by, the other party hereto, each party will as

promptly as practicable take or cause its Affiliates to take such reasonable or appropriate steps (including, without limitation, the filing of an amended Tax Return or claim for refund) to obtain at the earliest possible time any such reasonable available Tax Benefit.

(f) For purposes of any Tax Benefit Actually Realized determined under Section 6.7(e) and this Agreement:

(i) No later than 45 days after the filing of a Tax Return for any taxable period that includes a date (x) upon which any Cendant Option was exercised or any payment was made or accrued with respect to or in connection with the Holdings Plan, as described in Section 5.9, (y) after the Closing Date if there has been an examination of any federal, state, local or other Tax Return of Cendant, Holdings or any of the Transferred Companies (or any of their respective Affiliates) which results in an adjustment described in Section 6.7(a) of this Agreement or (z) upon which any amount was paid or accrued by Acquiror, the Acquiror Sub Surviving Corporation or the Transferred Companies in respect of a claim for which Parent is required to indemnify Acquiror pursuant to this Agreement, Acquiror shall provide Parent a detailed statement ("Tax Benefit Statement") specifying the amount, if any, of any Tax Benefit that was Actually Realized by Acquiror, the Acquiror Sub Surviving Corporation or the Transferred Companies for such Tax period. To the extent that any deductions or other Tax items (including basis) that could give rise to a Tax reduction or savings do not result in the actual realization of such a Tax reduction or savings in the year described in the previous sentence, this Section 6.7(f)(i) shall apply to each subsequent taxable period of Acquiror, the Acquiror Sub Surviving Corporation or the Transferred Companies, as the case may be, until either such Tax savings are Actually Realized (resulting in a Tax Benefit) or the losses or other carryforwards to which such deductions or other Tax items (including basis) gave rise expire unused, if applicable. For each relevant taxable period, Parent shall be provided with full access to the non-proprietary work papers and other materials and information of Acquiror's (or the Acquiror Sub Surviving Corporation's or the Transferred Companies') accountants in connection with the review of the Tax Benefit Statement. If Parent disagrees in any respect with Acquiror's computation of the amount of the Tax Benefit Actually Realized, Parent may, on or prior to 45 days after the receipt of the Tax Benefit Statement from Acquiror, deliver a notice to Acquiror or the Acquiror Sub Surviving Corporation setting forth in reasonable detail the basis for Parent's disagreement therewith ("Tax Benefit Dispute Notice"). If no Tax Benefit Dispute Notice is received by Acquiror or the Acquiror Sub Surviving Corporation on or prior to the 45th day after Parent's

receipt of the Tax Benefit Statement from Acquiror, the Tax Benefit Statement shall be deemed accepted by Parent.

(ii) Within 15 days after Acquiror's receipt of a Tax Benefit Dispute Notice, unless the matters in the Tax Benefit Dispute Notice have otherwise been resolved by mutual agreement of the parties, Acquiror and Parent shall jointly select a nationally-recognized independent certified public accountant (the "Tax Benefit Accountant"); PROVIDED, HOWEVER, if Acquiror and Parent are unable to agree upon the Tax Benefit Accountant within such 15-day period, then Acquiror and Parent shall each select a nationally-recognized independent certified public accountant which shall then jointly choose the Tax Benefit Accountant within 15 days thereafter. The Tax Benefit Accountant shall conduct such review of the work papers and such other materials and information, and the Tax Benefit Dispute Notice, and any supporting documentation as the Tax Benefit Accountant in its sole discretion deems necessary, and the Tax Benefit Accountant shall conduct such hearings or hear such presentations by the parties or obtain such other information as the Tax Benefit Accountant in its sole discretion deems necessary.

(iii) The Tax Benefit Accountant shall, as promptly as practicable and in no event later than 45 days following the date of its retention, deliver to Parent and Acquiror a report (the "Tax Benefit Report") in which the Tax Benefit Accountant shall, after reviewing disputed items set forth in the Tax Benefit Dispute Notice, determine what adjustments, if any, should be made to the amount of the Tax Benefit Actually Realized. The Tax Benefit Report shall set forth, in reasonable detail, the Tax Benefit Accountant's determination with respect to the disputed items or amounts specified in the Tax Benefit Dispute Notice, and the revisions, if any, to be made to the amount of the Tax Benefit Actually Realized, together with supporting calculations. All fees and expenses relating to this work of the Tax Benefit Accountant shall be borne equally by Acquiror and Parent. The Tax Benefit Report shall be final and binding upon Acquiror and Parent, shall be deemed a final arbitration award that is binding on each of Acquiror and Parent, and no party shall seek further recourse to courts, other arbitral tribunals or otherwise. The amount, if any, of the Tax Benefit Actually Realized set forth in the Tax Benefit Report shall, in accordance with the provisions of this Section 6.7, be paid to Parent in immediately available funds no later than five days after delivery of the Tax Benefit Report to Acquiror.

(g) In the event that, after the Closing Date, there is a sale, exchange, transfer or other disposition ("Disposition") of (i) the common stock of Acquiror Sub Surviving Corporation to a Person other than Acquiror or a subsidiary thereof,

(i) any material assets of Acquiror Sub Surviving Corporation or (ii) any material Transferred Asset, which Disposition would materially and adversely affect the Tax Benefits Actually Realized that are then or thereafter payable to Parent by Acquiror pursuant to this Agreement, Acquiror shall make appropriate arrangements, reasonably satisfactory to Parent, to ensure that Parent is paid any Tax Benefits Actually Realized that Parent would have been entitled to be paid, consistent with the principles of this Agreement, absent such Disposition, it being agreed that projections of income attributable to the property subject to such Disposition that are reasonably satisfactory to Parent and Acquiror may be used in making determinations hereunder as to Tax Benefits Actually Realized that become due.

6.8 TAX-FREE REORGANIZATION COVENANTS; OTHER COVENANTS.

(a) Following the Merger, the Acquiror Sub Surviving Corporation shall, and Acquiror shall cause the Acquiror Sub Surviving Corporation and the Transferred Companies to, continue the historic business of the Business or use a significant portion of the Business' historic business assets in a business, in each case, within the meaning of Section 1.368-1(d) of the Treasury Regulations.

(b) Acquiror and the Acquiror Sub Surviving Corporation do not have a current plan or intention to sell or otherwise dispose of the Transferred Assets or the assets of the Transferred Companies, except for dispositions made in the ordinary course of business or transfers described in Section 368(a)(2)(C) of the Code.

(c) For a two-year period following the date of the Merger, the Acquiror Sub Surviving Corporation shall, and Acquiror shall cause the Acquiror Sub Surviving Corporation to, remain incorporated in the state of Texas.

(d) Absent a Final Determination to the contrary, the Acquiror Sub Surviving Corporation shall, and Acquiror shall cause the Acquiror Sub Surviving Corporation and the Transferred Companies to, (A) report the Merger on its Tax Returns as a tax-free reorganization described in Section 368(a) of the Code, (B) treat the Merger as being a tax-free reorganization under Section 368(a) of the Code for all other purposes and (C) not take any action that is inconsistent with the treatment of the Merger as a tax-free reorganization under Section 368(a) of the Code. Acquiror shall, and shall cause the Acquiror Sub Surviving Corporation and the Transferred Companies to, provide commercially reasonable cooperation to Parent, Cendant and their Affiliates and representatives with respect to all reasonable requests relating to supporting and defending the qualification of the Merger as a

reorganization described in Section 368(a) of the Code, including, but not limited to, preparing responses to information requests by a Tax Authority and making available books, records and other documentation during normal business hours. For purposes of this Agreement, "Final Determination" shall mean (i) the entry of a decision of a court of competent jurisdiction at such time as an appeal may no longer be taken from such decision or (ii) the execution of a closing agreement or its equivalent between the particular taxpayer and the relevant taxing authority.

(e) Acquiror, Acquiror Sub, Holdings and Parent acknowledge and agree that, pursuant to Section 381 of the Code, and subject to other applicable limitations (including, without limitation, Sections 382 and 383 of the Code and the separate return limitation year rules of the consolidated return regulations), the Acquiror Sub Surviving Corporation shall succeed to and take into account the items of Holdings described in Section 381(c) of the Code.

6.9 RESOLUTION OF ALL TAX-RELATED DISPUTES. In the event that Parent and Acquiror cannot agree on the calculation of any amount relating to Taxes or the interpretation or application of any provision of this Agreement relating to Taxes (except as provided in Section 6.7(e)), such dispute shall be resolved by a nationally recognized accounting firm mutually acceptable to each of Parent and Acquiror, whose decision shall be final and binding upon all persons involved and whose expenses shall be shared equally by Parent and Acquiror.

6.10 POST-CLOSING ACTIONS WHICH AFFECT CENDANT'S LIABILITY FOR TAXES.

(a) Acquiror shall not, and shall not permit the Acquiror Sub Surviving Corporation or any of the Transferred Companies to, engage in any transaction on the Closing Date or take any action on the Closing Date that are taken after the Closing, except for transactions or actions undertaken in the ordinary course of business which could increase Parent's (or any Affiliate of Parent's) liability for Taxes (including any liability of Parent to indemnify Acquiror for Taxes pursuant to this Agreement).

(b) None of Acquiror, the Acquiror Sub Surviving Corporation or any Affiliate of Acquiror shall (or shall cause or permit any of the Transferred Companies to) amend, refile or otherwise modify any Tax Return relating in whole or in part to any of the Transferred Companies with respect to any taxable year or period ending on or before the Closing Date (or with respect to any

Straddle Period) without the prior written consent of Parent, which consent may not be unreasonably withheld.

6.11 TERMINATION OF EXISTING TAX SHARING AGREEMENTS. Any and all existing Tax sharing allocation, indemnification or similar agreements or arrangements, written or unwritten, between the Transferred Companies and Parent or any of its subsidiaries, predecessors or Affiliates (other than any of the Transferred Companies), shall be terminated as of the Closing and there shall be no continuing obligation to make any payments thereunder.

6.12 ASSISTANCE AND COOPERATION. After the Closing Date, each of Parent and Acquiror shall, upon request from the other (and shall cause their respective Affiliates to):

(a) subject to Section 6.5, timely sign and deliver such certificates or forms as may be reasonably necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or other reports with respect to Transfer Taxes;

(b) assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing in accordance with Section 6.1;

(c) cooperate fully in preparing for any audits of, or disputes with taxing authorities regarding, any Tax Returns of the Transferred Companies;

(d) make available to the other and to any taxing authority as reasonably requested in connection with any Tax Return described in Section 6.1 or any proceeding described in Section 6.4, all information relating to any Taxes or Tax Returns of the Transferred Companies; and

(e) furnish the other with copies of all correspondence received from any taxing authority in connection with any Tax audit or information request with respect to any such taxable period.

Notwithstanding the foregoing or any other provision in this Agreement, neither Acquiror nor any of its Affiliates shall have the right to receive or obtain any information relating to Taxes of Parent (or any Affiliate of Parent), or any of its

predecessors other than information relating solely to Holdings or the Transferred Companies for Pre-Closing Periods.

6.13 ADJUSTMENT TO MERGER CONSIDERATION. (a) Subject to 6.13(b), for all Tax purposes, to the extent permitted by applicable law, any payment by Acquiror or Parent under this Agreement shall be treated as an adjustment to the consideration payable upon consummation of the Merger.

(b) If the Internal Revenue Service (the "IRS") (or similar taxing authority) issues a written notice of proposed adjustment (an "Adjustment Notice") (or similar notice) with respect to characterization of an indemnity payment as a Purchase Price adjustment (the "Characterization Issue"), the Acquiror shall notify Parent as soon as practicable but no later than ten business days after the Acquiror's (or any of its Affiliates) receipt of such Adjustment Notice. In the event of any IRS or other proceedings related to a Characterization Issue, Acquiror shall permit Parent to provide comments which shall be considered in good faith (solely with respect to the Characterization Issue), provided, however, that Acquiror shall control all such proceedings. At its sole option, Acquiror may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the IRS in respect of a Characterization Issue and shall be entitled to settle or contest such Characterization Issue, as the case may be; PROVIDED, HOWEVER, that if Parent elects by written notice to Acquiror to fund Acquiror's reasonable expenses with respect to any IRS or other proceeding, Acquiror shall use reasonable commercial efforts to uphold the characterization of the indemnity payment as an adjustment to the Purchase Price, but shall not be required to litigate such treatment unless Parent provides Acquiror with a written opinion of counsel selected by Parent, but reasonably acceptable to Acquiror, that the characterization of the indemnity payment will more likely than not be treated as an adjustment to the Purchase Price. If and to the extent that the treatment of an indemnification payment as an adjustment to the Purchase Price is finally determined to be erroneous pursuant to this Section 6.13, the indemnifying party shall be required to pay to the indemnified party the liability for any Taxes incurred by the indemnified party as a result of the receipt of the indemnity payment.

6.14 CERTAIN DEFINITIONS. For purposes of this Agreement, "Due Date" shall mean, with respect to any Tax Return, the date such return is due to be filed (taking into account any valid extensions); "Tax" or "Taxes" shall mean taxes (other than those taxes described in Section 6.5 hereof) of any kind, levies or other like assessments, customs, duties, imposts, charges or fees, and shall include any Tax liability for such amounts as a result of either being a member of a combined, consolidated, unitary or affiliated group or of a contractual obligation to indemnify

any Person for Taxes, including, without limitation, income, franchise, gross receipts, ad valorem, value added, excise, real or property, asset, sales, use, license, payroll, transaction, capital, net worth, withholding, estimated, social security, utility, workers' compensation, severance, production, unemployment compensation, occupation, premium, windfall profits, transfer and gains taxes or other governmental taxes imposed or payable to the United States, or any state, county, local or foreign government or subdivision or agency thereof, together with any interest, penalties or additions with respect thereto and any interest in respect of such additions or penalties; and "Tax Returns" shall mean all returns, reports, statements, declarations, estimates and forms or other documents (including any related or supporting information), required to be filed with respect to any Taxes.

6.15 CENDANT OPTIONS; HOLDINGS PLAN.

(a) Promptly after an exercise of a Cendant Option, Parent (or an Affiliate of Parent) shall provide the Acquiror Sub Surviving Corporation with a report detailing such exercise. On a monthly basis, Parent (or an Affiliate of Parent) shall pay over to the Acquiror Sub Surviving Corporation the amount of all withholding taxes (the "Withholding Taxes") required to be collected by Cendant under applicable law and one-half of the amount of all Employment Taxes (as defined below) required to be paid under applicable law, in each case, in respect of the exercise of such Cendant Options in the preceding calendar month and shall provide a report (the "Tax Report") confirming the exercises occurring during such calendar month. With respect to all Cendant Options outstanding as of the Closing Date held by Affected Employees holding Cendant Options as of the Closing Date ("Optionholders"), so long as an Optionholder continues to be employed by a Transferred Company or other Affiliate of Acquiror, the Cendant Options held by such Optionholder shall continue to vest in accordance with their stated terms without regard to the termination of employment provisions of such Cendant Options, and such Cendant Options shall remain exercisable until the earliest to occur of (i) the date that is one year after the date on which such Cendant Option becomes vested in full, (ii) the date which is one year after the termination of the Optionholder's employment with a Transferred Company or other Affiliate of Acquiror, or (iii) the original expiration date of such Cendant Option. Following the Closing, Acquiror shall deliver, or cause to be delivered to Cendant, (i) on not less than a quarterly basis updated personnel records of all Optionholders (which records shall include address and name change information, work location, and any other information relevant to the withholding of Taxes, and (ii) not less frequently than each pay period, names and dates of termination of employment of Optionholders

who terminated employment with the Transferred Companies or other Affiliate of Acquiror during the preceding pay period.

(b) Acquiror shall cause the Acquiror Sub Surviving Corporation or any of the Transferred Companies, as the case may be, to pay to the proper Governmental Entity (A) all Withholding Taxes and Employment Taxes received from Parent (or its Affiliate) pursuant to Section 6.15(a) and (B) one-half of the amount of any FICA or FUTA Tax (or any similar employment Taxes required under state or local law) ("Employment Taxes") required to be paid with respect to the exercise of any Cendant Options and (c) all Employment Taxes received from Parent (and its Affiliate) pursuant to Section 6.15(d). In addition, in connection with any payment by the Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies of any amount with respect to the Holdings Plan, the Acquiror Sub Surviving Corporation or any of the Transferred Companies, as the case may be, shall (A) withhold the Withholding Taxes required to be withheld under applicable Law and pay such Withholding Taxes to the proper Governmental Entity and (B) pay to the proper Governmental Entity one-half of the amount of any Employment Taxes that are required to be paid under applicable Law. Acquiror shall cause the Acquiror Sub Surviving Corporation or any of the Transferred Companies, as the case may be, to (A) prepare and file any Tax Returns required to be filed in connection with Withholding Taxes and Employment Taxes within the time and manner prescribed by applicable Law and (B) prepare and provide to persons who exercised such Cendant Options or received payments with respect to the Holdings Plan, any statement, form or other document required to be provided under applicable Law.

(c) Unless otherwise required by applicable Law, the parties to this Agreement shall treat, with respect to any payment described in Section 6.15(a) or (b), any amount that is required to be included in the gross income of the holder of any Cendant Option, or a person who receives a payment pursuant to the Holdings Plan, as an amount that may be properly deductible by the Acquiror Sub Surviving Corporation or any of the Transferred Companies, as the case may be, after the Closing Date.

(d) In connection with any payment by the Acquiror, the Acquiror Sub Surviving Corporation or any of the Transferred Companies of any amount with respect to the Holdings Plan, Acquiror shall, within a reasonable period prior to the time that Employment Taxes with respect to any such payments are due, provide Parent with sufficient information to enable Parent to determine the total amount of Employment Taxes required to be paid under applicable law. As promptly

as practicable after receipt of such information, Parent shall pay over to the Acquiror Sub Surviving Corporation one-half of the amount of all Employment Taxes in respect of any such payments.

ARTICLE VII

CONDITIONS TO ACQUIROR'S AND ACQUIROR SUB'S OBLIGATIONS

The obligation of Acquiror and Acquiror Sub under this Agreement to consummate the transactions contemplated hereby shall be subject to the satisfaction of each of the following conditions, unless waived in writing by Acquiror:

7.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of Parent and Holdings contained in this Agreement shall be true and correct as of the date hereof and as of the Closing Date as though such representations and warranties were made at and as of such date (except that representations and warranties given as of a specific date need be true and correct only as of such date), except where the failure of such representations and warranties to be so true and correct has not had, and is not likely to have, individually or in the aggregate, a Material Adverse Effect on the Business (disregarding for this purpose any qualification as to materiality or Material Adverse Effect on the Business contained in such representations and warranties).

7.2 PERFORMANCE. Parent and Holdings shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Closing Date.

7.3 NO INJUNCTION. No court of competent jurisdiction shall have issued any order, decree or ruling, and there shall not be any statute, rule or regulation, enjoining or prohibiting the consummation of the transactions contemplated hereby or preventing the conduct of any material portion of the Business after the Effective Time in substantially the same manner as presently conducted.

7.4 H-S-R ACT. Any waiting periods applicable to the transactions contemplated by this Agreement under the H-S-R Act shall have expired or been terminated.

7.5 REQUIRED APPROVALS. Subject to Section 2.7 hereof, the consents of (a) the Federal Deposit Insurance Corp. and (b) the Utah State Department of Financial Institutions (together, the "Required Approvals") shall have been obtained and shall remain in full force and effect and any statutory waiting periods in respect thereof shall have expired.

7.6 OPINION OF PARENT AND HOLDINGS' COUNSEL. Parent and Holdings shall have delivered to Acquiror and Acquiror Sub opinions of counsel to Parent and Holdings in the form of EXHIBIT K hereto.

7.7 FINANCING. Acquiror shall have received the proceeds of the Financing.

7.8 GOODWILL AMORTIZATION. Acquiror shall have received advice from Deloitte & Touche LLP that under GAAP at the Effective Time, the goodwill generated by the transactions contemplated hereby shall be amortized over forty (40) years.

ARTICLE VIII

CONDITIONS TO PARENT'S AND HOLDINGS' OBLIGATIONS

The obligation of Parent and Holdings under this Agreement to consummate the transactions contemplated hereby shall be subject to the satisfaction of each of the following conditions, unless waived in writing by Holdings:

8.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of Acquiror and Acquiror Sub contained in this Agreement shall be true and correct as of the date hereof and as of the Closing Date as though such representations and warranties were made at and as of such date (except that representations and warranties given as of a specific date need be true and correct only as of such date), except where the failure of such representations and warranties to be so true and correct has not had, and is not likely to have, individually or in the aggregate, an Acquiror Material Adverse Effect (disregarding for this purpose any qualification as to materiality or Acquiror Material Adverse Effect contained in such representations and warranties).

8.2 PERFORMANCE. Acquiror and Acquiror Sub shall have each performed and complied in all material respects with all agreements and covenants

required by this Agreement to be performed or complied with by them on or prior to the Closing Date.

8.3 NO INJUNCTION. No court of competent jurisdiction shall have issued any order, decree or ruling, and there shall not be any statute, rule or regulation, enjoining or prohibiting the consummation of the transactions contemplated hereby.

8.4 H-S-R ACT. Any waiting periods applicable to the transactions contemplated by this Agreement under the H-S-R Act shall have expired or been terminated.

8.5 REQUIRED APPROVALS. Subject to Section 2.7 hereof, the Required Approvals shall have been obtained and shall remain in full force and effect and any statutory waiting periods in respect thereof shall have expired.

8.6 OPINION OF ACQUIROR AND ACQUIROR SUB'S COUNSEL. Acquiror and Acquiror Sub shall have delivered to Parent and Holdings opinions of counsel to Acquiror and Acquiror Sub in the form of EXHIBIT L hereto.

ARTICLE IX

SURVIVAL; INDEMNIFICATION

9.1 SURVIVAL PERIODS. Each of the representations and warranties made by the parties in this Agreement shall survive the Closing and the Effective Time until the first anniversary of the Closing Date; PROVIDED, HOWEVER, that the representations and warranties contained in Sections 3.2, 3.3(a), 3.4, 3.8, 3.13, 4.2 and 4.3 hereof (the "Surviving Representations") shall survive the Closing without limitation (subject to any applicable statutes of limitations). Except with respect to the Surviving Representations, the parties intend to shorten the statute of limitations and agree that no claims or causes of action may be brought against Parent, the Holdings Surviving Corporation, Acquiror or the Acquiror Sub Surviving Corporation based upon, directly or indirectly, any of the representations, warranties or agreements contained in Articles III and IV hereof after the applicable survival period or, except as provided in Section 10.2 hereof, any termination of this Agreement except, in each case, with respect to claims asserted prior to and pending at the time of such expiration. This Section 9.1 shall not limit any covenant or agreement of the parties which contemplates performance after the Effective Time.

9.2 PARENT'S AND THE HOLDINGS SURVIVING CORPORATION'S AGREEMENT TO INDEMNIFY.

(a) Subject to the terms and conditions set forth herein, from and after the Effective Time, each of Parent and the Holdings Surviving Corporation shall indemnify and hold harmless Acquiror and the Acquiror Sub Surviving Corporation and their respective directors, officers, employees and Affiliates and their respective successors and permitted assigns (collectively, the "Acquiror Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively, the "Acquiror Damages") asserted against or incurred by any Acquiror Indemnitee as a result of or arising out of (i) a breach of any representation or warranty of Parent or Holdings contained in this Agreement (provided that for purposes of indemnification pursuant to this Section 9.2(a), any breach of any representation or warranty shall be determined without regard to any qualification related to materiality or Material Adverse Effect on the Business); (ii) a breach of any covenant or agreement of Parent, Holdings or the Holdings Surviving Corporation contained in this Agreement; and (iii) the Holdings Retained Liabilities and the Holdings Retained Assets.

(b) The obligation of Parent and the Holdings Surviving Corporation to indemnify the Acquiror Indemnitees pursuant to clause 9.2(a)(i) hereof is subject to the following limitations:

(i) no indemnification shall be made by Parent or the Holdings Surviving Corporation unless the aggregate amount of Acquiror Damages exceeds $30,000,000 and, in such event, indemnification shall be made by Parent or the Holdings Surviving Corporation only to the extent such Acquiror Damages exceed $18,000,000; PROVIDED, HOWEVER, that the amount of Acquiror Damages for any individual Claim must exceed $250,000, it being acknowledged and agreed that Acquiror Indemnitiees shall not have the right to make a Claim for indemnification under this Agreement in respect of Acquiror Damages in an amount less than $250,000 ("De Minimis Acquiror Claims") and such De Minimis Acquiror Claims shall not count toward the threshold amounts referred to above;

(ii) in no event shall the aggregate obligation of Parent and the Holdings Surviving Corporation to so indemnify the Acquiror Indemnitees exceed $500,000,000; and

(iii) Parent and the Holdings Surviving Corporation shall be obligated to indemnify the Acquiror Indemnitees only for those claims giving rise to Acquiror Damages as to which the Acquiror Indemnitees have given Parent and the Holdings Surviving Corporation written notice thereof prior to the end of the applicable survival period (as provided for in Section 9.1 hereof); any written notice delivered by an Acquiror Indemnitee to Parent and the Holdings Surviving Corporation with respect to Acquiror Damages shall set forth with as much specificity as is reasonably practicable the basis of the claim for Acquiror Damages and, to the extent reasonably practicable, a reasonable estimate of the amount thereof.

(c) The amount of any Acquiror Damages shall be reduced by (i) any amount received by a Acquiror Indemnitee with respect thereto under any insurance coverage or from any other party alleged to be responsible therefor and (ii) the amount of any Tax Benefit Actually Realized by the Acquiror Indemnitee (or any of its Affiliates) relating thereto. The Acquiror Indemnitees shall use reasonable efforts to collect any amounts available under such insurance coverage and from such other party alleged to have responsibility. If a Acquiror Indemnitee receives an amount under insurance coverage or from such other party with respect to Acquiror Damages at any time subsequent to any indemnification provided by Parent or the Holdings Surviving Corporation pursuant to this Section 9.2, then such Acquiror Indemnitee shall promptly reimburse Parent or the Holdings Surviving Corporation, as the case may be, for any payment made or expense incurred by Parent or the Holdings Surviving Corporation in connection with providing such indemnification up to such amount received by the Acquiror Indemnitee.

9.3 ACQUIROR'S AND THE ACQUIROR SUB SURVIVING CORPORATION'S AGREEMENT TO INDEMNIFY.

(a) Subject to the terms and conditions set forth herein, from and after the Effective Time, Acquiror and the Acquiror Sub Surviving Corporation shall indemnify and hold harmless Parent, the Holdings Surviving Corporation and their respective directors, officers, employees and Affiliates and their respective successors and permitted assigns (collectively, the "Holdings Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively, "Holdings Damages") asserted against or incurred by any Holdings Indemnitee as a result of or arising out of (i) a breach of any representation or warranty of Acquiror or Acquiror Sub contained in this Agreement (provided that for purposes of indemnification pursuant to this Section 9.3(a), any breach of any representation or warranty shall be

determined without regard to any qualification related to materiality or "Acquiror Material Adverse Effect"); (ii) a breach of any covenant or agreement on the part of Acquiror, Acquiror Sub or the Acquiror Sub Surviving Corporation contained in this Agreement; (iii) the Transferred Liabilities; (iv) the Acquiror Sub Retained Liabilities and the Acquiror Sub Retained Assets,

(b) Acquiror's and the Acquiror Sub Surviving Corporation's obligation to indemnify the Holdings Indemnitees pursuant to clause 9.3(a)(i) hereof is subject to the following limitations:

(i) no indemnification shall be made by Acquiror or the Acquiror Sub Surviving Corporation unless the aggregate amount of Holdings Damages exceeds $30,000,000 and, in such event, indemnification shall be made by Acquiror or the Acquiror Sub Surviving Corporation only to the extent such Holdings Damages exceed $18,000,000; PROVIDED, HOWEVER, that the amount of such Holdings Damages for any individual claim must exceed $250,000; it being acknowledged and agreed that Seller shall not have the right to make a claim for indemnification under this Agreement in respect of any Holdings Damages in an amount less than $250,000 ("De Minimis Holdings Claims"), and such De Minimis Holdings Claims shall not count toward the threshold amounts referred to above;

(ii) in no event shall the aggregate obligation of Acquiror and the Acquiror Sub Surviving Corporation to so indemnify the Holdings Indemnitees exceed $500,000,000; and

(iii) Acquiror and the Acquiror Sub Surviving Corporation shall be obligated to indemnify the Holdings Indemnitees only for those claims giving rise to Holdings Damages as to which the Holdings Indemnitees have given Acquiror and the Acquiror Sub Surviving Corporation written notice thereof prior to the end of the applicable survival period (as provided in Section 9.1 hereof); any written notice delivered by a Holdings Indemnitee to Acquiror and the Acquiror Surviving Corporation with respect to Holdings Damages shall set forth with as much specificity as is reasonably practicable the basis of the claim for Acquiror Damages and, to the extent reasonably practicable, a reasonable estimate of the amount thereof.

(c) The amount of any Holdings Damages shall be reduced by (i) any amount received by a Holdings Indemnitee with respect thereto under any insurance coverage or from any other party alleged to be responsible therefor and (ii) the amount of any Tax Benefit Actually Realized by the Holdings Indemnitee (or any

of its Affiliates) relating hereto. The Holdings Indemnitees shall use reasonable efforts to collect any amounts available under such insurance coverage and from such other party alleged to have responsibility. If a Holdings Indemnitee receives any amount under insurance coverage or from such other party with respect to Holdings Damages at any time subsequent to any indemnification provided by Acquiror or the Acquiror Sub Surviving Corporation pursuant to this Section 9.3, then such Holdings Indemnitee shall promptly reimburse Acquiror or the Acquiror Sub Surviving Corporation, as the case may be, for any payment made or expense incurred by Acquiror or the Acquiror Sub Surviving Corporation in connection with providing such indemnification up to such amount received by the Holdings Indemnitee.

9.4 THIRD-PARTY INDEMNIFICATION. The obligations of Parent and the Holdings Surviving Corporation to indemnify the Acquiror Indemnitees under Section 9.2 hereof with respect to Acquiror Damages and the obligations of Acquiror and the Acquiror Sub Surviving Corporation to indemnify the Holdings Indemnitees under Section 9.3 hereof with respect to Holdings Damages, in either case, resulting from the assertion of liability by third parties (each, as the case may be, a "Claim"), will be subject to the following terms and conditions:

(a) Any party against whom any Claim is asserted will give the indemnifying party written notice of any such Claim promptly after learning of such Claim, and the indemnifying party may at its option undertake the defense thereof by representatives of its own choosing. Failure to give prompt notice of a Claim hereunder shall not affect the indemnifying party obligations under this Article IX, except to the extent the indemnifying party is materially prejudiced by such failure to give prompt notice. If the indemnifying party, within 30 days after notice of any such Claim, or such shorter period as is reasonably required, fails to assume the defense of such Claim, the Acquiror Indemnitee or the Holdings Indemnitee, as the case may be, against whom such Claim has been made will (upon further notice to the indemnifying party) have the right to undertake the defense, compromise or settlement of such Claim on behalf of, and for the account and risk, and at the expense, of, the indemnifying party, subject to the right of the indemnifying party to assume the defense of such Claim at any time prior to settlement, compromise or final determination thereof.

(b) Anything in this Section 9.4 to the contrary notwithstanding, the indemnifying party shall not enter into any settlement or compromise of any action, suit or proceeding or consent to the entry of any judgment (i) which does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the Holdings Indemnitee or the Acquiror Indemnitee, as the

case may be, of a written release from all liability in respect of such action, suit or proceeding or (ii) for other than monetary damages to be borne by the indemnifying party, without the prior written consent of the Holdings Indemnitee or the Acquiror Indemnitee, as the case may be, which consent shall not be unreasonably withheld.

(c) The indemnifying party and the indemnified party shall cooperate fully in all aspects of any investigation, defense, pre-trial activities, trial, compromise, settlement or discharge of any claim in respect of which indemnity is sought pursuant to this Article IX, including, but not limited to, by providing the other party with reasonable access to employees and officers (including as witnesses) and other information.

9.5 INSURANCE. The indemnifying party shall be subrogated to the rights of the indemnified party in respect of any insurance relating to Acquiror Damages or Holdings Damages, as the case may be, to the extent of any indemnification payments made hereunder.

9.6 NO DUPLICATION; SOLE REMEDY.

(a) Any liability for indemnification hereunder shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement.

(b) Subject to Section 11.11 hereof, the respective rights to indemnification of Parent, the Holdings Surviving Corporation, Acquiror and the Acquiror Sub Surviving Corporation as provided for in Sections 6.2, 9.2 and 9.3, as applicable, for a breach of this Agreement, shall constitute such party's sole remedy for such a breach and the breaching party shall have no other liability or damages to the other party resulting from the breach, except that nothing herein shall relieve a party from liability for fraud.

9.7 INDEMNIFICATION OF CERTAIN LITIGATION. From and after the Effective Time, each of Parent and the Holdings Surviving Corporation shall continue the defense of, indemnify and hold harmless the Acquiror Indemnitees and the Transferred Companies from and against any Acquiror Damages asserted against or incurred by any Acquiror Indemnitee or any Transferred Company as a result of or arising out of the litigation referred to in item 6 of Section 3.9 of the HOLDINGS DISCLOSURE SCHEDULE, provided that no indemnification shall be made by Parent or the Holdings Surviving Corporation unless the aggregate amount of Acquiror Damages

exceeds $500,000 and, in such event, indemnification shall be made by Parent or Holdings Surviving Corporation only to the extent such Acquiror Damages exceed $500,000. Notwithstanding anything to the contrary contained in this Agreement, (i) the indemnification obligations of Parent and Holdings Surviving Corporation provided under this Section 9.7(a) shall not be subject to the limitations set forth in Section 9.2(b) and (b) shall not be subrogated in respect of any insurance and (ii) any amounts paid hereunder shall not be counted against the amounts set forth in Section 9.2(b).

ARTICLE X

TERMINATION AND ABANDONMENT

10.1 TERMINATION. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time:

(a) by mutual written consent of the parties hereto; or

(b) by Parent or Holdings at any time after June 30, 1999;

(c) by Acquiror or Acquiror Sub at any time after July 31, 1999;

(d) by Parent or Holdings if Acquiror shall notify (or be required under Section 5.8 to notify) Holdings of a Funding Termination Event (unless any Lender whose commitment has been withdrawn or terminated has been replaced with another lending institution of comparable funding resources with an equal or greater commitment on substantially the same terms and subject to substantially the same conditions); or

(e) by Parent or Holdings if there shall have occurred any disruption or adverse change, as determined by Parent or Holdings in its sole discretion, in the financial or capital markets generally, or in the markets for bank loan or bridge loan syndication, high yield debt, asset-backed securities or equity securities in particular or affecting the syndication or funding of bank loans or bridge loans (or the refinancing thereof) (each a "Market Event"), provided that Parent or Holdings cannot terminate this Agreement if, after giving written notice to the Lenders of its intent to terminate this Agreement, the Lenders, within three (3)

Business Days, confirm in writing that such Market Event will not result in their refusing to comply with their obligations under the Commitment Letters.

10.2 PROCEDURE FOR, AND EFFECT OF, TERMINATION. In the event of termination of this Agreement and abandonment of the transactions contemplated hereby by the parties hereto pursuant to Section 10.1 hereof, written notice thereof shall be given by a party so terminating to the other party and this Agreement shall forthwith terminate and shall become null and void and of no further effect, and the transactions contemplated hereby shall be abandoned without further action by any of the parties hereto. If this Agreement is terminated pursuant to Section 10.1 hereof:

(a) each party shall redeliver all documents, work papers and other materials of the other parties relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the party furnishing the same, and all confidential information received by any party hereto with respect to the other party shall be treated in accordance with the Confidentiality Agreement and Section 5.4(b) hereof;

(b) all filings, applications and other submissions made pursuant hereto shall, at the option of Holdings, and to the extent practicable, be withdrawn from the agency or other Person to which made; and

(c) there shall be no liability or obligation hereunder on the part of Parent, Holdings, Acquiror or Acquiror Sub or any of their respective directors, officers, employees, Affiliates, controlling persons, agents or representatives, except that such party may have liability to the other party if the basis of termination is a willful, material breach by such party of one or more of the provisions of this Agreement, and except that (i) the obligations provided for in Sections 5.4 and 11.1 hereof shall survive any such termination and (ii) all of the rights and obligations of each of the parties pursuant to the Confidentiality Agreement shall survive the termination of this Agreement without limitation.

10.3 ALTERNATIVE TRANSACTION. In the event that a Tax Notification (as defined in EXHIBIT M hereto) shall be delivered, then the parties hereto shall effectuate the transactions set forth in EXHIBIT M hereto.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 FEES AND EXPENSES. Except as otherwise provided in this Agreement, whether or not the transactions contemplated hereby are consummated, all fees, costs and expenses incurred in connection with such transactions will be paid by the party incurring said expenses. Parent, Holdings and the Holdings Surviving Corporation shall indemnify Acquiror, Acquiror Sub and the Acquiror Sub Surviving Corporation for the fees of Chase Securities, Inc. and any other brokerage or similar fees payable in connection with the transactions contemplated hereby based on agreements made by or on behalf of Parent, Holdings, any Transferred Company or their respective Affiliates, and Acquiror and the Acquiror Sub Surviving Corporation shall indemnify Parent, Holdings and the Holdings Surviving Corporation for the fees of Lehman Brothers Inc. and BT Wolfensohn and any other brokerage or similar fees payable in connection with the transactions contemplated hereby based on agreements made by or on behalf of Acquiror, Acquiror Sub or any of their respective Affiliates.

11.2 AMENDMENT. This Agreement may be modified, supplemented or amended only by a written instrument executed by each of the parties hereto.

11.3 ENTIRE AGREEMENT. This Agreement (together with the Transaction Agreements, the Disclosure Schedules, Schedules and Exhibits expressly identified or referred to in this Agreement) and the Confidentiality Agreement constitute the entire agreement of the parties with respect to its subject matter, and supersede all prior agreements and understandings of the parties, oral and written, with respect to its subject matter.

11.4 EXECUTION IN COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

11.5 NOTICES. Unless otherwise provided herein, all notices and other communications hereunder shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) overnight delivery service. Such notices and communications shall be sent to the appropriate party at its address or facsimile number given below or at such other address or facsimile number for such party as shall be specified by notice given hereunder (and shall be

deemed given upon receipt by such party or upon actual delivery to the appropriate address, or, in case of a facsimile transmission, upon transmission thereof by the sender and issuance by the transmitting machine of a confirmation slip that the number of pages constituting the notice have been transmitted without error; in the case of notices sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided for above, PROVIDED, HOWEVER, that such mailing shall in no way alter the time at which the facsimile notice is deemed received):

If to Parent or Holdings
PHH Corporation
6 Sylvan Way
Parsippany, New Jersey 07054
Telecopy: (973) 496-5355
Attention: General Counsel

Copies to:
Cendant Corporation
9 West 57th Street
37th Floor
New York, New York 10019
Telecopy: (212) 413-1922
Attention: General Counsel

and

Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
Wilmington, Delaware 19801
Telecopy: (302) 651-3001
Attention: Patricia Moran Chuff, Esq.

If to Acquiror or Acquiror Sub:
Avis Rent a Car, Inc.
900 Old Country Road
Garden City, New York 11530
Telecopy: (516) 222-6922
Attention: Karen Sclafani, Esq.

Copy to: White & Case LLP
1155 Avenue of the Americas
New York, New York 10036
Telecopy: (212) 354-8113
Attention: Sean Geary, Esq.

11.6 WAIVERS. At any time prior to the Closing, the parties hereto may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties of the other parties contained herein or in any document delivered pursuant hereto and (iii) waive compliance by the other parties hereto with any of the agreements or conditions contained herein of the other party subject to any specific provisions governing the effect of such extensions or waivers. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

11.7 APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any of the conflict of law rules thereof; PROVIDED, that the Merger shall be governed by the TBCA. Each party to this Agreement (a) waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement, (b) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (c) agrees that it will not attempt to deny such personal jurisdiction by motion or other request for leave from any such court and (d) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal or state court sitting in the State of New York.

11.8 HEADINGS. The headings contained in this Agreement are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

11.9 ASSIGNMENTS. This Agreement may not be assigned, directly or indirectly, by operation of law or otherwise, by any party hereto without the prior written consent of the other parties; PROVIDED, HOWEVER, that, notwithstanding the foregoing, each of the parties hereto shall have the right to assign any or all of its

rights and obligations under this Agreement, collectively or individually, to any of their respective Affiliates; PROVIDED, HOWEVER, that no such assignment shall relieve such party from its obligations under this Agreement.

11.10 SEVERABILITY. If any provision of this Agreement is held to be invalid or unenforceable, such a provision shall (so far as invalid or unenforceable) be given no effect and shall be deemed to be excluded from this Agreement, but without invalidating any of the remaining provisions of this Agreement. Upon such determination that any term or other provision is invalid or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that terms of such provision be effectuated as originally contemplated to the fullest extent possible.

11.11 SPECIFIC PERFORMANCE. Notwithstanding any other provision of this Agreement, the parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof and immediate injunctive relief, without the necessity of proving the inadequacy of money damages as a remedy, in addition to any other remedy at law or equity.

11.12 INTERPRETATION. All references herein to "$" or "dollars" shall mean United States dollars. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.13 NO THIRD-PARTY BENEFICIARIES. This Agreement is solely for the benefit of Parent, Holdings and their respective successors and permitted assigns, with respect to the obligations of Acquiror and Acquiror Sub under this Agreement, and for the benefit of Acquiror and Acquiror Sub, and their respective successors and permitted assigns, with respect to the obligations of Parent and Holdings, under this Agreement, and this Agreement shall not be deemed to confer upon or give to any other third party any remedy, claim of liability or reimbursement, cause of action or other right.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been executed by duly authorized officers of each of the parties all as of the date first above written.

PHH CORPORATION

By: /s/ Robert D. Kunisch

Name: Robert D. Kunisch
Title: President and CEO

PHH HOLDINGS CORPORATION

By: /s/ Robert D. Kunisch

Name: Robert D. Kunisch
Title: President

AVIS RENT A CAR, INC.

By: /s/ Kevin Sheehan

Name: Kevin Sheehan
Title: Executive Vice President

AVIS FLEET LEASING AND MANAGEMENT CORPORATION

By: /s/ Kevin Sheehan

Name: Kevin Sheehan
Title: Executive Vice President

SCHEDULE I

TRANSFERRED COMPANIES

NAME OF COMPANY	JURISDICTION OF ORGANIZATION
PHH Vehicle Management Services, LLC	Delaware
PHH VMS Subsidiary Corporation	Maryland
D.L. Peterson Trust	Maryland
JHH Partnership	Maryland
PHH Paymentech LLC	Delaware
TRAC Funding II, Inc.	Delaware
TRAC Funding, Inc.	Delaware
PHH Commercial Leasing, Inc.	Maryland
PHH Corner Leasing, Inc.	Maryland
PHH Page Leasing, Inc.	Maryland
PHH St. Paul Leasing, Inc.	Maryland
PHH Continental Leasing, Inc.	Maryland
PHH Caribbean Leasing, Inc.	Maryland
PHH Market Leasing, Inc.	Maryland
PHH Milford Leasing, Inc.	Maryland
PHH National Leasing, Inc.	Maryland
PHH Power Leasing, Inc.	Maryland
PHH Personalease Corp.	Maryland
Dealers Holdings, Inc.	Maryland
Williamsburg Motors, Inc.	Maryland
Edenton Motors, Inc.	Maryland
Wright Express Corporation	Delaware
Wright Express Financial Services Corporation	Utah
Wright Express Canada, Inc.	Canada
PHH Canadian Holdings, Inc.	Delaware
PHH Vehicle Management Services, Inc.	Canada
Canadian Lease Management, Ltd.	Canada
PHH Leasing of Canada, Ltd.	Canada
PHH Deutschland, Inc.	Maryland

PHH Charitable Trust	England and Wales
Cendant Business Answers (Europe) PLC	England and Wales
PHH Vehicle Management Services PLC	England and Wales
All Star Petrol Card Limited	England and Wales
PHH Card Services Ltd.	England and Wales
PHH Investment Services Ltd.	England and Wales
PHH Financial Services Ltd.	England and Wales
PHH Truck Management Services, Ltd.	England and Wales
PHH Leasing (No. 9) Ltd.	England and Wales
Pointeuro Limited	England and Wales
The Harpur Group Limited	England and Wales
Harpur UK Limited	England and Wales
Overdrive Credit Card Limited	England and Wales
Dialcard Limited	England and Wales
Harpur Assets Limited	England and Wales
Overdrive Business Solutions Limited	England and Wales
Overdrive Fleet Information Services Limited	England and Wales
Dialcard Fleet Services Limited	England and Wales

SCHEDULE II

TRANSFERRED ASSETS

The following assets shall constitute the "Transferred Assets" to be allocated to and vested in Acquiror Sub in the Merger:

1. All of Holdings' right, title and interest in and to all of the issued and outstanding capital stock and other equity interests of the following Directly Transferred Companies (as defined in the Agreement):

PHH Vehicle Management Services, LLC
PHH Commercial Leasing, Inc.
PHH Corner Leasing, Inc.
PHH Page Leasing, Inc.
PHH St. Paul Leasing, Inc.
PHH Continental Leasing, Inc.
PHH Caribbean Leasing, Inc.
PHH Market Leasing, Inc.
PHH Milford Leasing, Inc.
PHH National Leasing, Inc.
PHH Power Leasing, Inc.
PHH Personalease Corp.
Dealers Holdings, Inc.
Wright Express Corporation
PHH Canadian Holdings, Inc.
PHH Charitable Trust
PHH Deutschland, Inc.
Cendant Business Answers (Europe) PLC
Pointeuro Limited

2. All right, title and interest in and to all of the properties, assets, rights, claims, contracts and businesses of the entities listed in item 1 above and the Transferred Companies, including, without limitation, all shares of capital stock and other equity interests of all Transferred Companies that are owned by any of the entities listed in item 1 above as of the Effective Time.

SCHEDULE III

HOLDINGS RETAINED ASSETS

The following assets shall constitute the "Holdings Retained Assets" which shall be retained by, allocated to and vested in Holdings in the Merger and shall not constitute part of the Transferred Assets allocated to and vested in Acquiror Sub:

1. All of Holdings' right, title and interest in and to all of the properties, assets, rights, claims, contracts and businesses of Holdings and its subsidiaries and Affiliates immediately prior to the Effective Time, other than the Transferred Assets, including, without limitation, all of the issued and outstanding capital stock and other equity interests of the following corporations and other entities owned, directly or indirectly, by Holdings:

PHH Gate Leasing, Inc.
PHH 1972 Long Leasing, Inc.
PHH Metals Leasing, Inc.
PHH ABT Leasing, Inc.
PHH Gallop Leasing, Inc.
PHH Brunswick Leasing, Inc.
PHH Long Leasing, Inc.
PHH NLC Leasing, Inc.
PHH Inter-Group Leasing, Inc.
PHH Star Leasing, Inc.
TRAC Funding III, Inc.
Cendant Mortgage Corporation
Wells Resource/PHH Real Estate Services, LLC
Cendant Residential Mortgage Owner Trust
Financial Express Mortgage Corporation
Coldwell Banker Mortgage Partners, Inc.
The Home Mortgage Network, LP
Acacia Mortgage, LLC
THMN, Inc.
Cendant Mobility Services Corporation
Cendant International Assignment Services Asia Pacific Ltd.
Executrans Canada Ltd.
Mobility Funding Corporation
PHH Asset Management/Southwest Harvard
Cendant Mobility Funding Corporation
Cendant Mobility Real Property Services Corporation

PHH Network Services S.A. do C.V.
PHH do Brasil Particopacoes Ltda. (Brazil)
PHH Asia Corporation
PHH Funding Corporation
PHH Broker Partner Corporation
American Home Mortgage, LLC
Speedy Title & Appraisal Review Services Corporation
Fairtide Insurance Ltd.
PHH Services B.V. Netherlands
PHH Auto Finance Corporation
PHH Mexico Corporation
Atrium Insurance Corporation
Peterson, Howell & Heather, Inc.
PHH Mortgage Services Corporation
PHH Financial Services, Inc.
J.W. Geckle Trust
PHH Home Equity Ltd.
PHH Funding No. 1 PLC
PHH Services Ltd.
Cendant Business Answers PLC
PHH Independent Financial Advisors Ltd.
PHH Limited (United Kingdom)
PHH Insurance Broking Services Ltd.
PHH Ideal Ltd. (United Kingdom)
Peterson, Howell and Heather (United Kingdom) Ltd.
PHH Leasing (No. 12) Ltd. (United Kingdom)
PHH Asset Management Ltd.
Cendant Property Services Ltd.
Cendant Relocation PLC
M.S. Part Exchange Properties Ltd.
Coldwell Banker Relocation Services Limited

2. All right, title and interest in and to all of the properties, assets, rights, claims, contracts and businesses of the entities listed in item 1 above as of the Effective Time.

3. All right, title and interest in and to the Retained Intellectual Property.

4. All cash, term or time deposits, lock box receipts, short-term instruments, marketable securities and similar items of Holdings and its subsidiaries and Affiliates, including all proceeds received pursuant to the Holdings Indebtedness.

SCHEDULE IV

TRANSFERRED LIABILITIES

The following liabilities and obligations shall constitute the "Transferred Liabilities" to be allocated to, assumed by, and vested in Acquiror Sub in the Merger:

1. Subject to the limitations set forth in this Agreement all liabilities and obligations of Holdings arising out of or related to the Holdings Indebtedness pursuant to the Loan Agreement dated January 13, 1999 between Holdings and Parent, including, without limitation, the obligation to repay any and all Loans (as defined therein) upon demand in accordance with the terms of this Agreement.

2. Any and all liabilities and obligations of the Transferred Companies as of the Effective Time, whether direct or indirect, known or unknown, absolute or contingent, including, without limitation, the Intercompany Indebtedness.

3. Any and all debts, liabilities and obligations of the Business and the Transferred Companies arising on or after the Effective Time, whether direct or indirect, known or unknown, absolute or contingent.

SCHEDULE V

HOLDINGS RETAINED LIABILITIES

The following liabilities and obligations shall constitute the "Holdings Retained Liabilities" to be allocated to, retained by, and vested in Holdings in the Merger and shall not constitute part of the Transferred Liabilities allocated to, assumed by and vested in Acquiror Sub in the Merger:

1. All liabilities and obligations of Holdings and its subsidiaries and Affiliates immediately prior to the Effective Time, other than the Transferred Liabilities.

SCHEDULE VI

RETAINED INTELLECTUAL PROPERTY

The following intellectual property shall constitute the "Retained Intellectual Property" to be allocated to, retained by, and vested in Holdings in the Merger and shall not constitute part of the Transferred Assets allocated to, assumed by and vested in Acquiror Sub in the Merger:

TRADEMARK	COUNTRY	APP OR REG. NUMBER	APP. OR REG. DATE	STATUS	FORMER RECORD OWNER
BLUE RIBBON AUCTION	CANADA	TMA420280	12-3-93	REGISTERED	PHH CORPORATION
FLEETLEADER AND DESIGN	CANADA	TMA425222	3-18-94	REGISTERED	PHH CORPORATION
KEY PLAN	CANADA	TMA308681	11-29-85	REGISTERED	PHH CORPORATION
VALUEPLAN	CANADA	895055	10-30-98	PENDING	PHH CORPORATION
VEHICLE MAINTENANCE ASSISTANCE PLUS (VMA+)	UNITED STATES	75309319	6-16-97	PENDING	PHH CORPORATION
PHH	CANADA	TMA399270	6-19-92	REGISTERED	PHH CORPORATION
PHH	UNITED KINGDOM	1289659	10-3-86	REGISTERED	PHH EUROPE PLC
PHH	UNITED KINGDOM	1289660	10-3-86	REGISTERED	PHH EUROPE PLC
PHH	UNITED KINGDOM	1368918	12-29-88	REGISTERED	PHH EUROPE PLC
PHH AND DESIGN	BENELUX	451893	12-9-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	BENELUX	371773	3-11-81	REGISTERED	PHH CORPORATION
PHH AND DESIGN	CANADA	TMA429246	5-26-95	REGISTERED	PHH CORPORATION
PHH AND DESIGN	CANADA	TMA400373	7-24-92	REGISTERED	PHH CORPORATION
PHH AND DESIGN	CANADA	TMA272728	10-15-82	REGISTERED	PHH CORPORATION

TRADEMARK	COUNTRY	APP OR REG. NUMBER	APP. OR REG. DATE	STATUS	FORMER RECORD OWNER
PHH AND DESIGN	CANADA	TMA214224	6-11-76	REGISTERED	PHH CORPORATION
PHH AND DESIGN	DENMARK	VR52491992	6-19-92	REGISTERED	PHH CORPORATION
PHH AND DESIGN	EUROPEAN COMMUNITY (CTM)	461277	1-28-97	REGISTERED	PHH CORPORATION
PHH AND DESIGN	FRANCE	1646254	2-22-91	REGISTERED	PHH CORPORATION
PHH AND DESIGN	FRANCE	1721175	12-12-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	FRANCE	93451056	1-18-93	REGISTERED	PHH CORPORATION
PHH AND DESIGN	GERMANY	1064838	6-22-84	REGISTERED	PHH CORPORATION
PHH AND DESIGN	GERMANY	2913616	3-5-97	REGISTERED	PHH CORPORATION
PHH AND DESIGN	ITALY	552656	10-29-91	REGISTERED	PHH CORPORATION
PHH AND DESIGN	SPAIN	1294000	5-6-91	REGISTERED	PHH CORPORATION
PHH AND DESIGN	SPAIN	1293998	6-18-90	REGISTERED	PHH CORPORATION
PHH AND DESIGN	SPAIN	1293999	7-3-90	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED KINGDOM	1368942	12-29-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED KINGDOM	1368920	12-29-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED KINGDOM	1368919	12-29-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED KINGDOM	1368941	12-29-88	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED KINGDOM	1368917	12-29-88	REGISTERED	PHH EUROPE PLC
PHH AND DESIGN	UNITED STATES	1307387	11-27-84	REGISTERED	PHH CORPORATION
PHH AND DESIGN	UNITED STATES	1665195	11-19-91	REGISTERED	PHH CORPORATION

TRADEMARK	COUNTRY	APP OR REG. NUMBER	APP. OR REG. DATE	STATUS	FORMER RECORD OWNER
PHH ALL STAR	CANADA	TMA421861	1-7-94	REGISTERED	PHH CORPORATION
PHH ALLSTAR AND DESIGN	CANADA	TMA384212	5-10-91	REGISTERED	PHH CORPORATION
PHH ALLSTAR AND DESIGN	CANADA	TMA384211	5-10-91	REGISTERED	PHH CORPORATION
PHH CANADA AND DESIGN	CANADA	TMA214476	6-25-76	REGISTERED	PHH CORPORATION
PHH FLEETCARD	EUROPEAN COMMUNITY	799668	5-28-98	PENDING	CENDANT BUSINESS ANSWERS PLC
PHH FLEETCARD	UNITED KINGDOM	1289657	10-3-86	REGISTERED	PHH EUROPE PLC
PHH FLEETCARD	UNITED KINGDOM	1289658	10-3-86	REGISTERED	PHH EUROPE PLC
PHH FLEETLINE	UNITED STATES	1494853	7-5-88	REGISTERED	PHH CORPORATION
PHH FLEETNET	UNITED KINGDOM	B1523871	1-12-93	REGISTERED	PHH EUROPE PLC
PHH FLEETNET	UNITED KINGDOM	B1523868	1-12-93	REGISTERED	PHH EUROPE PLC
PHH FLEETNET	UNITED KINGDOM	B1523869	1-12-93	REGISTERED	PHH EUROPE PLC
PHH FLEETNET	UNITED KINGDOM	B1523870	1-12-93	REGISTERED	PHH EUROPE PLC
PHH FLEETWORKS	UNITED KINGDOM	B1523867	1-12-93	REGISTERED	PHH EUROPE PLC
PHH FLEETWORKS	UNITED KINGDOM	1523866	10-31-94	REGISTERED	PHH EUROPE PLC
PHH INTERACTIVE	UNITED STATES	75543156	8-25-98	PENDING	PHH VEHICLE MANAGEMENT SERVICES CORPORATION
PHH KEY PLAN	CANADA	TMA308680	11-29-85	REGISTERED	PHH CORPORATION
PHH MARKETING CENTRE	CANADA	TMA422228	1-21-94	REGISTERED	PHH CORPORATION
PHH PARTS PLUS PARTS + AND DESIGN	UNITED KINGDOM	2131390	4-30-97	REGISTERED	PHH EUROPE PLC
PHH PERSONALEASE	UNITED STATES	1524863	2-14-89	REGISTERED	PHH CORPORATION

TRADEMARK	COUNTRY	APP OR REG. NUMBER	APP. OR REG. DATE	STATUS	FORMER RECORD OWNER
PHH SERVICE CARD	UNITED KINGDOM	1523693	1-8-93	REGISTERED	PHH EUROPE PLC
PHH SERVICE CARD	UNITED KINGDOM	1523692	1-8-93	REGISTERED	PHH EUROPE PLC
PHH SERVICE CARD SERVICE CARD PHH	UNITED KINGDOM	1523694	1-8-93	REGISTERED	PHH EUROPE PLC

CENDANT CORPORATION
FINANCIAL STATEMENTS AND FOOTNOTES
FOR THE YEAR ENDED
DECEMBER 31, 1998

INDEX

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Cendant Corporation

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

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

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

As discussed in Note 18 to the consolidated financial statements, the Company is involved in certain litigation related to the discovery of accounting irregularities in certain former CUC International Inc. business units. Additionally, as discussed in Note 2, effective January 1, 1997 the Company changed its method of recognizing revenue and membership solicitation costs for its individual membership business.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
May 10, 1999

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

	Year Ended December 31,		
	1998	1997	1996
Revenues			
Membership and service fees - net	$ 4,883.5	$ 3,895.3	$ 2,972.4
Fleet leasing (net of depreciation and interest costs of $1,279.4, $1,205.2 and $1,132.4)	88.7	59.5	56.7
Other	114.4	97.1	34.0
Net revenues	5,086.6	4,051.9	3,063.1
Expenses			
Operating	1,721.5	1,179.4	1,042.6
Marketing and reservation	1,158.5	1,031.8	909.1
General and administrative	648.7	627.8	330.7
Depreciation and amortization	314.0	229.0	138.5
Other charges			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Investigation-related costs	33.4	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Financing costs	35.1	--	--
Interest - net	113.9	50.6	14.2
Total expenses	4,794.9	3,822.7	2,544.5
Income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	291.7	229.2	518.6
Provision for income taxes	95.4	180.1	214.1
Minority interest, net of tax	50.6	--	--
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	145.7	49.1	304.5
Income (loss) from discontinued operations, net of tax	(10.8)	(9.6)	25.5
Gain on sale of discontinued operations, net of tax	404.7	--	--
Income before extraordinary gain and cumulative effect of accounting change	539.6	39.5	330.0
Extraordinary gain, net of tax	--	26.4	--
Income before cumulative effect of accounting change	539.6	65.9	330.0
Cumulative effect of accounting change, net of tax	--	(283.1)	--
Net income (loss)	$ 539.6	$ (217.2)	$ 330.0
Income (loss) per share			
Basic			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.17	$ 0.06	$ 0.40
Income (loss) from discontinued operations	(0.01)	(0.01)	0.04
Gain on sale of discontinued operations	0.48	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
Net income (loss)	$ 0.64	$ (0.27)	$ 0.44
Diluted			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.16	$ 0.06	$ 0.38
Income (loss) from discontinued operations	(0.01)	(0.01)	0.03
Gain on sale of discontinued operations	0.46	--	--
Extraordinary gain	--	0.03	--
Cumulative effect of accounting change	--	(0.35)	--
Net income (loss)	$ 0.61	$ (0.27)	$ 0.41

See accompanying notes to consolidated financial statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In millions)

	December 31,	
	1998	1997
Assets		
Current assets		
Cash and cash equivalents	$ 1,007.1	$ 65.3
Receivables (net of allowance for doubtful accounts of $110.9 and $60.9)	1,490.5	1,122.1
Deferred membership commission costs	253.0	169.5
Deferred income taxes	460.6	306.9
Other current assets	898.7	632.4
Net assets of discontinued operations	462.5	360.5
Total current assets	4,572.4	2,656.7
Property and equipment, net	1,420.3	530.9
Franchise agreements, net	1,363.2	1,079.6
Goodwill, net	3,911.0	2,124.6
Other intangibles, net	743.5	608.6
Other assets	679.8	597.4
Total assets exclusive of assets under programs	12,690.2	7,597.8
Assets under management and mortgage programs		
Net investment in leases and leased vehicles	3,801.1	3,659.1
Relocation receivables	659.1	775.3
Mortgage loans held for sale	2,416.0	1,636.3
Mortgage servicing rights	635.7	373.0
	7,511.9	6,443.7
Total assets	$ 20,202.1	$ 14,041.5

See accompanying notes to consolidated financial statements.

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

	December 31,	
	1998	1997
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and other current liabilities	$ 1,502.6	$ 1,478.3
Deferred income	1,354.2	1,042.0
Total current liabilities	2,856.8	2,520.3
Deferred income	233.9	292.1
Long-term debt	3,362.9	1,246.0
Deferred income taxes	77.4	66.2
Other non-current liabilities	125.6	97.2
Total liabilities exclusive of liabilities under programs	6,656.6	4,221.8
Liabilities under management and mortgage programs		
Debt	6,896.8	5,602.6
Deferred income taxes	341.0	295.7
Mandatorily redeemable preferred securities issued by subsidiary	1,472.1	--
Commitments and contingencies (Note 18)		
Shareholders' equity		
Preferred stock, $.01 par value - authorized 10 million shares; none issued and outstanding	--	--
Common stock, $.01 par value - authorized 2 billion shares; issued 860,551,783 and 838,333,800 shares	8.6	8.4
Additional paid-in capital	3,863.4	3,085.0
Retained earnings	1,480.2	940.6
Accumulated other comprehensive loss	(49.4)	(38.2)
Treasury stock, at cost, 27,270,708 and 6,545,362 shares	(467.2)	(74.4)
Total shareholders' equity	4,835.6	3,921.4
Total liabilities and shareholders' equity	$20,202.1	$14,041.5

See accompanying notes to consolidated financial statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Additional Comprehensive Income (Loss)	Other Treasury Stock	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 1996	725.2	$ 7.3	$1,041.9	$ 905.1	$ (25.1)	$ (31.0)	$1,898.2
Comprehensive income:							
Net income	--	--	--	330.0	--	--	
Currency translation adjustment	--	--	--	--	12.2	--	
Net unrealized gain on marketable securities	--	--	--	--	6.5	--	
Total comprehensive income	--	--	--	--	--	--	348.7
Issuance of common stock	63.3	.6	1,627.9	--	--	--	1,628.5
Exercise of stock options by payment of cash and common stock	14.0	.1	74.6	--	--	(25.5)	49.2
Restricted stock issuance	1.4	--	--	--	--	--	--
Amortization of restricted stock	--	--	2.3	--	--	--	2.3
Tax benefit from exercise of stock options	--	--	78.9	--	--	--	78.9
Cash dividends declared and other equity distributions	--	--	--	(41.3)	--	--	(41.3)
Adjustment to reflect change in fiscal years of pooled entities	--	--	(.6)	(7.1)	--	--	(7.7)
Conversion of convertible notes	3.8	.1	18.0	--	--	--	18.1
Purchase of common stock	--	--	--	--	--	(19.2)	(19.2)
Balance at December 31, 1996	807.7	$ 8.1	$2,843.0	$1,186.7	$ (6.4)	$ (75.7)	$3,955.7

See accompanying notes to consolidated financial statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(In millions)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Stock	Equity
Balance at January 1, 1997	807.7	$ 8.1	$2,843.0	$1,186.7	$ (6.4)	$ (75.7)	$3,955.7
Comprehensive loss:							
Net loss	--	--	--	(217.2)	--	--	
Currency translation adjustment	--	--	--	--	(27.6)	--	
Net unrealized loss on marketable securities	--	--	--	--	(4.2)	--	
Total comprehensive loss	--	--	--	--	--	--	(249.0)
Issuance of common stock	6.2	--	46.3	--	--	--	46.3
Exercise of stock options by payment of cash and common stock	11.4	.1	132.8	--	--	(17.8)	115.1
Restricted stock issuance	.2	--	--	--	--	--	--
Amortization of restricted stock	--	--	28.5	--	--	--	28.5
Tax benefit from exercise of stock options	--	--	93.5	--	--	--	93.5
Cash dividends declared	--	--	--	(6.6)	--	--	(6.6)
Adjustment to reflect change in fiscal year from Cendant Merger	--	--	--	(22.3)	--	--	(22.3)
Conversion of convertible notes	20.2	.2	150.9	--	--	--	151.1
Purchase of common stock	--	--	--	--	--	(171.3)	(171.3)
Retirement of treasury stock	(7.4)	--	(190.4)	--	--	190.4	--
Other		--	(19.6)	--	--	--	(19.6)
Balance at December 31, 1997	838.3	$ 8.4	$3,085.0	$ 940.6	$ (38.2)	$ (74.4)	$3,921.4

See accompanying notes to consolidated financial statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(In millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 1998	838.3	$ 8.4	$3,085.0	$ 940.6	$ (38.2)	$ (74.4)	$3,921.4
Comprehensive income:							
Net income	--	--	--	539.6	--	--	
Currency translation adjustment	--	--	--	--	(11.2)	--	
Total comprehensive income	--	--	--	--	--	--	528.4
Exercise of stock options by payment of cash and common stock	16.4	.1	168.4	--	--	(.2)	168.3
Amortization of restricted stock	--	--	.7	--	--	--	.7
Tax benefit from exercise of stock options	--	--	147.3	--	--	--	147.3
Conversion of convertible notes	5.9	.1	113.7	--	--	--	113.8
Purchase of common stock	--	--	--	--	--	(257.7)	(257.7)
Mandatorily redeemable preferred securities issued by subsidiary	--	--	(65.7)	--	--	--	(65.7)
Common stock received as consideration in sale of discontinued operations	--	--	--	--	--	(134.9)	(134.9)
Rights issuable	--	--	350.0	--	--	--	350.0
Other	--	--	64.0	--	--	--	64.0
Balance at December 31, 1998	860.6	$ 8.6	$3,863.4	$1,480.2	$ (49.4)	$ (467.2)	$4,835.6

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	1998	1997	1996
Operating Activities			
Net income (loss)	$ 539.6	$ (217.2)	$ 330.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
(Income) loss from discontinued operations, net of tax	10.8	9.6	(25.5)
Gain on sale of discontinued operations, net of tax	(404.7)	--	--
Non cash charges:			
Litigation settlement	351.0	--	--
Extraordinary gain on sale of subsidiary, net of tax	--	(26.4)	--
Cumulative effect of accounting change, net of tax	--	283.1	--
Asset impairments and termination benefits	62.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Payments of merger-related costs and other unusual charge liabilities	(158.2)	(317.7)	(61.3)
Depreciation and amortization	314.0	229.0	138.5
Membership acquisition costs	--	--	(512.1)
Amortization of membership costs	--	--	492.3
Proceeds from sales of trading securities	136.1	--	--
Purchases of trading securities	(181.6)	--	--
Deferred income taxes	(105.0)	(21.3)	66.6
Net change in assets and liabilities from continuing operations:			
Receivables	(128.7)	(71.8)	(133.2)
Deferred membership commission costs	(86.8)	--	--
Income taxes receivable	(97.9)	(84.0)	(18.3)
Accounts payable and other current liabilities	94.3	(103.1)	25.2
Deferred income	82.3	134.0	43.9
Other, net	(49.9)	(55.9)	53.9
Net cash provided by continuing operations exclusive of management and mortgage programs	310.6	462.4	509.4
Management and mortgage programs:			
Depreciation and amortization	1,259.9	1,121.9	1,021.8
Origination of mortgage loans	(26,571.6)	(12,216.5)	(8,292.6)
Proceeds on sale and payments from mortgage loans held for sale	25,791.9	11,828.5	8,219.3
	480.2	733.9	948.5
Net cash provided by operating activities of continuing operations	790.8	1,196.3	1,457.9
Investing Activities			
Property and equipment additions	(351.1)	(151.7)	(97.6)
Proceeds from sales of marketable securities	--	506.1	72.4
Purchases of marketable securities	--	(458.1)	(125.6)
Investments	(24.4)	(272.5)	(12.7)
Net assets acquired (net of cash acquired) and acquisition-related payments	(2,850.5)	(551.0)	(1,608.6)
Net proceeds from sale of subsidiary	314.8	224.0	--
Other, net	106.5	(108.7)	(56.2)
Net cash used in investing activities of continuing operations exclusive of management and mortgage programs	(2,804.7)	(811.9)	(1,828.3)

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	1998	1997	1996
Management and mortgage programs:			
Investment in leases and leased vehicles	$(2,446.6)	$(2,068.8)	$(1,901.2)
Payments received on investment in leases and leased vehicles	987.0	589.0	595.9
Proceeds from sales and transfers of leases and leased vehicles to third parties	182.7	186.4	162.8
Equity advances on homes under management	(6,484.1)	(6,844.5)	(4,308.0)
Repayment on advances on homes under management	6,624.9	6,862.6	4,348.9
Additions to mortgage servicing rights	(524.4)	(270.4)	(164.4)
Proceeds from sales of mortgage servicing rights	119.0	49.0	7.1
	(1,541.5)	(1,496.7)	(1,258.9)
Net cash used in investing activities of continuing operations	(4,346.2)	(2,308.6)	(3,087.2)
Financing Activities			
Proceeds from borrowings	4,808.3	66.7	459.3
Principal payments on borrowings	(2,595.9)	(174.0)	(3.5)
Issuance of convertible debt	--	543.2	--
Issuance of common stock	171.0	132.2	1,223.8
Purchases of common stock	(257.7)	(171.3)	(19.2)
Proceeds from mandatorily redeemable preferred securities issued by subsidiary, net	1,446.7	--	--
Other, net	--	(6.6)	(121.3)
Net cash provided by financing activities of continuing operations exclusive of management and mortgage programs	3,572.4	390.2	1,539.1
Management and mortgage programs:			
Proceeds from debt issuance or borrowings	4,300.0	2,816.3	1,656.0
Principal payments on borrowings	(3,089.7)	(1,692.9)	(1,645.9)
Net change in short-term borrowings	(93.1)	(613.5)	231.8
	1,117.2	509.9	241.9
Net cash provided by financing activities of continuing operations	4,689.6	900.1	1,781.0
Effect of changes in exchange rates on cash and cash equivalents	(16.4)	15.4	(46.2)
Cash provided by (used in) discontinued operations	(176.0)	(181.0)	113.4
Net increase (decrease) in cash and cash equivalents	941.8	(377.8)	218.9
Cash and cash equivalents, beginning of period	65.3	443.1	224.2
Cash and cash equivalents, end of period	$1,007.1	$ 65.3	$ 443.1
Supplemental Disclosure of Cash Flow Information			
Interest payments	$ 623.6	$ 374.8	$ 291.7
Income tax payments, net	$ (23.0)	$ 264.5	$ 89.4

See accompanying notes to consolidated financial statements.

1. Background

Cendant Corporation, together with its subsidiaries (the "Company"), is one of the foremost consumer and business services companies in the world. The Company was created through the merger (the "Cendant Merger") of HFS Incorporated ("HFS") and CUC International Inc. ("CUC") in December 1997, which was accounted for as a pooling of interests. Prior to the Cendant Merger, both HFS and CUC had grown significantly through mergers and acquisitions accounted for under both the pooling of interests method (the most significant being the merger of HFS with PHH Corporation ("PHH") in April 1997 (the "PHH Merger")) and purchase method of accounting (See Note 4). The accompanying consolidated financial statements and notes hereto are presented as if all mergers and acquisitions accounted for as poolings of interests have operated as one entity since inception. The accompanying consolidated financial statements and footnotes for the years ended December 31, 1998, 1997 and 1996 set forth herein have been amended to reflect the reclassification of Entertainment Publications, Inc., a Company subsidiary, as a discontinued operation (see Note 5). Accordingly, the restated consolidated financial statements presented herein are the Company's primary historical financial statements for the periods presented.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

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

Marketable Securities

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

Property and Equipment

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

Franchise Agreements

Franchise agreements are recorded at their acquired fair values and are amortized on a straight-line basis over the estimated periods to be benefited, ranging from 12 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $169.1 million and $126.4 million, respectively.

Goodwill

Goodwill, which represents the excess of cost over fair value of net assets acquired, is amortized on a straight-line basis over the estimated useful lives, substantially ranging from 25 to 40 years. At December 31, 1998 and 1997, accumulated amortization amounted to $244.0 million and $173.6 million, respectively.

Asset Impairments

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

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

Revenue Recognition and Business Operations

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

Timeshare. Timeshare revenue principally consists of exchange fees and subscription revenue. Exchange fees are recognized as revenue when the exchange request has been confirmed to the subscriber. Subscription revenue, net of related procurement costs, is deferred upon receipt and recognized as revenue over the subscription period during which delivery of publications and other services are provided to subscribers.

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

In August 1998, the Securities and Exchange Commission ("SEC") requested that the Company change its accounting policies with respect to revenue and expense recognition for its membership businesses, effective January 1, 1997. Although the Company believed that its accounting for memberships had been appropriate and consistent with industry practice, the Company complied with the SEC's request and adopted new accounting policies for its membership businesses.

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

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

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

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

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

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

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

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

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

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

Advertising Expenses

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

Income Taxes

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

Translation of Foreign Currencies

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

New Accounting Standard

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". The Company will adopt SFAS No. 133 effective January 1, 2000. SFAS No. 133 requires the Company to record all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. If the derivative does not qualify as a hedging instrument, the change in the derivative fair values will be immediately recognized as a gain or loss in earnings. If the derivative does qualify as a hedging instrument, the gain or loss on the change in the derivative fair values will either be recognized (i) in earnings as offsets to the changes in the fair value of the related item being hedged or (ii) be deferred and recorded as a component of other comprehensive income and reclassified to earnings in the same period during which the hedged transactions occur. The Company has not yet determined what impact the adoption of SFAS No. 133 will have on its financial statements.

Reclassifications

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

3. Earnings Per Share

Basic earnings per share ("EPS") are computed based solely on the weighted average number of common shares outstanding during the period. Diluted EPS reflects all potential dilution of common stock, including the assumed exercise of stock options using the treasury method and convertible debt. At December 31, 1998, 38.0 million stock options outstanding with a weighted average exercise price of $29.58 per option were excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common stock. In addition, at December 31, 1998, the Company's 3% Convertible Subordinated Notes, convertible into 18.0 million shares of Company common stock were antidilutive and, therefore, excluded from the computation of diluted EPS. Basic and diluted EPS from continuing operations is calculated as follows:

	Year Ended December 31,		
(In millions, except per share amounts)	1998	1997	1996
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 145.7	$ 49.1	$ 304.5
Convertible debt interest - net of tax	--	--	5.8
Income from continuing operations before extraordinary gain and cumulative effect of accounting change, as adjusted	$ 145.7	$ 49.1	$ 310.3
Weighted average shares			
Basic	848.4	811.2	757.4
Potential dilution of common stock:			
Stock options	32.0	40.5	40.1
Convertible debt	--	--	24.1
Diluted	880.4	851.7	821.6
EPS - continuing operations before extraordinary gain and cumulative effect of accounting change			
Basic	$ 0.17	$ 0.06	$ 0.40
Diluted	$ 0.17	$ 0.06	$ 0.38

4. Purchase Method Business Combinations

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

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

	1998			
(In millions)	NPC	Harpur	Jackson Hewitt	Other
Cash paid	$1,637.7	$ 206.1	$ 476.3	$ 562.3
Fair value of identifiable net assets acquired (1)	590.2	51.3	99.2	216.8
Goodwill	$1,047.5	$ 154.8	$ 377.1	$ 345.5
Goodwill benefit period (years)	40	40	40	25 to 40

	1996				
(In millions)	1997	RCI	Avis	Coldwell Banker	Other
Cash paid	$ 244.9	$ 412.1	$ 367.2	$ 745.0	$ 224.0
Common stock issued	21.6	75.0	338.4	--	52.5
Notes issued	--	--	100.9	--	5.0
Total consideration	266.5	487.1	806.5	745.0	281.5
Fair value of identifiable net assets acquired (1)	111.1	9.4	472.5	393.2	42.8
Goodwill	$ 155.4	$ 477.7	$ 334.0	$ 351.8	$ 238.7
Goodwill benefit period (years)	25 to 40	40	40	40	25 to 40
Number of shares issued as consideration	0.9	2.4	11.1	--	2.5

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(1) Cash acquired in connection with acquisitions during 1998, 1997 and 1996 was $57.5 million, $1.7 million, and $135.0 million, respectively.

1998 Acquisitions

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

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

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

Other 1998 Acquisitions and Acquisition-Related Payments. The Company acquired certain other entities for an aggregate purchase price of approximately $462.3 million in cash during the year ended December 31, 1998. Additionally, the Company made a $100.0 million cash payment to the seller of Resort Condominiums International, Inc. ("RCI") in satisfaction of a contingent purchase liability, which was accounted for as additional goodwill.

Pro forma Information (unaudited)

The following table reflects the operating results of the Company for the years ended December 31, 1998 and 1997 on a pro forma basis, which gives effect to the acquisition of NPC. The remaining acquisitions completed during 1998 and 1997 are not significant on a pro forma basis and are therefore not included. The pro forma results are not necessarily indicative of the operating results that would have occurred had the NPC acquisition been consummated on January 1, 1997, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the amortization expense associated with the assets acquired, the Company's financing arrangements, certain purchase accounting adjustments and related income tax effects.

The following table reflects the operating results of the Company for the years ended December 31, 1998 and 1997 on a pro forma basis, which gives effect to the acquisition of NPC. The remaining acquisitions completed during 1998 and 1997 are not significant on a pro forma basis and are therefore not included. The pro forma results are not necessarily indicative of the operating results that would have occurred had the NPC acquisition been consummated on January 1, 1997, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the amortization expense associated with the assets acquired, the Company's financing arrangements, certain purchase accounting adjustments and related income tax effects.

	Year Ended December 31,	
(In millions, except per share amounts)	1998	1997
Net revenues	$ 5,288.1	$ 4,649.3
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	143.1	40.5
Net income (loss) (1)	537.0	(225.8)(2)
Per share information:		
Basic		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.17	$ 0.05
Net income (loss) (1)	$ 0.63	$ (0.28)
Weighted average shares	848.4	811.2
Diluted		
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.16	$ 0.05
Net income (loss)(1)	$ 0.61	$ (0.28)
Weighted average shares	880.4	851.7

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(1) Includes gain on sale of discontinued operations, net of tax, of $404.7 million ($0.46 per diluted share) in 1998 and loss from discontinued operations, net of tax, of $10.8 million ($0.01 per diluted share) and $9.6 million ($0.01 per diluted share), in 1998 and 1997, respectively.
(2) Includes an extraordinary gain, net of tax, of $26.4 million ($0.03 per diluted share) and the cumulative effect of a change in accounting, net of tax, of $283.1 million ($0.35 per diluted share).

1996 Acquisitions

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

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

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

5. Discontinued Operations

On April 21, 1999, the Company announced that its Board of Directors approved management's plan to pursue the sale of the Company's Entertainment Publications, Inc. ("EPub") business segment, a wholly owned subsidiary of the Company, and has engaged Veronis, Suhler & Associates, Inc. to manage the sale process. EPub sells discount programs to schools, community groups and other organizations, which typically offer the discount programs to individuals in the form of local discount coupon books, gift wrap and other seasonal items. EPub solicits restaurants, hotels, theaters, sporting events, retailers and other businesses which agree to offer services and/or merchandise at discount prices.

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

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

On January 12, 1999, the Company completed the sale of CDS for $800.0 million in cash plus potential future contingent cash payments pursuant to the contract. The Company realized a gain of approximately $390.5 million based upon the finalization of the closing balance sheet at the sale date. The Company recognized $197.8 million of such gain in 1998 substantially in the form of a tax benefit and corresponding deferred tax asset. The Company recognized this deferred tax asset upon executing the definitive agreement to sell CDS, which was when it became apparent to the Company that the deferred tax asset would be realized. The recognized gain is included in the gain on sale of discontinued operations in the consolidated statements of operations.

Summarized financial data of discontinued operations are as follows:

Statement of Operations Data:

	EPub		
(In millions)	Year Ended December 31,		
	1998	1997	1996
Net revenues	$ 197.2	$ 188.1	$ 174.6
Income before income taxes	23.3	28.1	14.9
Provision for income taxes	9.1	10.9	6.1
Net income	$ 14.2	$ 17.2	$ 8.8

	CDS		
	Year Ended December 31,		
	1998	1997	1996
Net revenues	$ 345.8	$ 433.7	$ 384.5
Income (loss) before income taxes	(57.3)	(5.9)	42.0
Provision for (benefit from) income taxes	(22.9)	2.4	27.3
Net income (loss)	$ (34.4)	$ (8.3)	$ 14.7

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

The Company allocated $19.9 million and $5.0 million of interest expense to discontinued operations for the years ended December 31, 1998 and 1997, respectively. Such interest expense represents the cost of funds associated with businesses acquired by the discontinued business segments at an interest rate consistent with the Company's consolidated effective borrowing rate.

Balance Sheet Data:

	EPub		CDS		
	December 31,		December 31,		Classified Advertising
(In millions)	1998	1997	1998	1997	December 31, 1997
Current assets	$ 63.3	$ 64.3	$ 284.9	$ 209.1	$ 58.6
Goodwill	12.1	23.6	105.7	42.2	181.5
Other assets	27.9	31.2	88.2	49.2	33.2
Total liabilities	(14.4)	(31.9)	(105.2)	(127.0)	(173.5)
Net assets of discontinued operations	$ 88.9	$ 87.2	$ 373.6	$ 173.5	$ 99.8

6. Other Charges

Litigation Settlement

On March 17, 1999, the Company reached a final agreement to settle the class action lawsuit that was brought on behalf of the holders of Income or Growth FELINE PRIDES ("PRIDES") securities who purchased their securities on or prior to April 15, 1998, the date on which the Company announced the discovery of accounting irregularities in the former business units of CUC (see Note 17 -- Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary). We originally announced a preliminary agreement in principle to settle such lawsuit on January 7, 1999. The final agreement maintained the basic structure and accounting treatment as the preliminary agreement. Under the terms of the agreement only holders who owned PRIDES at the close of business on April 15, 1998 will be eligible to receive a new additional "Right" for each PRIDES security held. Right holders may (i) sell them or (ii) exercise them by delivering to the Company, three Rights together with two PRIDES in exchange for two New PRIDES (the "New PRIDES"), for a period beginning upon distribution of the Rights and concluding upon expiration of the Rights (February 2001).

The terms of the New PRIDES will be the same as the original PRIDES except that the conversion rate will be revised so that, at the time the Rights are distributed, each New PRIDES will have a value equal to $17.57 more than each original PRIDES, or, in the aggregate, approximately $351.0 million. Accordingly, the Company recorded a non-cash charge of $351.0 million in the fourth quarter of 1998 with an increase in additional paid-in capital and accrued liabilities of $350.0 million and $1.0 million, respectively, based on the prospective issuance of the Rights. The agreement also requires the Company to offer to sell four million additional PRIDES (having identical terms to currently outstanding PRIDES) to holders of Rights for cash, at a value

which will be based on the valuation model that was utilized to set the conversion rate of the New PRIDES. Based on that valuation model, the currently outstanding PRIDES have a theoretical value of $28.07 based on the closing price of the Company's common stock of $16.6875 on March 17, 1999. The offering of additional PRIDES will be made only pursuant to a prospectus filed with the SEC. The Company currently expects to use the proceeds of such an offering to repurchase our common stock and for other general corporate purposes. The arrangement to offer additional PRIDES is designed to enhance the trading value of the Rights by removing up to six million Rights from circulation via exchanges associated with the offering and to enhance the open market liquidity of New PRIDES by creating four million New PRIDES via exchanges associated with the offering. If holders of Rights do not acquire all such PRIDES, they will be offered to the public. Under the settlement agreement, the Company also agreed to file a shelf registration statement for an additional 15 million PRIDES, which could be issued by the Company at any time for cash. However, during the last 30 days prior to the expiration of the Rights in February 2001, the Company will be required to make these additional PRIDES available to holders of Rights at a price in cash equal to 105% of the theoretical value of the additional PRIDES as of a specified date. The PRIDES, if issued, would have the same terms as the currently outstanding PRIDES and could be used to exercise Rights. Based on a market price of $16.6875, the closing price per share of the Company's common stock on March 17, 1999, the effect of the issuance of the New PRIDES will be to distribute approximately 19 million more shares of Company common stock when the mandatory purchase of Company common stock associated with the PRIDES occurs in February 2001. This represents approximately 2% more shares of Company common stock than are currently outstanding. The Rights will be distributed following final court approval of the settlement and after the effectiveness of the registration statement filed with the SEC covering the New PRIDES. It is presently expected that if the court approves the settlement and such conditions are fulfilled, the Rights will be distributed in August or September 1999. This summary of the settlement does not constitute an offer to sell any securities, which will only be made by means of a prospectus after a registration statement is filed with the SEC. There can be no assurance that the court will approve the agreement or that the conditions contained in the agreement will be fulfilled.

Termination of Proposed Acquisitions

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

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

Executive Terminations

The Company incurred $52.5 million of costs in 1998 related to the termination of certain former executives of the Company, principally Walter A. Forbes, who resigned as Chairman of the Company and as a member of the Board of Directors. The severance agreement reached with Mr. Forbes entitled him to the benefits required by his employment contract relating to a termination of Mr. Forbes' employment with the Company for reasons other than for cause. Aggregate benefits given to Mr. Forbes resulted in a charge of $50.9 million comprised of $38.4 million in cash payments and 1.3 million Company stock options, with a Black-Scholes value of $12.5 million. Such options were immediately vested and expire on July 28, 2008.

Investigation-Related Costs

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

Financing Costs

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

1997 Merger-Related Costs and Other Unusual Charges (Credits) The Company incurred merger-related costs and other unusual charges ("Unusual Charges") in 1997 related to continuing operations of $704.1 million primarily associated with the Cendant Merger (the "Fourth Quarter 1997 Charge") and the PHH Merger (the "Second Quarter 1997 Charge"). Liabilities associated with Unusual Charges are classified as a component of accounts payable and other current liabilities. The reduction of such liabilities from inception is summarized by category of expenditure and by charge as follows:

				1998 Activity			
(In millions)	Net 1997 Unusual Charges	1997 Reductions	Balance at December 31, 1997	Cash Payments	Non Cash	Adjustments	Balance at December 31, 1998
Professional fees	$ 123.3	$ (72.6)	$ 50.7	$ (38.2)	$ --	$(10.9)	$ 1.6
Personnel related	324.8	(156.3)	168.5	(75.3)	--	(23.0)	70.2
Business terminations	133.9	(130.0)	3.9	(1.2)	6.1	(7.1)	1.7
Facility related and other	156.0	(105.6)	50.4	(15.7)	2.1	(26.7)	10.1
Total Unusual Charges	$ 738.0	$(464.5)	$273.5	$(130.4)	$ 8.2	$(67.7)	$ 83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations	$ 704.1	$ 430.6	$273.5	$(130.4)	$ 8.2	$(67.7)	$ 83.6

				1998 Activity			
(In millions)	Net 1997 Unusual Charges	1997 Reductions	Balance at December 31, 1997	Cash Payments	Non Cash	Adjustments	Balance at December 31, 1998
Fourth Quarter 1997 Charge	$454.9	$(257.5)	$197.4	$(102.6)	$ 0.5	$(28.1)	$ 67.2
Second Quarter 1997 Charge	283.1	(207.0)	76.1	(27.8)	7.7	(39.6)	16.4
Total Unusual Charges	$738.0	$(464.5)	$273.5	$(130.4)	$ 8.2	$(67.7)	$ 83.6
Reclassification for discontinued operations	(33.9)	33.9	--	--	--	--	--
Total Unusual Charges related to continuing operations	$704.1	$(430.6)	$273.5	$(130.4)	$ 8.2	$(67.7)	$ 83.6

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

Unusual Charges included $93.0 million of professional fees primarily consisting of investment banking, legal and accounting fees incurred in connection with the mergers. The Company also incurred $170.7 million of personnel-related costs including $73.3 million of retirement and employee benefit plan costs, $23.7 million of restricted stock compensation, $61.4 million of severance resulting from consolidations of European call centers and certain corporate functions and $12.3 million of other personnel-related costs. The Company provided for 474 employees to be terminated, the majority of which have been severed as of December 31, 1998. Unusual Charges included $78.3 million of business termination costs which consisted of a $48.3 million impairment write down of hotel franchise agreement assets associated with a quality upgrade program and $30.0 million of costs incurred to terminate a contract which may have restricted the Company from maximizing opportunities afforded by the Cendant Merger. Facility-related and other unusual charges of $112.9 million included $70.0 million of irrevocable contributions to independent technology trusts for the direct benefit of lodging and real estate franchisees, $16.4 million of building lease termination costs and a $22.0 million reduction in intangible assets associated with the Company's wholesale annuity business for which impairment was determined in 1997. During the year ended December 31, 1998, the Company recorded a net credit of $28.1 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred.

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

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

The Company had substantially completed the aforementioned restructuring activities at December 31, 1998. During the year ended December 31, 1998, the Company recorded a net credit of $39.6 million to Unusual Charges with a corresponding reduction to liabilities primarily as a result of a change in the original estimate of costs to be incurred.

1996 Merger-Related Costs and Other Unusual Charges

In connection with and coincident to Company mergers accounted for as poolings of interests during 1996, the Company incurred Unusual Charges of approximately $134.3 million in 1996, of which $109.4 million was related to continuing operations (substantially related to the Company's merger with Ideon Group, Inc. ("Ideon")) and $24.9 million was associated with consumer software businesses that are discontinued. The collective Unusual Charges recorded during 1996 related to Company mergers and the utilization of such liabilities is summarized below:

(In millions)	1996 Unusual Charges	1997 Reductions	Balance at December 31, 1997	1998 Reductions	Balance at December 31, 1998
Professional fees	$ 27.5	$(27.5)	$ --	$ --	$ --
Personnel related	7.5	(7.5)	--	--	--
Facility related	12.4	(10.4)	2.0	(2.0)	--
Litigation related	80.4	(14.4)	66.0	(25.0)	41.0
Other	6.5	(6.2)	.3	(0.3)	--
Total Unusual Charges	134.3	(66.0)	68.3	(27.3)	41.0
Reclassification for discontinued operations	(24.9)	24.9	--	--	--
Total Unusual Charges related to continuing operations	$109.4	$(41.1)	$ 68.3	$(27.3)	$ 41.0

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

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

7. Property and Equipment - net

Property and equipment - net consisted of:

(In millions)	Estimated Useful Lives in Years	December 31, 1998	December 31, 1997
Land	--	$ 153.3	$ 8.4
Building and leasehold improvements	5 - 50	749.2	214.8
Furniture, fixtures and equipment	3 - 10	984.1	609.2
		1,886.6	832.4
Less accumulated depreciation and amortization		466.3	301.5
		$1,420.3	$ 530.9

8. Other Intangibles - net

Other intangibles - net consisted of:

(In millions)	Estimated Benefit Periods in Years	December 31, 1998	December 31, 1997
Avis trademark	40	$402.0	$402.0
Other trademarks	40	170.9	72.5
Customer lists	3-10	162.7	116.8
Other	2-16	102.4	88.5
		838.0	679.8
Less accumulated amortization		94.5	71.2
		$743.5	$608.6

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

9. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

(In millions)	December 31, 1998	December 31, 1997
Accounts payable	$ 453.9	$ 479.5
Merger and acquisition obligations	152.7	359.0
Accrued payroll and related	199.7	187.3
Advances from relocation clients	59.5	57.2
Other	636.8	395.3
	$ 1,502.6	$ 1,478.3

10. Net Investment in Leases and Leased Vehicles

Net investment in leases and leased vehicles consisted of:

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

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

The Company has two types of operating leases. Under one type, open-end operating leases, resale of the vehicles upon termination of the lease is generally for the account of the lessee except for a minimum residual value which the Company has guaranteed. The Company's experience has been that vehicles under this type of lease agreement have generally been sold for amounts exceeding the residual value guarantees. Maintenance and repairs of vehicles under these agreements are the responsibility of the lessee. The original cost and accumulated depreciation of vehicles under this type of operating lease was $5.3 billion and $2.6 billion, respectively, at December 31, 1998 and $5.0 billion and $2.4 billion, respectively, at December 31, 1997.

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

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

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

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

	Year Ended December 31,		
(In millions)	1998	1997	1996
Operating leases	$1,330.3	$1,222.9	$1,145.8
Direct financing leases, primarily interest	37.8	41.8	43.3
	$1,368.1	$1,264.7	$1,189.1

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

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

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

11. Mortgage Loans Held for Sale

Mortgage loans held for sale represent mortgage loans originated by the Company and held pending sale to permanent investors. The Company sells loans insured or guaranteed by various government sponsored entities and private insurance agencies. The insurance or guaranty is provided primarily on a non-recourse basis to the

Company, except where limited by the Federal Housing Administration and Veterans Administration and their respective loan programs. As of December 31, 1998 and 1997, mortgage loans sold with recourse amounted to approximately $58.3 million and $58.5 million, respectively. The Company believes adequate allowances are maintained to cover any potential losses.

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

12. Mortgage Servicing Rights

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

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

The value of the Company's MSRs is sensitive to changes in interest rates. The Company uses a hedge program to manage the associated financial risks of loan prepayments. Commencing in 1997, the Company used certain derivative financial instruments, primarily interest rate floors, interest rate swaps, principal only swaps, futures and options on futures to administer its hedge program. Premiums paid/received on the acquired derivatives instruments are capitalized and amortized over the life of the contracts. Gains and losses associated with the hedge instruments are deferred and recorded as adjustments to the basis of the MSRs. In the event the performance of the hedge instruments do not meet the requirements of the hedge program, changes in the fair value of the hedge instruments will be reflected in the income statement in the current period. Deferrals under the hedge programs are allocated to each applicable stratum of MSRs based upon its original designation and included in the impairment measurement.

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

13. Long-Term Debt

Long-term debt consisted of:

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

Term Loan Facilities

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

At December 31, 1998, borrowings under the Term Loan Facility of $1.25 billion were classified as long-term based on the Company's intent and ability to refinance such borrowings on a long-term basis. On February 9, 1999, the Company replaced the Term Loan Facility with a new two year term loan facility (the "New Facility") which provides for borrowings of $1.25 billion. The Company used $1.25 billion of the proceeds from the New Facility to refinance the majority of the outstanding borrowings under the Term Loan Facility. The New Facility bears interest at a rate of LIBOR plus a margin of approximately 100 basis points and is payable in five consecutive quarterly installments beginning on the first anniversary of the closing date. The New Facility contains certain restrictive covenants, which are substantially similar to and consistent with the covenants in effect for the Company's existing revolving credit agreements.

Credit Facilities

The Company's primary credit facility, as amended, consists of (i) a $750.0 million, five year revolving credit facility (the "Five Year Revolving Credit Facility") and (ii) a $1.0 billion, 364 day revolving credit facility (the "364 Day Revolving Credit Facility") (collectively the "Revolving Credit Facilities"). The 364-Day Revolving Credit Facility will mature on October 29, 1999 but may be renewed on an annual basis for an additional 364 days upon receiving lender approval. The Five Year Revolving Credit Facility will mature on October 1, 2001. Borrowings under the Revolving Credit Facilities, at the option of the Company, bear interest based on competitive bids of lenders participating in the facilities, at prime rates or at LIBOR, plus a margin of approximately 75 basis points. The Company is required to pay a per annum facility fee of .175% and .15% of the average daily unused commitments under the Five Year Revolving Credit Facility and 364 Day Revolving Credit Facility, respectively. The interest rates and facility fees are subject to change based upon credit ratings on the Company's senior unsecured long-term debt by nationally recognized debt rating agencies. Letters of credit of $45.0 million were outstanding under the Five-Year Revolving Credit Facility at December 31, 1998. The Revolving Credit Facilities contain certain restrictive covenants including restrictions on indebtedness, mergers, liquidations and sale and leaseback transactions and requires the maintenance of certain financial ratios, including a 3:1 minimum interest coverage ratio and a 0.5:1 maximum debt-to-capitalization ratio.

7 1/2% and 7 3/4% Senior Notes

On November 17, 1998, the Company filed an amended shelf registration statement with the SEC for the aggregate issuance of up to $3.0 billion of debt and equity securities. On November 24, 1998, the Company priced a total of $1.55 billion of Senior Notes (the "Notes") in a two-part issue. The first issue, $400.0 million principal amount of 7 1/2% Senior Notes due December 1, 2000, was priced to yield 7.545%. The second issue, $1.15 billion principal amount of 7 3/4% Senior Notes due December 1, 2003, was priced to yield 7.792%. Interest on the Notes will be payable on June 1 and December 1 each year, beginning on June 1, 1999. The

Notes may be redeemed, in whole or in part, at any time at the option of the Company at a redemption price plus accrued interest to the date of redemption. The redemption price is equal to the greater of (i) the face value of the notes or (ii) the sum of the present values of the remaining scheduled payments discounted at the treasury rate plus a spread defined in the indenture. Net proceeds from the offering were used to repay a portion of the Company's Term Loan Facility and for general corporate purposes, which included the repurchase of Company common stock.

3% Convertible Subordinated Notes

In February 1997, the Company completed a public offering of $550.0 million 3% Convertible Subordinated Notes (the "3% Notes") due 2002. Each $1,000 principal amount of 3% Notes is convertible into 32.6531 shares of Company common stock subject to adjustment in certain events. The 3% Notes may be redeemed at the option of the Company at any time on or after February 15, 2000, in whole or in part, at the appropriate redemption prices (as defined in the indenture governing the 3% Notes) plus accrued interest to the redemption date. The 3% Notes will be subordinated in right of payment to all existing and future Senior Debt (as defined in the indenture governing the 3% Notes) of the Company.

5 7/8% Senior Notes

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

4 3/4% Convertible Senior Notes

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

Debt Maturities

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

(In millions) Year	Amount
1999	$ 5.1
2000	403.3
2001	1,250.3
2002	545.4
2003	1,148.0
Thereafter	15.9
	$3,368.0

14. Liabilities under Management and Mortgage Programs

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

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

Commercial Paper

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

Medium-Term Notes

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

Securitized Obligations

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

Mortgage Facility. In December 1998, the Company entered into a 364 day financing agreement to sell mortgage loans under an agreement to repurchase such mortgages (the "Agreement"). The Agreement is collateralized by the underlying mortgage loans held in safekeeping by the custodian to the Agreement. The total commitment under this Agreement is $500.0 million and is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement. Mortgage loans financed under this Agreement at December 31, 1998 totaled $378.0 million and are included in mortgage loans held for sale on the consolidated balance sheet.

Relocation Facilities. The Company entered into a 364-day asset securitization agreement effective December 1998 under which an unaffiliated buyer has committed to purchase an interest in the right to payments related to certain Company relocation receivables. The revolving purchase commitment provides for funding up to a limit of $325.0 million and is renewable on an annual basis at the discretion of the lender in accordance with the securitization agreement. Under the terms of this agreement, the Company retains the servicing rights related to the relocation receivables. At December 31, 1998, the Company was servicing $248.0 million of assets, which were funded under this agreement.

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

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

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

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

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

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

(In millions) Years	Assets under Management and Mortgage Programs	Liabilities under Management and Mortgage Programs (1)
1999	$ 4,882.0	$ 4,451.7
2000	1,355.9	1,342.2
2001	668.6	659.0
2002	289.0	263.1
2003	168.3	142.0
2004-2008	148.1	38.8
	$ 7,511.9	$ 6,896.8

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

15. Derivative Financial Instruments

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

Interest Rate Swaps

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

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

1998 (Dollars in millions)	Notional Amount	Weighted Average Receive Rate	Weighted Average Pay Rate	Swap Maturities
Commercial paper	$ 355.2	4.92%	5.84%	1999-2006
Medium-term notes	931.0	5.27%	5.04%	1999-2000
Canada commercial paper	89.8	5.52%	5.27%	1999-2002
Sterling liabilities	662.3	6.26%	6.62%	1999-2002
Deutsche mark liabilities	31.9	3.24%	4.28%	1999-2001
	$2,070.2			

1997 (Dollars in millions)	Notional Amount	Weighted Average Receive Rate	Weighted Average Pay Rate	Swap Maturities
Commercial paper	$ 355.7	5.68%	6.26%	1999-2004
Medium-term notes	1,551.0	5.93%	5.73%	1999-2000
Canada commercial paper	142.8	4.93%	4.95%	1999-2002
Sterling liabilities	491.5	7.21%	7.69%	1999-2002
Deutsche mark liabilities	9.1	3.76%	5.34%	1999-2001
	$2,550.1			

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

Foreign Exchange Contracts

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

Other Financial Instruments

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

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

16. Fair Value of Financial Instruments and Servicing Rights

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

Marketable Securities

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

Mortgage Loans Held for Sale

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

Mortgage Servicing Rights

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

Debt

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

Mandatorily Redeemable Preferred Securities Issued by Subsidiary

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

Interest Rate Swaps, Foreign Exchange Contracts, Other Mortgage-Related Positions

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

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

(In millions)	1998 Notional/Estimated Contract Amount	1998 Carrying Amount	1998 Fair Value	1997 Notional/Estimated Contract Amount	1997 Carrying Amount	1997 Fair Value
Assets						
Marketable securities	$ --	$ 220.8	$ 220.8	$ --	$ 65.2	$ 65.2
Investment in mortgage securities	--	46.2	46.2	--	48.0	48.0
Assets under management and mortgage programs						
Relocation receivables	--	659.1	659.1	--	775.3	775.3
Mortgage loans held for sale	--	2,416.0	2,462.7	--	1,636.3	1,668.1
Mortgage servicing rights	--	635.7	787.7	--	373.0	394.6
Long-term debt	--	3,362.9	3,351.1	--	1,246.0	1,468.3
Off balance sheet derivatives relating to long-term debt						
Foreign exchange forwards	1.1	--	--	5.5	--	--
Other off balance sheet derivatives						
Foreign exchange forwards	47.6	--	--	102.7	--	--
Liabilities under management and mortgage programs						
Debt	--	6,896.8	6,895.0	--	5,602.6	5,604.2
Mandatorily redeemable preferred securities issued by subsidiary	--	1,472.1	1,333.2	--	--	--
Off balance sheet derivatives relating to liabilities under management and mortgage programs						
Interest rate swaps	2,070.2	--	--	2,550.1	--	--
in a gain position	--	--	7.8	--	--	5.6
in a loss position	--	--	(11.5)	--	--	(3.9)
Foreign exchange forwards	349.3	--	0.1	409.8	--	2.5
Mortgage-related positions						
Forward delivery commitments(a)	5,057.0	2.9	(3.5)	2,582.5	19.4	(16.2)
Option contracts to sell(a)	700.8	8.5	3.7	290.0	.5	--
Option contracts to buy(a)	948.0	5.0	1.0	705.0	1.1	4.4
Commitments to fund mortgages	3,154.6	--	35.0	1,861.7	--	19.7
Constant maturity treasury floors(b)	3,670.0	43.8	84.0	825.0	12.5	17.1
Interest rate swaps(b)	775.0			175.0		
in a gain position	--	--	34.6	--	--	1.3
in a loss position	--	--	(1.2)	--	--	--
Treasury futures(b)	151.0	--	(0.7)	331.5	--	4.8
Principal only swaps(b)	66.3	--	3.1	--	--	--

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

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

17. Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary

On March 2, 1998, Cendant Capital I (the "Trust"), a statutory business Trust formed under the laws of the State of Delaware and a wholly-owned consolidated subsidiary of the Company, issued 29.9 million FELINE PRIDES and 2.3 million trust preferred securities and received approximately $1.5 billion in gross proceeds therefrom. The Trust invested the proceeds in 6.45% Senior Debentures due 2003 (the "Debentures") issued by the Company, which represents the sole asset of the Trust. The obligations of the Trust related to the FELINE PRIDES and trust preferred securities are unconditionally guaranteed by the Company to the extent the Company makes payments pursuant to the Debentures. Upon the issuance of the FELINE PRIDES and trust preferred securities, the Company recorded a liability of $43.3 million with a corresponding reduction to shareholders' equity equal to the present value of the total future contract adjustment payments to be made under the FELINE PRIDES. The FELINE PRIDES, upon issuance, consisted of 27.6 million Income PRIDES and 2.3 million Growth PRIDES (Income PRIDES and Growth PRIDES hereinafter referred to as "PRIDES"), each with a face amount of $50 per PRIDE. The Income PRIDES consist of trust preferred securities and forward purchase contracts under which the holders are required to purchase common stock from the Company in February 2001. The Growth PRIDES consist of zero coupon U.S. Treasury securities and forward purchase contracts under which the holders are required to purchase common stock from the Company in February 2001. The stand alone trust preferred securities and the trust preferred securities forming a part of the Income PRIDES, each with a face amount of $50, bear interest, in the form of preferred stock dividends, at the annual rate of 6.45% payable in cash. Such preferred stock dividends are presented as minority interest, net of tax in the consolidated statements of operations. Payments under the forward purchase contract forming a part of the Income PRIDES will be made by the Company in the form of a contract adjustment payment at an annual rate of 1.05%. Payments under the forward purchase contract forming a part of the Growth PRIDES will be made by the Company in the form of a contract adjustment payment at an annual rate of 1.30%. The forward purchase contracts require the holder to purchase a minimum of 1.0395 shares and a maximum of 1.3514 shares of Company common stock per PRIDES security depending upon the average of the closing price per share of the Company's common stock for a 20 consecutive day period ending in mid-February of 2001. The Company has the right to defer the contract adjustment payments and the payment of interest on the Debentures to the Trust. Such election will subject the Company to certain restrictions, including restrictions on making dividend payments on its common stock until all such payments in arrears are settled.

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

18. Commitments and Contingencies

Leases

The Company has noncancelable operating leases covering various facilities and equipment, which primarily expire through the year 2004. Rental expense for the years ended December 31, 1998, 1997 and 1996 was $171.5 million, $84.9 million and $69.2 million, respectively. The Company incurred contingent rental expenses in 1998 of $44.1 million, which is included in total rental expense, principally based on rental volume or profitability at certain NPC parking facilities. The Company has been granted rent abatements for varying periods on certain of its facilities. Deferred rent relating to those abatements is being amortized on a straight-line basis over the applicable lease terms. Commitments under capital leases are not significant.

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

(In millions) Year	Amount
1999	$ 116.4
2000	104.3
2001	89.2
2002	65.7
2003	52.4
Thereafter	138.2
	$ 566.2

Litigation

Accounting Irregularities. On April 15, 1998, the Company publicly announced that it discovered accounting irregularities in the former business units of CUC. Such discovery prompted investigations into such matters by the Company and the Audit Committee of the Company's Board of Directors. As a result of the findings from the investigations, the Company restated its previously reported financial results for 1997, 1996 and 1995. Since the April 15, 1998 announcement more than 70 lawsuits claiming to be class actions, two lawsuits claiming to be brought derivatively on the Company's behalf and several individual lawsuits have been filed in various courts against the Company and other defendants. The majority of these actions were all filed in or transferred to the United States District Court for the District of New Jersey, where they are pending before Judge William H. Walls and Magistrate Judge Joel A. Pisano. The Court has ordered consolidation of many of the actions.

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

On October 14, 1998, an action claiming to be a class action was filed against the Company and four of the Company's former officers and directors. The complaint claims that the Company made false and misleading public announcements and filings with the SEC in connection with the Company's proposed acquisition of American Bankers allegedly in violation of Sections 10(b) and 20(a) on the Securities Exchange Act of 1934, as amended and that the plaintiff and the alleged class members purchased American Bankers' securities in reliance on these public announcements and filings at inflated prices. On April 26, 1999, the United States District Court for the District of New Jersey found that the class action failed to state a claim upon which relief could be granted and, accordingly, dismissed the class action.

As previously disclosed, the Company reached a final agreement with plaintiff's counsel representing the class of holders of its PRIDES securities who purchased their securities on or prior to April 15, 1998 to settle their class action lawsuit against the Company through the issuance of a new "Right" for each PRIDES security held. (See Note 6 -- Other Charges for a more detailed description of the settlement).

Other than with respect to the PRIDES class action litigation, the Company does not believe it is feasible to predict or determine the final outcome or resolution of these proceedings or to estimate the amounts or potential range of loss with respect to these proceedings and investigations. In addition, the timing of the final resolution of these proceedings and investigations is uncertain. The possible outcomes or resolutions of these proceedings and investigations could include judgements against the Company or settlements and could require substantial

payments by the Company. Management believes that material adverse outcomes with respect to such proceedings and investigations could have a material adverse impact on the Company's financial condition, results of operations and cash flows.

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

19. Income Taxes

The income tax provision consists of:

	Year Ended December 31,		
(In millions)	1998	1997	1996
Current			
Federal	$(173.1)	$ 142.8	$ 97.5
State	(0.6)	23.3	13.0
Foreign	56.5	28.5	18.1
	(117.2)	194.6	128.6
Deferred			
Federal	181.5	(14.5)	68.4
State	30.0	(3.2)	16.3
Foreign	1.1	3.2	0.8
	212.6	(14.5)	85.5
Provision for income taxes	$ 95.4	$ 180.1	$ 214.1

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

	December 31,	
(In millions)	1998	1997
Current net deferred income taxes		
Merger and acquisition-related liabilities	$ 52.8	$ 101.2
Accrued liabilities and deferred income	319.8	223.9
Excess tax basis on assets held for sale	190.0	--
Insurance retention refund	(21.2)	(19.3)
Provision for doubtful accounts	13.8	4.0
Franchise acquisition costs	(6.9)	(2.6)
Deferred membership acquisition costs	2.6	8.6
Other	(90.3)	(8.9)
Current net deferred tax asset	$ 460.6	$ 306.9

	December 31,	
(In millions)	1998	1997
Non-current net deferred income taxes		
Depreciation and amortization	$(296.5)	$(277.9)
Deductible goodwill - taxable poolings	49.3	44.2
Merger and acquisition-related liabilities	25.8	35.0
Accrued liabilities and deferred income	63.9	66.9
Acquired net operating loss carryforward	83.5	59.9
Other	(3.4)	5.7
Non-current net deferred tax liability	$ (77.4)	$ (66.2)

	December 31,	
(In millions)	1998	1997
Management and mortgage program deferred income taxes		
Depreciation	$(121.3)	$(233.1)
Unamortized mortgage servicing rights	(248.0)	(74.6)
Accrued liabilities	25.8	9.5
Alternative minimum tax carryforwards	2.5	2.5
Net deferred tax liabilities under management and mortgage programs	$(341.0)	$(295.7)

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

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

	Year Ended December 31,		
	1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes net of federal benefit	6.5%	5.6%	3.6%
Non-deductible merger-related costs	--	32.6%	--
Amortization of non-deductible goodwill	6.4%	1.4%	1.5%
Foreign taxes differential	(8.6%)	3.7%	.8%
Recognition of excess tax basis on assets held for sale	(2.9%)	--	--
Other	(3.7%)	.3%	.4%
	32.7%	78.6%	41.3%

20. Stock Option Plans

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

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

The Company also grants options to employees pursuant to three additional stock option plans under which the Company may grant options to purchase in the aggregate up to 70.8 million shares of Company common stock. Annual vesting periods under these plans range from 20% to 33%, all commencing one-year from the respective grant dates. At December 31, 1998 and 1997, there were 38.6 million and 49.3 million shares available for grant under the Company's stock option plans. On September 23, 1998, the Compensation Committee of the Board of Directors approved a program to effectively reprice certain Company stock options granted to middle management employees during December 1997 and the first quarter of 1998. Such options were effectively repriced on October 14, 1998 at $9.8125 per share (the "New Price"), which was the fair market value (as defined in the option plans) on the date of such repricing. On September 23, 1998, the Compensation Committee also modified the terms of certain options held by certain executive officers and senior managers of the Company subject to certain conditions including revocation of a portion of existing options. Additionally, a management equity ownership program was adopted that requires these executive officers and senior managers

to acquire Company common stock at various levels commensurate with their respective compensation levels. The option modifications were accomplished by canceling existing options and issuing a lesser amount of new options at the New Price and, with respect to certain options of executive officers and senior managers, at prices above the New Price.

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

(Shares in millions)	Options Outstanding	Weighted Avg. Exercise Price
Balance at December 31, 1995	98.7	$ 7.21
Granted	36.1	22.14
Canceled	(2.8)	18.48
Exercised	(14.0)	5.77
Balance at December 31, 1996	118.0	11.68
Granted	78.8	27.94
Canceled	(6.4)	27.29
Exercised	(14.0)	7.20
PHH conversion (1)	(4.4)	--
Balance at December 31, 1997	172.0	18.66
Granted		
Equal to fair market value	83.8	19.16
Greater than fair market value	20.8	17.13
Canceled	(81.8)	29.36
Exercised	(17.0)	10.01
Balance at December 31, 1998	177.8	14.64

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

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

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

	Year Ended December 31,		
(In millions, except per share data)	1998	1997	1996
Net income (loss)			
as reported	$ 539.6	$ (217.2)	$ 330.0
pro forma	392.9	(663.9)(2)	245.1
Net income (loss) per share:			
Basic			
as reported	$ .64	$ (.27)	$ .44
pro forma (1)	.46	(.82)(2)	.32
Diluted			
as reported	.61	(.27)	.41
pro forma (1)	.46	(.82)(2)	.31

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(1) The effect of applying SFAS No. 123 on the pro forma net income per share disclosures is not indicative of future amounts because it does not take into consideration option grants made prior to 1995 or in future years.

(2) Includes incremental compensation expense of $335.4 million ($204.9 million, after tax) or $.25 per basic and diluted share as a result of the immediate vesting of HFS options upon consummation of the Cendant Merger.

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

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

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

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

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Avg. Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$.01 to $10.00	89.6	6.8	$ 7.40	50.5	$ 5.56
$10.01 to $20.00	38.6	7.5	15.44	17.3	14.52
$20.01 to $30.00	27.3	7.9	23.02	20.8	23.09
$30.01 to $40.00	22.3	8.8	32.03	14.8	31.83
	177.8	7.4	14.64	103.4	14.34

21. Shareholders' Equity

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

In November 1998, the Board of Directors authorized a $1.0 billion common share repurchase program. As of December 31, 1998, the Company had repurchased 13.4 million shares costing $257.7 million. During the first quarter of 1999, the Company's Board of Directors authorized an additional $600.0 million of Company common stock to be repurchased under such program. The Company has executed this program through open market purchases or privately negotiated transactions, subject to bank credit facility covenants and certain rating agency constraints. As of May 3, 1999, the Company repurchased $1.6 billion of Company common stock, reducing its outstanding shares by 83.9 million shares under this share repurchase program.

22. Employee Benefit Plans

The Company sponsors several defined contribution plans that provide certain eligible employees of the Company an opportunity to accumulate funds for their retirement. The Company matches the contributions of participating employees on the basis of the percentages specified in the plans. The Company's cost for

contributions to these plans was $22.8 million, $15.0 million and $9.4 million for the years ended December 31, 1998, 1997 and 1996, respectively.

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

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

23. Related Party Transactions

NRT

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

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

Avis, Inc.

Upon entering into the definitive merger agreement to acquire Avis, the Company announced its strategy to dilute its interest in the subsidiary of Avis which controlled the car rental operations of Avis ("ARAC") while retaining assets associated with the franchise business, including trademarks, reservation system assets and franchise agreements with ARAC and other licensees. Since the Company's control was planned to be temporary, the Company accounted for its 100% investment in ARAC under the equity method. The Company's equity interest was diluted to 27.5% pursuant to an Initial Public Offering ("IPO") by ARAC in

September 1997. Net proceeds from the IPO of $359.3 million were retained by ARAC. In March 1998, the Company sold one million shares of Avis common stock and recognized a pre-tax gain of approximately $17.7 million, which is included in other revenue in the consolidated statements of operations. At December 31, 1998, the Company's interest in ARAC was approximately 22.6%. The Company recorded its equity in the earnings of ARAC, which amounted to $13.5 million, $51.3 million and $1.2 million for the years ended December 31, 1998, 1997 and 1996, respectively, as a component of other revenue in the consolidated statements of operations. In January 1999, the Company's equity interest was further diluted to 19.4% as a result of the Company's sale of 1.3 million shares of Avis common stock.

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

24. Divestiture

On December 17, 1997, as directed by the Federal Trade Commission in connection with the Cendant Merger, CUC sold immediately preceding the Cendant Merger all of the outstanding shares of its timeshare exchange businesses, Interval International Inc. ("Interval"), for net proceeds of $240.0 million less transaction related costs amortized as services are provided. The Company recognized a gain on the sale of Interval of $76.6 million ($26.4 million, after tax), which has been reflected as an extraordinary gain in the consolidated statements of operations.

25. Franchising and Marketing/Reservation Activities

Revenue from franchising activities includes initial franchise fees charged to lodging properties, car rental locations, tax preparation offices and real estate brokerage offices upon execution of a franchise contract. Initial franchise fees amounted to $44.7 million, $26.0 million and $24.2 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Franchising information at December 31 is as follows:

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

(1) 1998 franchised units were acquired in connection with the acquisition of Jackson Hewitt.

The Company receives marketing and reservation fees from several of its lodging and real estate franchisees. Marketing and reservation fees related to the Company's lodging brands' franchisees are calculated based on a specified percentage of gross room revenues. Marketing fees received from the Company's real estate brands' franchisees are based on a specified percentage of gross closed commissions earned on the sale of real estate. As provided in the franchise agreements, at the Company's discretion, all of these fees are to be expended for marketing purposes and the operation of a centralized brand-specific reservation system for the respective franchisees and are controlled by the Company until disbursement. Membership and service fee revenues included marketing and reservation fees of $222.4 million, $215.4 million and $157.6 million for the years ended December 31, 1998, 1997 and 1996, respectively.

26. Segment Information

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

Management evaluates each segment's performance on a stand-alone basis based on a modification of earnings before interest, income taxes, depreciation and amortization. For this purpose, Adjusted EBITDA is defined as earnings before non-operating interest, income taxes, depreciation and amortization, adjusted for other charges which are of a non-recurring or unusual nature, which are not measured in assessing segment performance or are not segment specific. The Company determined that it has eight reportable operating segments based primarily on the types of services it provides, the consumer base to which marketing efforts are directed and the methods used to sell services. Inter-segment net revenues were not significant to the net revenues of any one segment or the consolidated net revenues of the Company. A description of the services provided within each of the Company's reportable operating segments is as follows:

Travel

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

Individual membership

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

Insurance/Wholesale

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

Relocation

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

Real estate franchise

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

Fleet

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

Mortgage

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

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

Other services

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

Segment Information (1)
(In millions)

Year Ended December 31, 1998

	Total	Travel(2)	Individual Membership	Insurance/ Wholesale	Relocation
Net revenues	$ 5,086.6	$ 1,063.3	$ 929.1	$ 544.0	$ 444.0
Adjusted EBITDA	1,557.9	542.5	(57.8)	137.8	124.5
Depreciation and amortization	314.0	88.3	23.7	14.0	16.7
Segment assets	19,739.6	2,761.6	839.0	371.5	1,130.3
Capital expenditures	351.1	79.0	28.4	16.6	69.6

	Real Estate Franchise	Fleet	Mortgage	Other
Net revenues	$ 455.8	$ 387.4	$ 353.4	$ 909.6
Adjusted EBITDA	348.6	173.8	187.6	100.9
Depreciation and amortization	53.2	22.2	8.8	87.1
Segment assets	2,014.3	4,697.2	3,504.0	4,421.7
Capital expenditures	5.8	57.7	36.4	57.6

Year Ended December 31, 1997

	Total	Travel(2)	Individual Membership	Insurance/ Wholesale	Relocation
Net revenues	$ 4,051.9	$ 971.6	$ 778.7	$ 482.7	$ 401.6
Adjusted EBITDA	1,212.9	467.3	5.3	111.0	92.6
Depreciation and amortization	229.0	81.9	17.8	11.0	8.1
Segment assets	13,681.0	2,601.5	840.6	357.0	1,008.7
Capital expenditures	151.7	36.5	12.1	5.6	23.0

	Real Estate Franchise	Fleet	Mortgage	Other
Net revenues	$ 334.6	$ 324.1	$ 179.2	$ 579.4
Adjusted EBITDA	226.9	120.5	74.8	114.5
Depreciation and amortization	43.6	16.3	5.1	45.2
Segment assets	1,827.1	4,125.8	2,233.3	687.0
Capital expenditures	12.6	24.3	16.2	21.4

Year Ended December 31, 1996

	Total	Travel(2)	Individual Membership	Insurance/ Wholesale	Relocation
Net revenues	$ 3,063.1	$ 429.2	$ 745.9	$ 448.0	$ 344.9
Adjusted EBITDA	780.7	189.5	43.2	99.0	65.5
Depreciation and amortization	138.5	36.9	12.8	12.8	11.2
Segment assets	12,558.5	2,686.2	882.7	297.1	1,086.4
Capital expenditures	97.6	20.8	8.9	5.2	9.1

	Real Estate Franchise	Fleet	Mortgage	Other
Net revenues	$ 236.3	$ 293.5	$ 127.7	$ 437.6
Adjusted EBITDA	137.8	99.0	45.7	101.0
Depreciation and amortization	27.3	17.6	4.4	15.5
Segment assets	1,295.5	3,991.1	1,742.4	577.1
Capital expenditures	9.9	15.3	9.9	18.5

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

Segment	Acquisition	Acquisition Date
Travel	Avis	October 1996
	RCI	November 1996
Real Estate franchise	Coldwell Banker	May 1996
Other	NPC	April 1998
	Jackson Hewitt	January 1998

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

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

(In millions)	Year Ended December 31, 1998	1997	1996
Adjusted EBITDA for reportable segments	$1,557.9	$1,212.9	$ 780.7
Other charges			
Litigation settlement	351.0	--	--
Termination of proposed acquisitions	433.5	--	--
Executive terminations	52.5	--	--
Merger-related costs and other unusual charges (credits)	(67.2)	704.1	109.4
Investigation-related costs	33.4	--	--
Financing costs	35.1	--	--
Depreciation and amortization	314.0	229.0	138.5
Interest, net	113.9	50.6	14.2
Consolidated income from continuing operations before income taxes, minority interest, extraordinary gain and cumulative effect of accounting change	$ 291.7	$ 229.2	$ 518.6

	Year Ended December 31, 1998	1997	1996
Total assets for reportable segments	$19,739.6	$13,681.0	$12,558.5
Net assets of discontinued operations	462.5	360.5	189.1
Consolidated total assets	$20,202.1	$14,041.5	$12,747.6

Geographic Segment Information

(In millions)	Total	United States	United Kingdom	All Other Countries
1998				
Net revenues	$ 5,086.6	$ 4,090.5	$ 695.5	$ 300.6
Assets	20,202.1	16,238.0	3,706.5	257.6
Long-lived assets	1,420.3	633.6	767.8(1)	18.9
1997				
Net revenues	$ 4,051.9	$ 3,481.0	$ 231.8	$ 339.1
Assets	14,041.5	12,717.3	1,014.7	309.5
Long-lived assets	530.9	463.8	49.1	18.0
1996				
Net revenues	$ 3,063.1	$ 2,772.7	$ 133.7	$ 156.7
Assets	12,747.6	11,551.7	830.7	365.2
Long-lived assets	509.3	429.8	65.9	13.6

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

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

27. Subsequent Event

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

28. Selected Quarterly Financial Data - (unaudited)

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

	1998				
(In millions, except per share data)	First	Second (1)	Third (2)	Fourth (3)	Total Year
Net revenues	$ 1,119.9	$ 1,272.3	$ 1,362.0	$ 1,332.4	$ 5,086.6
Income (loss) from continuing operations	196.3	184.7	86.1	(321.4)	145.7
Income (loss) from discontinued operations, net of tax	(23.4)	(31.7)	24.9	19.4	(10.8)
Gain on sale of discontinued operations, net of tax	--	--	--	404.7(4)	404.7
Net income	$ 172.9	$ 153.0	$ 111.0	$ 102.7	$ 539.6
Per share information:					
Basic					
Income (loss) from continuing operations	$ 0.23	$ 0.22	$ 0.10	$ (0.38)	$ 0.17
Net income	$ 0.21	$ 0.18	$ 0.13	$ 0.12	$ 0.64
Weighted average shares	838.7	850.8	850.8	850.0	848.4
Diluted					
Income (loss) from continuing operations	$ 0.22	$ 0.21	$ 0.10	$ (0.38)	$ 0.17
Net income	$ 0.20	$ 0.18	$ 0.13	$ 0.12	$ 0.61
Weighted average shares	908.5	900.9	877.4	850.0	880.4
Common Stock Market Prices:					
High	41	41 3/8	22 7/16	20 5/8	
Low	32 7/16	18 9/16	10 7/16	7 1/2	

	1997				
	First	Second (5)	Third	Fourth (6)	Total Year
Net revenues	$ 936.7	$ 990.3	$ 1,095.1	$ 1,029.8	$ 4,051.9
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	130.3	(47.2)	165.9	(199.9)	49.1
Income (loss) from discontinued operations, net of tax	(13.7)	(36.8)	36.7	4.2	(9.6)
Extraordinary gain, net of tax	--	--	--	26.4 (8)	26.4
Cumulative effect of accounting change, net of tax	(283.1)(7)	--	--	--	(283.1)
Net income (loss)	$ (166.5)	$ (84.0)	$ 202.6	$ (169.3)	$ (217.2)
Per share information:					
Basic					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.16	$ (0.06)	$ 0.21	$ (0.24)	$ 0.06
Net income (loss)	$ (0.21)	$ (0.11)	$ 0.25	$ (0.20)	$ (0.27)
Weighted average shares	799.4	804.2	805.9	828.4	811.2
Diluted					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of accounting change	$ 0.15	$ (0.06)	$ 0.19	$ (0.24)	$ 0.06
Net income (loss)	$ (0.19)	$ (0.11)	$ 0.23	$ (0.20)	$ (0.27)
Weighted average shares	877.1	804.2	889.0	828.4	851.7
Common Stock Market Prices:					
High	26 7/8	26 3/4	31 3/4	31 3/8	
Low	22 1/2	20	23 11/16	26 15/16	

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

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

(3) Includes charges of: (i) $433.5 million ($281.7 million, after tax or $0.33 per diluted share) for the costs of terminating the proposed acquisitions of American Bankers and Providian; (ii) $351.0 million ($228.2 million, after tax or $0.27 per diluted share) of costs associated with an agreement to settle the PRIDES securities class action suit, and (iii) $12.4 million (9.9 million, after tax or $0.01 per diluted share) comprised of the costs of the investigations into previously discovered accounting irregularities at the former CUC business units, including incremental financing costs and separation payments. Such charges were partially offset by a credit of $42.8 million ($27.5 million, after tax or $0.03 per diluted share) associated with changes to the original estimate of costs to be incurred in connection with the 1997 Unusual Charges.

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

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

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

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

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

CENDANT CORPORATION
FINANCIAL STATEMENTS AND FOOTNOTES
FOR THE QUARTERLY PERIOD ENDED
MARCH 31, 1999

Cendant Corporation and Subsidiaries

Index

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

	Three Months Ended March 31,	
	1999	1998
Revenues		
Membership and service fees, net	$ 1,247.9	$ 1,048.8
Fleet leasing (net of depreciation and interest costs of $326.4 and $311.6)	18.6	19.9
Other	38.4	51.2
Net revenues	1,304.9	1,119.9
Expenses		
Operating	432.4	311.6
Marketing and reservation	262.2	264.8
General and administrative	160.6	142.1
Depreciation and amortization	91.0	63.6
Other charges		
Termination of proposed acquisition	7.0	--
Investigation-related costs	1.7	--
Merger-related costs and other unusual charges (credits)	(1.3)	3.1
Interest, net	48.3	18.9
Total expenses	1,001.9	804.1
Income from continuing operations before income taxes and minority interest	303.0	315.8
Provision for income taxes	106.5	114.6
Minority interest, net of tax	15.1	4.9
Income from continuing operations	181.4	196.3
Loss from discontinued operations, net of tax	(12.1)	(23.4)
Gain on sale of discontinued operations, net of tax	192.7	--
Net income	$ 362.0	$ 172.9
Income (loss) per share		
Basic		
Income from continuing operations	$ 0.23	$ 0.23
Loss from discontinued operations	(0.02)	(0.02)
Gain on sale of discontinued operations	0.24	--
Net income	$ 0.45	$ 0.21
Diluted		
Income from continuing operations	$ 0.22	$ 0.22
Loss from discontinued operations	(0.01)	(0.02)
Gain on sale of discontinued operations	0.22	--
Net income	$ 0.43	$ 0.20

See accompanying notes to consolidated financial statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 1999	December 31, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 520.7	$ 1,007.1
Receivables, net	1,600.8	1,490.5
Deferred membership commission costs	252.5	253.0
Deferred income taxes	302.7	460.6
Other current assets	874.5	898.7
Net assets of discontinued operations	61.8	462.5
Total current assets	3,613.0	4,572.4
Property and equipment, net	1,399.9	1,420.3
Franchise agreements, net	1,353.4	1,363.2
Goodwill, net	3,874.7	3,911.0
Other intangibles, net	734.2	743.5
Other assets	698.4	679.8
Total assets exclusive of assets under programs	11,673.6	12,690.2
Assets under management and mortgage programs		
Net investment in leases and leased vehicles	3,873.5	3,801.1
Relocation receivables	620.9	659.1
Mortgage loans held for sale	1,955.6	2,416.0
Mortgage servicing rights	743.5	635.7
	7,193.5	7,511.9
Total assets	$ 18,867.1	$ 20,202.1

See accompanying notes to consolidated financial statements.

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

	March 31, 1999	December 31, 1998
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and other current liabilities	$ 1,585.2	$ 1,502.6
Deferred income	1,342.1	1,354.2
Total current liabilities	2,927.3	2,856.8
Deferred income	234.7	233.9
Long-term debt	3,357.7	3,362.9
Deferred income taxes	38.2	77.4
Other non-current liabilities	86.4	125.6
Total liabilities exclusive of liabilities under programs	6,644.3	6,656.6
Liabilities under management and mortgage programs		
Debt	6,327.3	6,896.8
Deferred income taxes	328.6	341.0
Mandatorily redeemable preferred securities issued by subsidiary	1,473.5	1,472.1
Commitments and contingencies (Note 8)		
Shareholders' equity		
Preferred stock, $.01 par value - authorized 10 million shares; none issued and outstanding	--	--
Common stock, $.01 par value - authorized 2 billion shares; issued 863,046,029 and 860,551,783 shares	8.6	8.6
Additional paid-in capital	3,960.3	3,863.4
Retained earnings	1,842.2	1,480.2
Accumulated other comprehensive loss	(120.2)	(49.4)
Treasury stock, at cost, 85,302,899 and 27,270,708 shares	(1,597.5)	(467.2)
Total shareholders' equity	4,093.4	4,835.6
Total liabilities and shareholders' equity	$18,867.1	$20,202.1

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	1999	1998
Operating Activities		
Net income	$ 362.0	$ 172.9
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Loss from discontinued operations, net of tax	12.1	23.4
Gain on sale of discontinued operations, net of tax	(192.7)	--
Depreciation and amortization	91.0	63.6
Payments of merger-related costs and other unusual charge liabilities	(5.4)	(97.0)
Other, net	(127.9)	(147.6)
Net cash provided by continuing operations exclusive of management and mortgage programs	139.1	15.3
Management and mortgage programs:		
Depreciation and amortization	312.4	278.5
Origination of mortgage loans	(6,819.0)	(4,779.3)
Proceeds on sale and payments from mortgage loans held for sale	7,279.4	4,619.9
	772.8	119.1
Net cash provided by operating activities of continuing operations	911.9	134.4
Investing Activities		
Property and equipment additions	(62.6)	(58.3)
Investments	--	(139.2)
Net assets acquired (net of cash acquired) and acquisition-related payments	(64.3)	(943.2)
Net proceeds from sale of subsidiary	800.0	--
Other, net	41.9	38.8
Net cash provided by (used in) investing activities of continuing operations exclusive of management and mortgage programs	715.0	(1,101.9)
Management and mortgage programs:		
Investment in leases and leased vehicles	(560.8)	(626.2)
Proceeds from disposal of leases and leased vehicles	132.6	222.0
Proceeds from sales and transfers of leases and leased vehicles to third parties	44.6	27.3
Equity advances on homes under management	(1,461.9)	(1,436.8)
Repayment on advances on homes under management	1,501.5	1,564.5
Additions to mortgage servicing rights	(183.4)	(109.5)
Proceeds from sales of mortgage servicing rights	56.6	39.9
	(470.8)	(318.8)
Net cash provided by (used in) investing activities of continuing operations	244.2	(1,420.7)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	1999	1998
Financing Activities		
Principal payments on borrowings	$ (9.0)	$ (205.1)
Issuance of common stock	29.9	144.2
Purchases of common stock	(1,141.7)	--
Proceeds from mandatorily redeemable preferred securities issued by subsidiary, net	--	1,446.7
Net cash (used in) provided by financing activities of continuing operations exclusive of management and mortgage programs	(1,120.8)	1,385.8
Management and mortgage programs:		
Proceeds from debt issuance or borrowings	1,830.5	983.8
Principal payments on borrowings	(2,101.8)	(449.1)
Net change in short-term borrowings	(299.1)	(340.4)
	(570.4)	194.3
Net cash (used in) provided by financing activities of continuing operations	(1,691.2)	1,580.1
Effect of changes in exchange rates on cash and cash equivalents	22.8	(24.3)
Cash provided by (used in) discontinued operations	25.9	(184.6)
Net (decrease) increase in cash and cash equivalents	(486.4)	84.9
Cash and cash equivalents, beginning of period	1,007.1	65.3
Cash and cash equivalents, end of period	$ 520.7	$ 150.2

See accompanying notes to consolidated financial statements.