

The “Pure Play” Opportunity

Since Cendant announced its intent to split into four companies on October 24, I am sure you have heard or read the expression “pure play” at least a half-dozen times. Though not typical of conversations around the water cooler, the subject of a pure play does resonate with a particularly important audience for us – investors on Wall Street who are looking to make smart investments in strong industries.

Simply defined, pure play is Wall Street jargon that refers to a company with a single business focus or whose stock price is linked to a specific investing theme. An investor who wishes to invest in a particular line of business looks for such a pure play. Considering the historical performance of the real estate industry for the past 50 years, along with the compelling market fundamentals in place to drive it for decades to come, we are confident that our pure-play real estate services company is, indeed, quite the “power play.”

In addition to the fundamental strengths of our industry, we also have the advantage of a company structure capable of productivity, value and synergy in the face of any given business cycle. The real estate division’s value circle of brands and business units will be of particular interest to our future shareholders. The value circle is a key strategic advantage that

other companies in our sector have yet to duplicate.

Cendant’s executive leadership team, its board of directors and its independent advisors considered all of these factors and moved ahead with a pure-play strategy that provides the greatest opportunity to unlock the value inherent in the four distinct business lines that currently comprise Cendant: real estate, hospitality, travel and vehicle services. Investors and analysts universally shared their support of the move in meetings and teleconferences held by the Cendant investor relations team following the announcement.

Naturally, investor and shareholder support is critical to our overall success. For while our customers and employees consistently benefit from their association with Cendant, our shareholders have not enjoyed a return on their investment that is reflective of the true value of the enterprise. In fact, Forbes.com reported a general consensus on Wall Street that Cendant’s stock had been undervalued by as much as 40 percent. Faced with this business challenge, Cendant had an obligation to find the best strategy to unlock the value rightly due our shareholders. The market-beating performances of recent Cendant spin-offs PHH, Wright Express, and Jackson Hewitt have demonstrated that in the current market, creating simplified, pure-play companies has the ability to improve stock price and attract new shareholders.

While there are no guarantees on Wall Street or in business in general, there is the time-tested adage that consistently working smarter and harder than your competition generally yields positive results. This is something we do very well. Based upon the financial and operational results that the real estate services division has delivered in the past five years, I have the utmost confidence that we have the capacity to deliver far greater shareholder return in the future as a standalone company. Such increases in value would benefit employees as well as through all of the benefits and newfound opportunities that a successful organization affords its workforce.

Let us then apply ourselves to capture the tremendous, pure-play opportunity here. Our potential for even greater success is one of the reasons our new real estate services company has been referred to as “platinum plated” in the media. Yet our potential should not simply be viewed in terms of next week’s results, nor even next year’s, but rather for the long term. Our goal is to build a business with a legacy of success to be enjoyed by not only our generation, but the ones to follow as well.



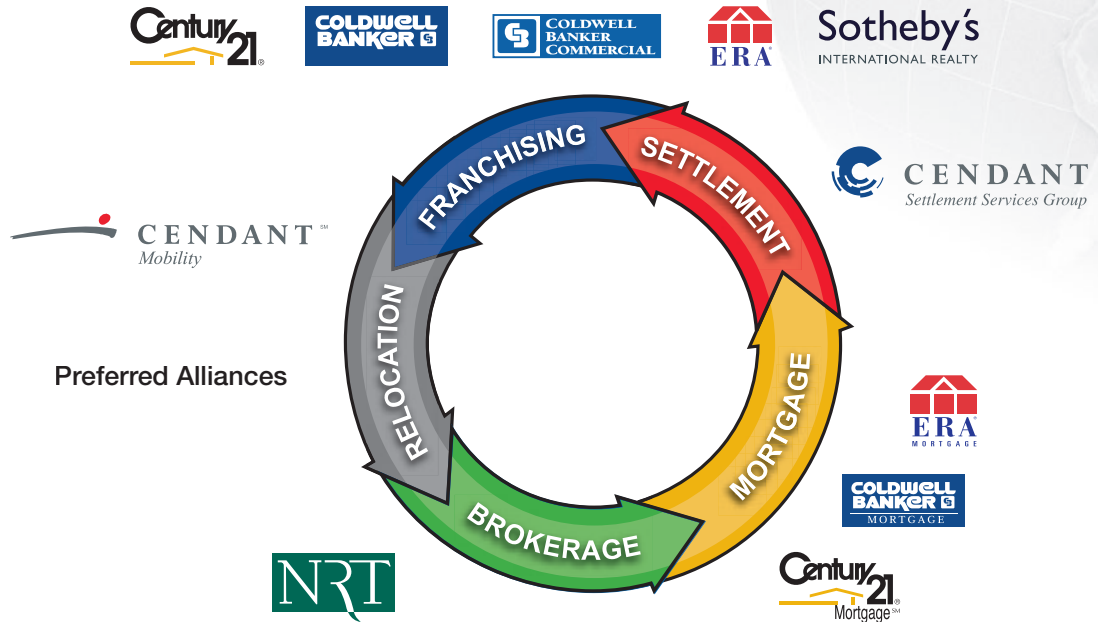
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A handwritten signature in black ink, appearing to read "R. Smith".

The Real Estate Value Circle

Synergies at Work for Business and the Consumer



Real Estate Services Company at a Glance

The new Real Estate Services Company will encompass all of Cendant's current Real Estate Services businesses. With its leading brands, significant scale and strong presence in markets across the U.S. and internationally, the company is the leader in the real estate sector. There are no comparable peers for the new Real Estate Services Company.

Leadership

- **Henry R. Silverman**, Non-Executive Chairman
- **Richard A. Smith**, CEO
- **Pat Cardwell**, General Counsel
- **Tony Hull**, Chief Financial Officer
- **Dave Weaving**, Chief Administrative Officer

Overview

With 15,000 employees, Real Estate Services is the leader in the residential real estate services sector, operating the world's largest real estate brokerage franchisor, the largest U.S. residential real estate brokerage firm, the premier provider of employee relocation and global mobility services, and a leading provider of title agency and other settlement services.

Real Estate Franchise Group

- Century 21®, Coldwell Banker®, Coldwell Banker Commercial®, ERA®, Sotheby's International Realty®
- Over 14,600 offices and 310,000 sales associates
- Affiliated offices participate in one in every four home transactions in the U.S. each year

NRT (Real Estate Brokerage Group)

- Operates in more than 35 of the nation's largest markets
- More than 1,000 offices and 60,000 sales associates

Mobility (Relocation Services)

- Annually assists more than 100,000 employees around the globe
- Clients include nearly two-thirds of the FORTUNE 50

Settlement Services Group (Title and Settlement Services)

- One of the nation's leading full-service title, settlement, and vendor management services companies
- National company with 2,500 employees

PHH Home Loans, LLC (Mortgage)

- The largest joint venture in the U.S. between a real estate company and a mortgage company

Opportunity

Fifty Years of Experience

Cendant Mobility Celebrates a Major Milestone

The year was 1955. The Brooklyn Dodgers were the World Series champions and the Warsaw Pact was signed. The year also marked the birth of Homerica, a small company in New Canaan, Conn., founded by Don MacPherson, whose vision was to help corporations ease the relocation process for their transferring employees.



Now and Then: Pictured on left, current Cendant Mobility president and CEO, Kevin Kelleher. On right, Bob Kunisch, former CEO and chairman of the board of PHH Corporation, the former parent of Cendant Mobility.

MacPherson's original concept of home-finding service for transferees stemmed from his own experience as an executive relocating from Chicago to New York City in the 1950s. He spent so many frustrating months looking for a house that it interfered with his job. This memory was the foundation for his vision and for what is now known as the relocation industry.

Now in the midst of celebrating its 50th anniversary, that start-up company has evolved into Cendant Mobility, a world leader in global mobility management and workforce development solutions.

Today, Cendant Mobility is the service provider to nearly two-thirds of the FORTUNE 50 companies and a leader in the military, government and affinity markets. A truly global company with more than 2,700 employees based on four continents, the company is a model corporate citizen in its headquarters community of Danbury, Conn., and around the world. Cendant Mobility has received numerous awards and recognition for the forward-thinking, flexible work-life options it provides to its employees.

CENDANT MOBILITY
50 years

THAT WAS THEN ... THIS IS NOW

To provide some personal insights on where Cendant Mobility has been, where it is and where it is going, *RealNEWS* spoke with Bob Kunisch, former CEO and chairman of the board of PHH Corporation, who joined Mobility's predecessor, Homequity, in 1966 as one of the firm's earliest employees. *RealNEWS* also spoke with current Cendant Mobility president and CEO, Kevin Kelleher, who took the helm of the company after the merger of PHH Relocation, Coldwell Banker Relocation Services and Western Relocation Services in 1997.

RealNEWS: Bob, can you give us some recollections of when you first joined the company?

Kunisch: The company looked a lot different in 1966. For example, the office for 23 employees had desks for only 15. You had to wait and hope that somebody would go on a business trip or vacation so that you could seize their work area and telephone. The comptroller had his office in a closet – the chair was outside and the desk was inside! We started with one client then quickly grew to five. Over the years, we signed huge clients, including IBM, Honeywell, Shell and Mobil.

RealNEWS: How did clients' needs evolve during the years you headed the company?

Kunisch: In the mid-1960s, our main client contact was someone in the personnel department and business was very relationship-driven. Relocation became a challenge as more and more people started moving and women entered the workforce in greater numbers. Concerns about schools, communities, spousal employment, for example, were heightened. Business was moving away from the traditional "traveling salesman" model and shifting toward a "transferring family" one.

RealNEWS: What was your most memorable experience?

Kunisch: My most memorable experience has to be the merger of Homerica, which started in 1955 as a destination company, and Homequity, which began in 1962 to meet real estate needs. This was in response to our first client, Western Electric, who said, "You're helping executives on the buying end, but you need to help them on the selling end, too." Another memorable moment was in 1970 when Shell Oil selected Homequity to move their 2,000

(continued on page 4)

Mobility Building for the Future

Cendant Mobility recently opened a 30,000 square foot addition to its global headquarters facility Danbury, Conn. The expansion includes a first floor conference center, which consists of four conference rooms that can be combined into one large space to fit 475 employees. The top two floors will house about 150 employees and features two computer training rooms. Almost 1,700 of Cendant Mobility's 2,800 world-wide employees work at the Danbury location.



Left to Right: Kevin Kelleher, president & CEO of Cendant Mobility; Danbury Mayor Mark Boughton, building landlords and contractors Mary and Mel Powers, and Larry Post, vice president, global facilities, Cendant Mobility.

(continued from page 3)

employees out of New York City. We also handled large group moves in Texas for Mobil. Both of these moves changed our business dramatically in terms of how to define and diversify our business objectives. This was an exciting time because it displayed the growing strength of the company and was a testament that something was actually emerging – an entity that was representative of a broader need in the business community.

RealNEWS: Kevin, what are you focusing on as you celebrate Cendant Mobility's 50th anniversary milestone?

Kelleher: The future. It's exciting to look forward because that's our mission – to anticipate any issues that may impact our clients, relocating employees and affinity organizations. We want to concentrate on five crucial aspects of our business: growth, innovation, process improvement, technology and leadership. The expansion of our global footprint, illustrated in April with the opening of our office in Shanghai, is a direct reflection of the expanding needs of our clients. This year, we have a record number of new clients and have expanded services with an even greater number of our existing ones – another indication of the degree to which clients turn to us to manage more services for them. We're also focused on our continued leadership – a commitment we demonstrate through initiatives to help our clients and the marketplace stay attuned to changing trends and best practices, delivering leadership that they expect and deserve

RealNEWS: How has the relocation industry changed since you first started in the mid-1970s?

Kelleher: One of the major changes has to be the dramatic expansion of our clients' needs. Originally we provided two services: home sale assistance and destination purchase assistance. We have now evolved to offer more than 55 separate services. From what began as essentially a U.S. domestic service, we now provide services to global clients from six client centers on four continents. Last year, we moved more than 100,000 employees in and out of 130 countries. Companies are increasingly looking to third-party providers to handle more and more of the mobility process. This move to full outsourcing provides tremendous benefits for the organization, and pushes us to new levels.

RealNEWS: What aspect of Cendant Mobility would you say played the greatest role in helping the company reach its 50th anniversary?

Kelleher: That's an easy one – it's the people. I believe we should be very proud of our strength, our leadership and our stability, but we should be even prouder of every individual in this company who works hard every day to put the needs of our clients and customers first, and to create a customer experience that's unparalleled in the industry. ■

Survey Says! — Ethics Matters

Chairman's Video on Ethics Resonates with Employees

Fifty percent of Real Estate Services Division employees reported in the “Chairman’s Video Series: Ethics” online survey that they face ethical dilemmas during the course of their jobs. Nine out of ten of those same employees agreed that Cendant is an ethical organization while just 1 percent disagreed—an overwhelming majority with room for improvement according to Chairman and CEO Richard A. Smith.

“Considering the importance of the topic, we should strive for no less than 100 percent agreement on this point,” said Smith. “For our organization to truly thrive, we need to create an environment in which employees and customers alike are confident that those affiliated with our division are committed to doing the right thing — every time, all the time.”

Michael J. Paterno, a relocation specialist with NRT in Ft. Lauderdale, Fla., was one of many employees who felt that the message was important to hear. In a letter to Richard Smith, Paterno wrote:

“It is very comforting to know that the company I represent takes pride in [ethics] and is genuinely concerned enough to make sure their employees see and hear the message. I also believe, because of this commitment, other organizations and individuals we do business with are aware of the ethical foundation, which makes all the difference in our business relationships.”

Along with praise came some critiques from concerned employees who felt strongly about the ethics issue. Entries into the anonymous comments section highlighted such employee concerns such as: fairness and confidentiality, the importance of taking ethics seriously with regards to operations, and the importance of maintaining a work environment based upon a foundation of mutual respect. One respondent wrote:

“I have found that in past experiences when myself or others have been faced with ethical dilemmas, (e.g. witnessing a situation or being involved in a situation) the situation seems to always be downplayed as if nobody wants to deal with it. It concerns me because I have given advice to subordinates in the past to take advantage of the integrity hotline and HR and each time I have been told that they feel nothing will be done.”

Business unit leaders have been briefed on the employee critiques for incorporation into their organizational development planning.

Chairman’s Video Series: Ethics Survey

Q1. How often do you face ethical dilemmas during the course of your job?

Very Frequently	Frequently	Sometimes	Not Frequently	Never
5.4%	13.2%	31.4%	39.9%	10.1%

Q2. If you are faced with an ethical decision at work, to whom would you most likely turn for advice?

Colleague	Manager	Human Resources	Family or Friend	Don't Know
14.1%	69.7%	8.1%	6.8%	1.3%

Q3. I believe Cendant is an ethical organization.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
50.0%	40.0%	9.0%	0.7%	0.3%

Q4. I find this Chairman's video message to be valuable in helping me understand Cendant's commitment to ethics.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
38.8%	46.6%	13.1%	1.2%	0.4%

Q5. Do you like this video format?

No	Yes	Total
7.1%	92.9%	100.0%

More than 5,000 employees responded to the survey accompanying the chairman’s video message. Employee feedback demonstrated that discussions on the topic of ethics were quite welcome. In fact, to the division’s credit, nearly 70 percent of division employees said that they would most likely turn to a manager if they were faced with an ethical decision at work.

“The relative openness of the employee community to participate in such conversations falls right in line with our ‘tell the truth, tell it all, tell it now,’ philosophy,” said Smith. “Open communication helps maintain a level of transparency in the organization that generates a self-sustaining, positive cycle of conduct.”

A New Medium

Many employees welcomed the use of a Web-based video as a communications tool. Ninety-three percent of surveyed employees liked the video message format and 86 percent found the chairman’s message to be valuable in helping them understand Cendant’s commitment to ethics.

While the great majority of employees appreciated the message, technical hurdles hampered the viewing experience for a small number of employees that have low Internet bandwidth or limited sound capabilities. To overcome these obstacles and to encourage the widest viewing audience possible, a number of workarounds were built into the rollout plan including: group viewings, downloads from proxy servers, and CD ROM/VHS tape viewings. A complete transcript of the Chairman’s remarks was also posted to the www.realnews.cendant.com Web site for those unable to watch the video component.

Future Chairman’s Video Series segments will cover such issues as the value of employee benefits and the importance of customer service. If you have suggestions for future topics or survey questions, e-mail them to real.news@cendant.com. ■

Leading the Home Search

Taking Winning Technology to the Next Level

Cendant's affiliated real estate brokerages and offices aren't the only ones excited about the LeadRouter™ lead management system. Recently, LeadRouter has received two prestigious national awards. The first, the 2005 CIO 100 award, given by *CIO* magazine, recognizes organizations around the world that exemplify the highest level of operational and strategic excellence in information technology. In addition, Inman News recognized Cendant's proprietary LeadRouter system as the "Most Innovative Technology" at its annual Inman Innovator Awards for the real estate industry.

By the numbers, the popular LeadRouter technology is winning broker praise and business unit support. Since its release, the system has been adopted by more than 2,800 offices and 77,000 sales associates, including NRT.

"Our strategy is to supply the best available technology for the benefit of brokers, sales associates and consumers," said Alex Perriello, president and CEO of the Real Estate Franchise Group. "The 74 percent of buyers who use the Internet in their home search want responsive service as well as efficient and exhaustive search vehicles. LeadRouter makes near-immediate response times possible, and our SearchRouter technology puts a world of listings at the consumers' fingertips."

A follow-up to LeadRouter, SearchRouter makes it easy for consumers to extend their online home search from the national brand Web site to a participating local broker's Web site via a user-friendly link, thereby transforming the national brand Web site into a gateway to view all local listings. Once there, they are able to view all area listings within the local multiple listing service (MLS) based on the broker's Internet Data Exchange (IDX) and MLS agreements, including listings outside of the brand.

Together, SearchRouter and LeadRouter are tools that take the customer through each step of the homebuying process and help deliver the unprecedented service that only Cendant brands can provide. SearchRouter strives to give consumers the best home search available and LeadRouter is designed to connect them to a sales professional faster than ever.

Not resting on its laurels, the Real Estate Services Division is continually working on improvements to further enhance these technologies. This includes the formation of the LeadRouter Advisory Council. Staffed by brand and NRT representatives, the council is charged with program development

as well as system enhancements. One avenue of program development under review is evaluating potential integration with other off-the-shelf commercial products used by real estate professionals.

Greg Engler, senior director, leads management and program manager for LeadRouter, is always on the lookout for technology and processes improvements that will raise service to the next level. "One of the team's goals is to shorten the length of time between a broker's request for LeadRouter and the system's implementation at the user level," said Engler. One step in the improvement process will be making the LeadRouter end user agreement available online. Brokers will then be able to download, print and review as needed, further shortening the time it takes to adopt the system.

Since its launch in November 2004, the technology behind LeadRouter has been upgraded to improve system performance. Upgrades include: new state-of-the-art SPAM control, additional broker reports and filters, development of new levels of system access and improvement of logic and functionality for matching, routing, reading, and managing leads.

"Process and technology enhancements will increase the effectiveness and utility of our products," said Engler. "Our team is fully committed to making a good product better."

Thanks to innovative systems like SearchRouter and LeadRouter, real estate consumers are now able to find the home of their dreams and reach out to those professionals who can make that dream come true in the space of just a few minutes. Truly, these tools are examples of how our franchisees are, as Alex Perriello likes to say, "better off with us than without us." ■



Inspired Leadership:

Alex Perriello, president and CEO, Cendant Real Estate Franchise Group



- **What teacher had the biggest impact on you?**

Several teachers come to mind, but the instructor that had the biggest impact on my career was Cecil Lawter. Cecil operated a real estate school in Phoenix back in the 1970s. Having a casual interest in real estate at the time, I attended his school to learn more about the business. Cecil's passion, knowledge and business ethics were inspiring. One evening after class he pulled me aside and told me I would have a great future in real estate if I committed to the business full time. As a result, I decided to change my career from retail to real estate. As they say, "The rest is history."

- **Cite a critical decision you made and how it impacted your career.**

Moving to New Jersey from California when Coldwell Banker was acquired by Cendant (then HFS) in 1996. At the time I was a regional director for Coldwell Banker and responsible for the western United States. Bob Becker was the newly appointed president of Coldwell Banker, and he asked me to join him in New Jersey to help transition the company from the

West Coast to the East Coast. It was a very rewarding and challenging opportunity, and Bob was a great mentor. When Bob accepted the position of president and CEO at NRT in 1997, I was promoted to president and CEO of Coldwell Banker (within the Franchise Group). After that, the weather in New Jersey never seemed to bother me.

- **Favorite business read?**

The Great Boom Ahead by Harry Dent written in the early 1990s. Harry predicted the current 10-year housing boom using demographic modeling and consumer behavior analysis. Sounds boring, but when an economist accurately predicts the future, I'm impressed.

- **Favorite book of all time?**

My all-time favorite was *The Agony and the Ecstasy* by Irving Stone. I also enjoy early American history books such as *1776* and *John Adams* by David McCullough. *His Excellency, George Washington* by Joseph Ellis is on my list as well.

- **What is the next thing you want to learn?**

What makes great real estate sales associates great in today's competitive market. I am currently working with Carol McManus, vice president of learning development and infrastructure, in a rather ambitious effort to interview top agents from all the Cendant brands and consolidate their best practices into a single document that can be shared with all Real Estate Franchise Group sales associates. We are halfway through the project and the key learnings and insights have been outstanding with many more to follow, I'm sure.

Know Your Niche: First-Time Homebuyers

First-time buyers account for four out of every 10 home purchases with the typical first-time buyer (FTB) being 32 years old, with a household income of \$54,500 and making a downpayment of 3 percent on a home costing \$139,000. With many FTBs being Generation Xers, they rely heavily on the Internet and use e-mail for most communications.

FTB concerns include choosing the wrong home, getting into a poor school district, not being able to resell if necessary, overpaying for a home, discovering the need for expensive repairs and not being able to make payments.

The median home size of FTBs is 1,451 square feet. The home typically has three bedrooms and two bathrooms. Eight out of ten FTBs purchase a single-family detached home with 54 percent buying in a suburb or subdivision. The most important rooms to first-time buyers are, respectively: Living room, garage, laundry room and dining room. The biggest compromises made by FTBs are size of house (22 percent), distance from work/school (21 percent) and condition of house (20 percent).

FTBs typically search for nine weeks and see nine homes before finding their home. Ninety (90) percent of first-time buyers use a real estate agent and 74 percent use the Internet. After viewing properties online, 75 percent drive by or go to see a home.

Fifty-nine (59) percent of first-time buyers interview only one real estate professional before committing. The single most important quality looked for in a sales associate is "knowledge of the purchase process."

Sources: The 2004 NAR Profile of Home Buyers and Sellers; The 2004 NAR Profile of Buyers Home Feature Preferences; "NAR Survey Confirms First-Time Buyers are Fueling the Housing Market," Realtor.org; "X Marks the Spot," Blanche Evans, REALTOR Magazine Online

Just Listed:

Top 10 Places to Call Home



- | | |
|-----------------------------|-------------------------|
| 1. Moorestown, N.J. | 7. Middleton, Wis. |
| 2. Bainbridge Island, Wash. | 8. Peachtree City, Ga. |
| 3. Naperville, Ill. | 9. Chatham, N.J. |
| 4. Vienna, Va. | 10. Mill Valley, Calif. |
| 5. Louisville, Colo. | |
| 6. Barrington, R.I. | |

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