

CENDANT CORP
Form DEF 14A
March 02, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Cendant Corporation

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the
Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

March 1, 2005

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cendant Corporation (the Company), which will be held at the Roosevelt Hotel, 45 East 45th Street, New York, New York 10017, on April 26, 2005 at 3:00 p.m., New York time. We look forward to greeting as many of our stockholders as possible.

This booklet includes the Notice of Annual Meeting and the Proxy Statement. The Proxy Statement describes the business to be conducted at the Annual Meeting and provides other information concerning the Company of which you should be aware when you vote your shares.

Admission to the Annual Meeting will be by ticket only. If you are a registered stockholder planning to attend the meeting, please check the appropriate box on the proxy card and retain the bottom portion of the card as your admission ticket. If your shares are held through an intermediary, such as a bank or broker, please follow the instructions under the Additional Information section of the Proxy Statement to obtain a ticket.

If you are unable to attend the Annual Meeting in person, you may listen to the proceedings through the Internet. To listen to the live webcast, please log on at www.cendant.com and select News Releases and Webcasts in the Investor Center section of the website. The webcast will begin at 3:00 p.m., New York time, and will remain on the Company's website for one year. The webcast will permit stockholders to listen to the Annual Meeting but will not provide for the ability to vote or present any stockholder proposals.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. As a stockholder of record, you can vote your shares by telephone, electronically via the Internet or by marking your votes on the enclosed proxy card. If you vote on the enclosed proxy card, you must sign, date and mail the proxy card in the enclosed envelope. If you decide to attend the Annual Meeting and vote in person, you may then withdraw your proxy.

On behalf of the Board of Directors and the employees of Cendant Corporation, I would like to express my appreciation for your continued interest in the affairs of the Company.

Sincerely,

Henry R. Silverman
Chairman of the Board and
Chief Executive Officer

Table of Contents

TABLE OF CONTENTS

	Page
<u>A NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS</u>	1
<u>PROXY STATEMENT</u>	3
<u>ABOUT THE ANNUAL MEETING</u>	3
<u>BOARD OF DIRECTORS</u>	7
<u>General</u>	7
<u>Biographical Information for Nominees and Continuing Directors</u>	8
<u>Functions and Meetings of the Board of Directors</u>	11
<u>Statement on Corporate Governance</u>	11
<u>Board Meetings</u>	12
<u>Committees of the Board</u>	12
<u>Audit Committee</u>	12
<u>Compensation Committee</u>	13
<u>Corporate Governance Committee</u>	13
<u>Policy Committee</u>	14
<u>Executive Committee</u>	14
<u>Director Compensation</u>	14
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	16
<u>EXECUTIVE OFFICERS</u>	18
<u>EXECUTIVE COMPENSATION AND OTHER INFORMATION</u>	21
<u>Summary Compensation Table</u>	21
<u>Option Grants in 2004</u>	24
<u>Aggregated Option Exercises in 2004 and Year-End Option Values</u>	24
<u>Equity Compensation Plan Information</u>	25
<u>Employment Contracts and Termination, Severance and Change of Control Arrangements</u>	26
<u>Compensation Committee Report on Executive Compensation</u>	31
<u>Compensation Committee Interlocks and Insider Participation</u>	34
<u>Performance Graph</u>	35
<u>Report of Audit Committee</u>	36
<u>PROPOSALS TO BE VOTED ON AT MEETING</u>	37
<u>Election of Directors [Proposal No. 1]</u>	37
<u>Ratification of Appointment of Auditors [Proposal No. 2]</u>	38
<u>Approval of the Cendant Amended and Restated 1999 Non-Employee Directors Deferred Compensation Plan [Proposal No. 3]</u>	40
<u>Approval of the Cendant 2005 UK Share Incentive Plan (Employee Stock Purchase Plan) [Proposal No. 4]</u>	43
<u>Stockholder Proposal [Proposal No. 5]</u>	46
<u>Stockholder Proposal [Proposal No. 6]</u>	49
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	51

Table of Contents

	Page
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	51
<u>STOCKHOLDER PROPOSALS FOR 2006 ANNUAL MEETING</u>	51
<u>ADDITIONAL INFORMATION</u>	52
<u>ANNEX A: CENDANT CORPORATION DIRECTOR INDEPENDENCE CRITERIA</u>	A-1
<u>ANNEX B: AUDIT COMMITTEE CHARTER</u>	B-1
<u>ANNEX C: CENDANT AMENDED AND RESTATED 1999 NON-EMPLOYEE DIRECTORS</u>	
<u>DEFERRED COMPENSATION PLAN</u>	C-1
<u>ANNEX D: CENDANT 2005 UK SHARE INCENTIVE PLAN (EMPLOYEE STOCK PURCHASE PLAN)</u>	D-1

Table of Contents

**NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON
APRIL 26, 2005**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Cendant Corporation (the Company) will be held on April 26, 2005 at 3:00 p.m., New York time, at Roosevelt Hotel, 45 East 45th Street, New York, New York 10017 (the Meeting), to consider and vote upon the following matters:

1. To elect ten directors for a one-year term expiring in 2006 and until their successors are duly elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as the auditors of the Company's financial statements for fiscal year 2005;
3. To consider and approve an amendment to the Cendant Amended and Restated 1999 Non-Employee Directors Deferred Compensation Plan;
4. To consider and approve the Cendant 2005 UK Share Incentive Plan;
5. To consider and vote upon two stockholder proposals; and
6. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on February 28, 2005 as the record date for the Meeting. Only stockholders of record at that time are entitled to notice of, and to vote at, the Meeting and any adjournment or postponement thereof. A list of stockholders entitled to vote at the Meeting will be available for examination by any stockholder, for any purpose germane to the Meeting, at the Meeting and for ten days prior to the Meeting during ordinary business hours at One Campus Drive, Parsippany, New Jersey, the Company's principal place of business.

By Order of the Board of Directors

ERIC J. BOCK
Secretary

Dated: March 1, 2005

Table of Contents

(This page has been left blank intentionally.)

Table of Contents

CENDANT CORPORATION
9 West 57th Street
New York, New York 10019

PROXY STATEMENT

**Annual Meeting of Stockholders to
be held on Tuesday, April 26, 2005**

ABOUT THE ANNUAL MEETING

Who is soliciting my vote?

The Board of Directors of Cendant Corporation, a Delaware corporation (the *Company*), is soliciting your vote at the 2005 Annual Meeting of Stockholders, and any adjournment or postponement thereof (the *Meeting*), to be held on the date, at the time and place, and for the purposes set forth in the foregoing notice. This Proxy Statement, the accompanying notice and the enclosed proxy card are first being mailed to stockholders on or about March 7, 2005.

What will I be voting on?

- 1 Election of Directors (see page 37);
- 1 Ratification of Deloitte & Touche LLP as the *Company*'s auditors for 2005 (see page 38);
- 1 Approval of two stock-based plans (see pages 40 and 43); and
- 1 Two stockholder proposals (see pages 46 and 49).

How many votes do I have?

You will have one vote for every share of the *Company*'s common stock, par value \$0.01 per share (the *Common Stock*), you owned on February 28, 2005 (the *Record Date*).

How many votes can be cast by all stockholders?

1,055,172,521, consisting of one vote for each of the *Company*'s shares of Common Stock that were outstanding on the Record Date. There is no cumulative voting, and the holders of the Common Stock vote together as a single class.

How many votes must be present to hold the Meeting?

One-third of the outstanding shares of Common Stock entitled to vote at the Meeting, or 351,724,174 votes, must be present, in person or by proxy, to constitute a quorum at the Meeting. Stockholders of record who are present at the Meeting, in person or by proxy, and who abstain from voting, including brokers holding customers' shares of record who cause abstentions to be recorded at the Meeting, will be included in the number of stockholders present at the Meeting for purposes of determining whether a quorum is present.

How many votes are required to elect directors and adopt the other proposals?

Directors are elected by the affirmative vote of a plurality of the shares of Common Stock present at the Meeting, in person or by proxy, and entitled to vote in the election of Directors. Under applicable Delaware law, in determining whether such nominees have received the requisite number of affirmative votes, abstentions and broker non-votes will have no effect on the outcome of the vote.

Table of Contents

- 1 Approval of the proposal relating to the ratification of the appointment of auditors of the Company's financial statements, the proposals relating to the Cendant Amended and Restated 1999 Non-Employee Directors Deferred Compensation Plan and the Cendant 2005 UK Share Incentive Plan and each of the stockholder proposals require the affirmative vote of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote at the Meeting. Under applicable Delaware law, in determining whether such proposals have received the requisite number of affirmative votes, abstentions and broker non-votes will be counted and will have the same effect as a vote against each proposal.

How do I vote?

You can vote by valid proxy received by telephone, via the Internet or by mail. If voting by mail, you must:

- 1 indicate your instructions on the proxy;
- 1 date and sign the proxy;
- 1 mail the proxy promptly in the enclosed envelope; and
- 1 allow sufficient time for the proxy to be received before the date of the Meeting.

Alternatively, in lieu of returning signed proxy cards, the Company's stockholders of record can vote their shares by telephone or via the Internet. If you are a registered stockholder (that is, if you hold your stock in certificate form), you may vote by telephone or electronically through the Internet by following the instructions included with your proxy card. If your shares are held in street name such as in a stock brokerage account or by a bank or other nominee, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically through the Internet. The deadline for voting by telephone or electronically through the Internet is 4:00 p.m., New York time, on the business day prior to the date of the Meeting.

Can I change my vote?

Yes. A proxy may be revoked at any time prior to the voting at the Meeting by submitting a later dated proxy (including a proxy by telephone or electronically through the Internet), by giving timely written notice of such revocation to the Secretary of the Company or by attending the Meeting and voting in person. However, if you hold shares in street name, you may not vote these shares in person at the Meeting unless you bring with you a legal proxy from the stockholder of record.

What if I do not vote for some of the matters listed on my proxy card?

Shares of Common Stock represented by proxies received by the Company (whether through the return of the enclosed proxy card, by telephone or through the Internet), where the stockholder has specified his or her choice with respect to the proposals described in this Proxy Statement (including the election of Directors), will be voted in accordance with the specification(s) so made.

If your proxy is properly executed but does not contain voting instructions, or if you vote by telephone or via the Internet without indicating how you want to vote, your shares will be voted:

- 1 FOR the election of all ten nominees for the Board of Directors;
- 1 FOR the ratification of the appointment of Deloitte & Touche LLP as auditors of the Company's financial statements for the year ending December 31, 2005;

- 1 FOR the approval of the proposal to amend the Cendant Amended and Restated 1999 Non-Employee Directors Deferred Compensation Plan;
- 1 FOR the proposal to approve the Cendant 2005 UK Share Incentive Plan; and
- 1 AGAINST the two stockholder proposals.

Table of Contents

How do participants in savings plans vote?

For participants in the Cendant Corporation Employee Savings Plan, the Avis Voluntary Investment Savings Plan, the Avis Voluntary Investment Savings Plan for Bargaining Hourly Employees, the Cendant Car Rental Operations, Inc. Retirement Savings Plan and the Trilegiant Corporation Employee Savings Plan (collectively, the Savings Plans), with shares of Common Stock credited to their accounts, voting instructions for the trustees of the Savings Plans are also being solicited through this Proxy Statement. In accordance with the provisions of the Savings Plans, the respective trustees will vote shares of Common Stock in accordance with instructions received from the participants to whose accounts such shares are credited. To the extent such instructions are not received prior to twelve o'clock noon, New York time, on April 22, 2005, the trustees of the Savings Plans will vote the shares with respect to which it has not received instructions proportionately in accordance with the shares for which it has received instructions. Instructions given with respect to shares in accounts of the Savings Plans may be changed or revoked only in writing, and no such instructions may be revoked after twelve o'clock noon, New York time, on April 22, 2005. Participants in the Savings Plans are not entitled to vote in person at the Meeting. If a participant in any of the Savings Plans has shares of Common Stock credited to his or her account and also owns other shares of Common Stock, he or she should receive separate proxy cards for shares credited to his or her account in the Savings Plans and any other shares that he or she owns. All such proxy cards should be completed, signed and returned to the transfer agent to register voting instructions for all shares owned by him or her or held for his or her benefit in the Savings Plans.

Could other matters be decided at the Meeting?

The Board of Directors does not intend to bring any matter before the Meeting other than those set forth above, and the Board is not aware of any matters that anyone else proposes to present for action at the Meeting. However, if any other matters properly come before the Meeting, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the Meeting, will be authorized to vote or otherwise act thereon in accordance with their judgment on such matters.

Do I need a ticket to attend the Meeting?

Yes. Attendance at the Meeting will be limited to stockholders as of the Record Date, their authorized representatives and guests of the Company. Admission will be by ticket only. For registered stockholders, the bottom portion of the proxy card enclosed with the Proxy Statement is the Meeting ticket. Beneficial owners with shares held through an intermediary, such as a bank or broker, should request tickets in writing from Investor Relations at Cendant Corporation, 9 West 57th Street, New York, New York 10019, and include proof of ownership, such as a bank or brokerage firm account statement or letter from the broker, trustee, bank or nominee holding their stock, confirming beneficial ownership. Stockholders who do not obtain tickets in advance may obtain them on the Meeting date at the registration desk upon verifying his or her stock ownership as of the Record Date. In accordance with the Company's security procedures, all persons attending the Meeting must present a picture identification along with their admission ticket or proof of beneficial ownership in order to gain admission. Admission to the Meeting will be expedited if tickets are obtained in advance. Tickets may be issued to others at the discretion of the Company.

How can I access the Company's proxy materials and annual report electronically?

A copy of the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission (SEC) for its latest fiscal year is available without charge to stockholders at the Company's website at www.cendant.com or upon written request to Cendant Corporation, 9 West 57th Street, New York, New York 10019, Attention: Investor Relations. **You can elect to receive future annual reports and proxy statements electronically by marking the appropriate box on your proxy card or by following the instructions provided if you vote via the Internet or by telephone.**

Table of Contents

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED AND THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS PROXY STATEMENT.

Table of Contents**BOARD OF DIRECTORS****General**

The Board of Directors presently consists of fifteen members. Directors elected prior to the Company's 2004 annual meeting of stockholders served in three classes with staggered three-year terms. Directors elected in and after the Company's 2004 annual meeting of stockholders serve for a term of one year expiring at the annual meeting of stockholders to be held in the year following their election and until their successors are elected and qualified. The name and age of each Director, his or her position with the Company and the year in which such Director's term expires is set forth below:

Name	Age	Position	Term Expires at the Annual Meeting Held in the Year
Henry R. Silverman	64	Chairman and Chief Executive Officer	2006
Myra J. Biblowit	56	Director	2005
James E. Buckman	60	Vice Chairman, General Counsel and Director	2006
Leonard S. Coleman	56	Presiding Director	2005
Martin L. Edelman	63	Director	2006
George Herrera	48	Director	2006
Stephen P. Holmes	48	Vice Chairman; Chairman and Chief Executive Officer, Hospitality Services Division and Director	2006
Cheryl D. Mills	40	Director	2005
The Right Honourable Brian Mulroney	65	Director	2005
Robert E. Nederlander	71	Director; Chairman of the Corporate Governance Committee	2005
Ronald L. Nelson	52	President, Chief Financial Officer and Director	2005
Robert W. Pittman	51	Director	2005
Pauline D.E. Richards	56	Director; Chairman of the Audit Committee	2005
Sheli Z. Rosenberg	63	Director	2005
Robert F. Smith	72	Director; Chairman of the Compensation Committee	2005

Table of Contents

Biographical Information for Nominees and Continuing Directors

At the Meeting, the stockholders will vote on the election of Messrs. Coleman, Mulrone, Nederlander, Nelson, Pittman and Smith and Meses. Biblowit, Mills, Richards and Rosenberg to serve as Directors for a one-year term ending at the 2006 annual meeting of stockholders and until their successors are duly elected and qualified. Certain additional information regarding each of the foregoing nominees, and each other current member of the Board of Directors, as of February 28, 2005, is set forth below.

Mr. Silverman has been Chief Executive Officer and a Director of the Company since December 1997, as well as Chairman of the Board of Directors and the Executive Committee since July 1998. Mr. Silverman was President of the Company from December 1997 until October 2004. Mr. Silverman was Chairman of the Board, Chairman of the Executive Committee and Chief Executive Officer of HFS Incorporated (HFS) from May 1990 until December 1997.

Ms. Biblowit has been a Director since April 2000. Since April 2001, Ms. Biblowit has been President of The Breast Cancer Research Foundation. From July 1997 until March 2001, she served as Vice Dean for External Affairs for the New York University School of Medicine and Senior Vice President of the Mount Sinai-NYU Health System. From June 1991 to June 1997, Ms. Biblowit was Senior Vice President and Executive Director of the Capital Campaign for the American Museum of Natural History.

Mr. Buckman has been a Vice Chairman since November 1998 and General Counsel and a Director of the Company since December 1997. Mr. Buckman was a Senior Executive Vice President of the Company from December 1997 until November 1998. Mr. Buckman was Senior Executive Vice President, General Counsel and Assistant Secretary of HFS from May 1997 to December 1997, a Director of HFS from June 1994 to December 1997 and Executive Vice President, General Counsel and Assistant Secretary of HFS from February 1992 to May 1997.

Mr. Coleman has been a Director since December 1997 and Presiding Director at executive sessions of the Board since February 2003. Mr. Coleman was a Director of HFS from April 1997 until December 1997. Mr. Coleman is presently a Senior Advisor to Major League Baseball. Mr. Coleman was President of The National League of Professional Baseball Clubs from 1994 to 1999, having previously served since 1992 as Executive Director, Market Development of Major League Baseball. Mr. Coleman is a Director of the following corporations which file reports pursuant to the Securities Exchange Act of 1934 (the Exchange Act): Omnicom Group Inc., H.J. Heinz Company, Aramark Corporation, Churchill Downs Inc. and Electronic Arts Inc.

Table of Contents

Mr. Edelman has been a Director since December 1997 and was a Director of HFS from November 1993 until December 1997. Mr. Edelman has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000. Mr. Edelman was a partner with Battle Fowler, which merged with Paul, Hastings, Janofsky & Walker, from 1972 through 1993 and was Of Counsel to Battle Fowler from 1994 until June 2000. Mr. Edelman also serves as a Director of the following corporations which file reports pursuant to the Exchange Act: Capital Trust, Arcadia Realty Trust and Ashford Hospitality Trust, Inc. See Certain Relationships and Related Transactions.

Mr. Herrera has been a Director since January 2004. Since December 2003, Mr. Herrera has served as President and Chief Executive Officer of Herrera-Cristina Group, Ltd., a Hispanic-owned multidisciplinary management firm. From August 1998 to January 2004, Mr. Herrera served as President and Chief Executive Officer of the United States Hispanic Chamber of Commerce. Mr. Herrera served as President of David J. Burgos & Associates, Inc. from December 1979 until July 1998.

Mr. Holmes has been a Vice Chairman and Director of the Company and Chairman and Chief Executive Officer of the Hospitality Services Division of the Company since December 1997. Mr. Holmes was Vice Chairman of HFS from September 1996 until December 1997 and was a Director of HFS from June 1994 until December 1997. From July 1990 through September 1996, Mr. Holmes served as Executive Vice President, Treasurer and Chief Financial Officer of HFS.

Ms. Mills has been a Director since June 2000. Ms. Mills has been Senior Vice President and Counselor for Operations and Administration for New York University since May 2002. From October 1999 to November 2001, Ms. Mills was Senior Vice President for Corporate Policy and Public Programming of Oxygen Media, Inc. From 1997 to 1999, Ms. Mills was Deputy Counsel to the former President of the United States, William J. Clinton. From 1993 to 1996, Ms. Mills also served as Associate Counsel to the President.

Mr. Mulroney has been a Director since December 1997 and was a Director of HFS from April 1997 until December 1997. Mr. Mulroney was Prime Minister of Canada from 1984 to 1993 and is currently Senior Partner in the Montreal-based law firm, Ogilvy Renault. Mr. Mulroney is a Director of the following corporations which file reports pursuant to the Exchange Act: America Online Latin America, Inc., Archer Daniels Midland Company Inc., Barrick Gold Corporation, Trizec Properties Inc. and Quebecor, Inc. (including its subsidiary, Quebecor World Inc.). See Certain Relationships and Related Transactions.

Table of Contents

Mr. Nederlander has been a Director since December 1997 and Chairman of the Corporate Governance Committee since October 2002. Mr. Nederlander was a Director of HFS from July 1995 until December 1997. Mr. Nederlander has been President and/or Director since November 1981 of the Nederlander Organization, Inc., owner and operator of legitimate theaters in the City of New York. Since December 1998, Mr. Nederlander has been a managing partner of the Nederlander Company, LLC, operator of legitimate theaters outside the City of New York. Mr. Nederlander was Chairman of the Board of Riddell Sports, Inc. (now known as Varsity Brands, Inc.) from April 1988 to September 2003. He has been a limited partner and a Director of the New York Yankees since 1973. Mr. Nederlander has been President of Nederlander Television and Film Productions, Inc. since October 1985 and was Chairman of the Board and Chief Executive Officer of Mego Financial Corp. from January 1988 to January 2002. Mr. Nederlander is currently a Director of Allis-Chalmers Corp., which files reports pursuant to the Exchange Act.

Mr. Nelson has been a Director since April 2003, Chief Financial Officer since May 2003 and President since October 2004. From April 2003 to May 2003, Mr. Nelson was Senior Executive Vice President, Finance. From November 1994 until March 2003, Mr. Nelson was Co-Chief Operating Officer of DreamWorks SKG. Prior thereto, he was Executive Vice President, Chief Financial Officer and a Director at Paramount Communications, Inc., formerly Gulf+Western Industries, Inc.

Mr. Pittman has been a Director since December 1997 and was a Director of HFS from July 1994 until December 1997. Mr. Pittman is a member of Pilot Group Manager LLC, the manager of Pilot Group LP, a private equity fund. From May 2002 to July 2002, Mr. Pittman served as Chief Operating Officer of AOL Time Warner, Inc. Mr. Pittman also served as Co-Chief Operating Officer of AOL Time Warner prior to assuming these responsibilities. From February 1998 until January 2001, Mr. Pittman was President and Chief Operating Officer of America Online, Inc., a provider of internet online services. Mr. Pittman also serves as a Director of Electronic Arts Inc., which files reports pursuant to the Exchange Act.

Ms. Richards has been a Director since March 2003 and Chairman of the Audit Committee since October 2004. Since November 2003, Ms. Richards has been Director of Development at the Saltus Grammar School, the largest private school in Bermuda. From January 2001 until March 2003, Ms. Richards served as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Limited in Bermuda, a trust company business. From January 1999 until December 2000, she was Treasurer of Gulfstream Financial Limited, a stock brokerage company. From January 1999 to June 1999, Ms. Richards served as a consultant to Aon Group of Companies, Bermuda, an insurance brokerage company, after serving in different positions from 1988 through 1998. These positions included Controller, Senior Vice President and Group Financial Controller and Chief Financial Officer.

Table of Contents

Ms. Rosenberg has been a Director since April 2000. From January 2000 to September 2003, Ms. Rosenberg served as Vice Chairwoman of Equity Group Investments, Inc., a privately held investment company. From October 1994 to December 1999, Ms. Rosenberg was President and Chief Executive Officer of Equity Group Investments, Inc. Ms. Rosenberg serves as a Director of the following companies which file reports pursuant to the Exchange Act: CVS Corporation, Manufactured Home Communities, Inc., Equity Residential Properties Trust, Equity Office Property Trust and Ventas, Inc.

Mr. Smith has been a Director since December 1997 and Chairman of the Compensation Committee since October 2004. Mr. Smith was a Director of HFS from February 1993 until December 1997. Until recently, Mr. Smith served as the Chairman of the Board of American Remanufacturers Inc., a Chicago, Illinois automobile parts remanufacturer in which Mr. Smith has an equity interest. From February 1999 to September 2003, Mr. Smith served as Chief Executive Officer of Car Component Technologies, Inc., an automobile parts remanufacturer located in Bedford, New Hampshire. Mr. Smith is the retired Chairman and Chief Executive Officer of American Express Bank, Ltd. (AEBL). Mr. Smith joined AEBL's parent company, the American Express Company, in 1981 as Corporate Treasurer before moving to AEBL and serving as Vice Chairman and Co-Chief Operating Officer and then President prior to becoming Chief Executive Officer.

Functions and Meetings of the Board of Directors

Statement on Corporate Governance

Overview. The Board of Directors has implemented numerous corporate governance enhancements in recent years to further strengthen the Board of Directors' capacity to oversee the Company and to serve the long-term interests of all stockholders. The Company's corporate governance guidelines, director independence criteria, committee charters, codes of conduct and other documents setting forth the Company's corporate governance practices can be accessed in the Investor Center Corporate Governance section of the Company's website at www.cendant.com or by writing to the Company at Cendant Corporation, 9 West 57th Street, New York, New York 10019, Attention: Investor Relations. In addition, the Board has reviewed the provisions of the Sarbanes-Oxley Act of 2002, the rules of the SEC and the New York Stock Exchange's governance listing standards regarding corporate governance policies and procedures and determined that the Company is in compliance with all such standards.

Director Independence. The Board has created a set of director independence criteria (Director Independence Criteria) for evaluating the independence of each of the Directors, which are more stringent than the New York Stock Exchange (NYSE) governance standards. In January 2005, the Board undertook its annual review of Director independence pursuant to NYSE Rule 303A.02(a) and the Company's Director Independence Criteria. During this review, the Board reviewed whether any transactions or relationships exist currently or during the past three years existed between each Director and the Company and its subsidiaries, affiliates and equity investors or independent auditors. The Board also examined whether there were any transactions or relationships between each Director and members of the senior management of the Company or their affiliates. As a result of this review, the Board affirmatively determined that two-thirds of the Directors were independent under the standards set forth in the Company's Director Independence Criteria and by the NYSE standards. Messrs. Silverman, Buckman, Holmes and Nelson, who are employees of the Company, and Mr. Edelman, who is of counsel to a law firm that represents the Company from time to time, were not deemed independent. A copy of the Company's Director Independence Criteria is attached to this Proxy Statement as Annex A and also can be found in the Investor Center Corporate Governance section of the Company's website at

Table of Contents

www.cendant.com. A copy may also be obtained upon request from the Company's Corporate Secretary at the address provided above.

Presiding Director. In February 2003, the Board of Directors created a new position of Presiding Director. The Presiding Director's primary responsibilities include presiding over periodic executive sessions of the non-management members of the Board of Directors, advising the Chairman of the Board and Committee chairs with respect to meeting agenda and information needs, providing advice with respect to the selection of Committee chairs and performing other duties that the Board may from time to time delegate to assist it in the fulfillment of its responsibilities. The non-management members of the Board of Directors have designated Mr. Coleman to serve in this position until the Company's 2006 annual meeting of stockholders.

Communicating with the Board of Directors. Stockholders may send communications to the Company's Board of Directors by writing to the Board at Cendant Corporation, 9 West 57th Street, New York, New York 10019. In addition, stockholders interested in communicating directly with the Presiding Director or with any other non-management Director may do so by writing to Cendant Corporation at the same address, Attention: Presiding Director, c/o the Corporate Secretary or via e-mail at *presidingdirector@celandant.com*. The Presiding Director will review and distribute all stockholder communications received to the intended recipients and/or distribute to the full Board, as appropriate.

Codes of Conduct. The Board has adopted a code of conduct that applies to all officers and employees, including the Company's principal executive officer, principal financial officer and principal accounting officer. The Board has also adopted a code of business conduct and ethics for Directors. Both codes of conduct are available in the Investor Center Corporate Governance section of the Company's website at *www.cendant.com*, or by writing the Company at Cendant Corporation, 9 West 57th Street, New York, New York 10019, Attention: Investor Relations. The purpose of these codes of conduct is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company; and to promote compliance with all applicable rules and regulations that apply to the Company and its officers and Directors.

Board Meetings

The Board of Directors held eleven meetings and acted by unanimous written consent on two occasions during 2004. In 2004, all incumbent Directors attended at least 75% of the aggregate number of meetings of the Board and committees of the Board on which they served. All Directors are required to attend each regularly scheduled Board meeting, as well as each annual meeting of the Company's stockholders (subject to certain limited exceptions). In 2004, the entire Board of Directors attended the Company's annual meeting of stockholders.

Committees of the Board

Audit Committee

The Audit Committee is comprised of Ms. Richards (Chairman), Mills and Rosenberg and Mr. Smith (the Audit Committee). Ms. Richards replaced Mr. Smith as Chairman of the Audit Committee, effective as of October 19, 2004. The Audit Committee oversees the accounting and financial reporting processes of the Company, as well as the audits of the financial statements of the Company. See Report of Audit Committee below. The Board has determined that all members of the Audit Committee are independent Directors under the rules of the NYSE and the Company's Director Independence Criteria and that each member of the Audit Committee has the ability to read and understand fundamental financial statements. The Board has determined that each of Ms. Richards and Mr. Smith qualify as an Audit Committee financial expert as defined by the rules of the SEC, and, in addition to being independent under the

Company's Director Independence Criteria and the rules of the NYSE, are independent within the meaning of applicable SEC rules. A copy of the Audit Committee

Table of Contents

charter is attached to this Proxy Statement as Annex B and also can be found in the Investor Center Corporate Governance section of the Company's website at www.cendant.com, or may be obtained by contacting the Company's Corporate Secretary. The Audit Committee held ten meetings in 2004.

Compensation Committee

The Compensation Committee is comprised of Mr. Smith (Chairman) and Mses. Biblowit and Rosenberg (the Compensation Committee). Ms. Rosenberg joined the Compensation Committee on July 20, 2004, and Mr. Coleman retired from the Compensation Committee, effective as of October 19, 2004. The Board of Directors has determined that each member of the Compensation Committee is an independent Director under the rules of the NYSE and the Company's Director Independence Criteria. The Compensation Committee administers the Company's equity compensation plans, reviews and administers all compensation arrangements for executive officers and establishes and reviews general policies relating to the compensation and benefits of the Company's officers and employees. The text of the Compensation Committee charter can be found in the Investor Center Corporate Governance section of the Company's website at www.cendant.com, or may be obtained by contacting the Company's Corporate Secretary. The Compensation Committee held seven meetings and acted by unanimous written consent on two occasions in 2004.

Corporate Governance Committee

The Corporate Governance Committee is comprised of Messrs. Nederlander (Chairman) and Mulroney and Mses. Mills and Rosenberg (the Corporate Governance Committee). The Board of Directors has determined that each member of the Corporate Governance Committee qualifies as an independent Director under the rules of the NYSE and the Company's Director Independence Criteria. The responsibilities of the Corporate Governance Committee include identifying and recommending to the Board appropriate Director nominee candidates and providing oversight with respect to corporate governance matters. The text of the Corporate Governance Committee charter can be found in the Investor Center Corporate Governance section of the Company's website at www.cendant.com, or may be obtained by contacting the Company's Corporate Secretary. The Corporate Governance Committee held three meetings and acted by unanimous written consent on two occasions in 2004.

Director Nomination Procedures. The Corporate Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors. It seeks to ensure that at least two-thirds of the Directors are independent under the rules of the NYSE and the Company's more stringent Director Independence Criteria; that all members of the Company's Audit Committee meet the Company's Director Independence Criteria and the financial literacy requirements under the rules of the NYSE, and that at least one of them qualifies as an Audit Committee financial expert under the rules of the SEC; and that all members of the Compensation Committee and the Corporate Governance Committee meet the Company's Director Independence Criteria. Nominees for Director are selected on the basis of their depth and breadth of experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties.

The Corporate Governance Committee will consider written proposals from stockholders for nominees for Director. In considering candidates submitted by stockholders, the Corporate Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. Any such nominations should be submitted to the Corporate Governance Committee, c/o the Corporate Secretary of the Company, and should include the following: (a) the name of the stockholder and evidence of the person's ownership of the Company's Common Stock, including the number of shares owned and the length of time of ownership; and (b) the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a Director of the Company and the person's consent to be named as a Director if selected by the Corporate Governance Committee and nominated by the Board. The written proposal

Table of Contents

should be submitted in the time frame described in the By-laws of the Company and under the caption *Stockholder Proposals for 2006 Annual Meeting* below.

The process for identifying and evaluating nominees to the Board of Directors is initiated by identifying a candidate who meets the criteria for selection as a nominee and has the specific qualities or skills being sought based on input from members of the Board and, if the Corporate Governance Committee deems appropriate, a third-party search firm. These candidates are evaluated by the Corporate Governance Committee by reviewing the candidates biographical information and qualification and checking the candidates' references. Qualified nominees are interviewed by at least one member of the Corporate Governance Committee. Using the input from such interview and other information obtained by them, the Corporate Governance Committee evaluates whether such prospective candidate is qualified to serve as a Director and whether the committee should recommend to the Board that the Board nominate this prospective candidate or elect such candidate to fill a vacancy on the Board. Candidates recommended by the Corporate Governance Committee are presented to the Board for selection as nominees to be presented for the approval of the stockholders or for election to fill a vacancy.

The Corporate Governance Committee expects that a similar evaluation process will be used to evaluate nominees for Director recommended by stockholders. However, to date, the Company has not received any stockholder proposal to nominate a Director.

Policy Committee

The Policy Committee is comprised of Messrs. Coleman (Chairman), Herrera and Edelman and Ms. Biblowit (the Policy Committee). The Policy Committee is responsible for reviewing, identifying and, when appropriate, bringing to the attention of the Board political, social and legal trends and issues that may have an impact on the business operations, financial performance or public image of the Company, as well as for making recommendations to the Board on corporate policies and practices that relate to public policy. The Policy Committee held two meetings in 2004.

Executive Committee

The Executive Committee is comprised of Messrs. Silverman (Chairman), Buckman, Nelson and Edelman (the Executive Committee). The Executive Committee has and may exercise all of the powers of the Board of Directors when the Board is not in session, including the power to authorize the issuance of stock, except that the Executive Committee has no power to (a) alter, amend or repeal the By-Laws or any resolution or resolutions of the Board of Directors, (b) declare any dividend or make any other distribution to the stockholders of the Company, (c) appoint any member of the Executive Committee, or (d) take any other action which legally may be taken only by the full Board of Directors. The Chairman of the Board will serve as Chairman of the Executive Committee. The Executive Committee held one meeting and acted by unanimous written consent on 24 occasions in 2004.

Director Compensation

In 2003, the Corporate Governance Committee undertook a study of director compensation (the *Director Compensation Review*) and adopted the following guidelines for director compensation: (i) compensation should fairly pay Directors for the work and time commitment required in a company the size and scope of the Company; (ii) compensation should align Director interests with the long-term interests of the Company's stockholders; and (iii) the structure of compensation should be simple, transparent and easy for stockholders to understand. The Corporate Governance Committee retained an independent compensation consultant to assist the committee in formulating a new compensation structure to satisfy the new guidelines and to provide a written report verifying the reasonableness of such new compensation structure. As a result of such undertaking, the Corporate Governance

Committee recommended, and the Board approved, a modified Non-Employee Director compensation program effective January 1, 2004, which is described below.

Table of Contents

The following sets forth the compensation payments made to Non-Employee Directors in 2004 following the Director Compensation Review (amounts shown as dollars unless otherwise indicated):

	2004
	Compensation(1)(2)
Annual Retainer(3)	160,000
Annual Equity Incentive Grant	(4)
Board Meeting Attendance Fees:	
Board Meeting Fee (per meeting)	
Committee Meeting Fee (Chair/Member)	
Action By Unanimous Written Consent	
Audit Committee Chair	25,000
Audit Committee Member	15,000
Compensation Committee Chair	20,000
Compensation Committee Member	10,000
Corporate Governance Committee Chair	15,000
Corporate Governance Committee Member	8,000
Policy Committee Chair	10,000
Policy Committee Member	5,000
Executive Committee Member	10,000
Presiding Director Stipend	20,000
Other Benefits	Life Insurance(5)

- (1) Members of the Board of Directors who are also officers or employees of the Company or any of its subsidiaries do not receive compensation for serving as a Director.
- (2) The Presiding Director Stipend and all committee membership stipends are to be paid 50% in cash and 50% in shares of Common Stock required to be deferred under the Deferral Plan (described below). Directors may elect to receive more than 50% of such stipends in shares of deferred Common Stock.
- (3) The Annual Retainer (the Retainer) is paid on a quarterly basis on or near the date of regularly scheduled quarterly Board meetings. For 2004, \$80,000 of the Retainer was paid in the form of Common Stock required to be deferred under a deferred compensation plan maintained by the Company for the benefit of Non-Employee Directors (the Deferral Plan). For 2004, a Non-Employee Director may elect to receive the entire Retainer in the form of shares of Common Stock. The number of shares of Common Stock received pursuant to the Common Stock portion of the Retainer or any other compensation paid in the form of Common Stock equaled the value of the compensation being paid in the form of Common Stock, divided by the fair market value of the Common Stock as of the date of grant. All amounts deferred into the Deferral Plan are deferred in the form of deferred stock units. Each deferred stock unit entitles the Non-Employee Director to receive one share of Common Stock immediately following such Director's retirement or separation of service from the Board for any reason. The Non-Employee Directors may not sell or receive value from any deferred stock unit prior to such separation of service.
- (4) Notwithstanding the elimination of the annual equity incentive grant in 2004, new Non-Employee Directors will receive a one-time grant of 5,000 shares of Common Stock, which will be required to be deferred under the Deferral Plan.

(5)

The Company provides \$100,000 of term life insurance coverage for each Non-Employee Director. In addition, the Company has purchased life insurance in the amount of \$1 million on the life of each Director. Upon the death of such Director while still in office, the Company will donate an aggregate of \$1 million to one or more charitable organizations that such Director served or supported.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information set forth on the following table is furnished as of February 28, 2005 as to those shares of the Company's Common Stock beneficially owned by (i) each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each of its Directors and each of its executive officers named in the Summary Compensation Table below, and (iii) all directors and executive officers as a group.

Name	Total	Percent of	Of the Total
	Amount		Number of
	of Shares	Common	Shares
	Beneficially	Stock	Beneficially
	Owned(1)	Owned(2)	Owned, Shares
			Which may be
			Acquired Within
			60 Days(3)
Principal Stockholders:			
Barclays Global Investors, N.A.(4)	87,383,777	8.28%	87,383,777
Goldman Sachs Asset Management, L.P.(5)	57,259,975	5.43%	57,259,975
Directors and Executive Officers(6):			
Henry R. Silverman	38,450,004	3.54%	30,450,004
Myra J. Biblowit(7)	137,114	*	137,114
James E. Buckman(8)	4,044,584	*	3,973,005
Leonard S. Coleman(9)	400,256	*	400,256
Martin L. Edelman(10)	229,165	*	326,165
George Herrera(11)	9,807	*	9,807
Stephen P. Holmes(12)	4,259,061	*	3,963,535
Cheryl D. Mills(13)	136,291	*	129,577
The Right Honourable Brian Mulroney(14)	454,666	*	445,882
Robert E. Nederlander(15)	326,318	*	326,318
Ronald L. Nelson(16)	661,737	*	543,903
Robert W. Pittman(17)	893,401	*	830,573
Pauline D. E. Richards(18)	12,721	*	12,721
Sheli Z. Rosenberg(19)	148,764	*	117,582
Robert F. Smith(20)	274,772	*	274,772
Samuel L. Katz(21)	3,978,899	*	3,798,429
Kevin M. Sheehan	1,551,130	*	1,520,493
Richard A. Smith(22)	3,610,120	*	3,540,404
Executive Officers and Directors as a Group (22 persons):	62,895,520	5.67%	53,887,964

* Amount represents less than 1% of the outstanding Common Stock.

(1) Shares beneficially owned include direct and indirect ownership of shares, stock options and restricted stock units that are currently vested or will become vested within 60 days of February 28, 2005 (Vested Awards) and shares of Common Stock, the receipt of which has been deferred until retirement from the Board (Deferred

Shares).

- (2) Based on 1,055,172,521 shares of Common Stock outstanding on February 28, 2005.
- (3) Includes Vested Awards and Deferred Shares.
- (4) Reflects beneficial ownership of 87,383,777 shares of Common Stock by Barclays Global Investors, N.A. and its affiliated entities (Barclays), as derived solely from information reported in a Schedule 13G under the Exchange Act filed by Barclays with the SEC on February 14, 2005. Such Schedule 13G indicates that Barclays has sole voting power over 77,746,371 of the shares and no

Table of Contents

voting power over 9,637,406 of the shares. The principal business address for Barclays Global Investors, N.A. is 45 Fremont Street, San Francisco, CA 94015. Information is based upon the assumption that Barclays holds 87,383,777 shares of Common Stock as of February 28, 2005.

- (5) Reflects beneficial ownership of 57,259,975 shares of Common Stock by Goldman Sachs Asset Management, L.P. (Goldman), as derived solely from information reported in a Schedule 13G under the Exchange Act, filed by Goldman with the SEC on February 9, 2005. Such Schedule 13G indicates that Goldman has sole voting power over 43,364,115 of the shares and no voting power over 13,895,860 of the shares. The principal business address for Goldman is 32 Old Slip, New York, New York 10005. Information is based on the assumption that Goldman holds 57,259,975 shares of Common Stock as of February 28, 2005.
- (6) Such Director s and/or Executive Officer s Vested Awards are deemed outstanding for purposes of computing the percentages of the class for such Director and/or Executive Officer.
- (7) Includes 22,441 Deferred Shares.
- (8)&nbs