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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

COMMISSION FILE NO. 1-10308

CENDANT CORPORATION

(Exact name of Registrant as specified in its charter)

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

212-413-1800

(Registrant's telephone number, including area code)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
CD Common Stock, Par Value $.01	New York Stock Exchange
Upper DECS (sm)	New York Stock Exchange

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

$7^{3}/_{4}$% Notes due 2003
6.875% Notes due 2006
$3^{7}/_{8}$% Convertible Senior Debentures due 2011
Zero Coupon Senior Convertible Contingent Notes due 2021
Zero Coupon Convertible Debentures due 2021

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

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

The aggregate market value of the Common Stock issued and outstanding and held by nonaffiliates of the Registrant, based upon the closing price for the Common Stock on the New York Stock Exchange on March 15, 2002 was $18,334,910,460. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

The number of shares outstanding of the Registrant's common stock was 982,020,341 as of March 15, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be mailed to stockholders in connection with our annual stockholders meeting held May 21, 2002 (the "Annual Proxy Statement") are incorporated by reference into Part III hereof.

DOCUMENT CONSTITUTING PART OF SECTION 10(A) PROSPECTUS FOR FORM S-8 REGISTRATION STATEMENTS

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

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PART I

ITEM 1. BUSINESS

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

We are one of the foremost providers of travel and real estate services in the world. Our businesses provide a wide range of consumer and business services and are intended to complement one another and create cross-marketing opportunities both within and among our following five business segments:

- Our Real Estate Services segment franchises the real estate brokerage businesses of the CENTURY 21®, Coldwell Banker®, Coldwell Banker Commercial® and ERA® brands; provides home buyers with mortgages through Cendant Mortgage Corporation and assists in employee relocations through Cendant Mobility Services Corporation.

- Our Hospitality segment operates the Days Inn®, Ramada® (in the United States), Super 8 Motel®, Howard Johnson®, Wingate Inn®, Knights Inn®, Travelodge® (in North America), Villager Group and AmeriHost Inn® lodging franchise systems, facilitates the sale and exchange of vacation ownership intervals through Resort Condominiums International, LLC, Fairfield Resorts, Inc., Trendwest Resorts, Inc. and Equivest Finance, Inc. and markets vacation rental properties in Europe through Holiday Cottages, Cuendet, Welcome Holidays and Novasol.

- Our Vehicle Services segment operates and franchises our Avis® car rental business; provides fleet management and fuel card services to corporate clients and government agencies through PHH Arval and Wright Express.

- Our Travel Distribution segment provides global distribution and computer reservation services to airlines, hotels, car rental companies and other travel suppliers and provides our travel agent customers the ability to electronically access airline schedule and fare information, book reservations, and issue tickets through Galileo International, provides travel services through our Cendant Travel and Cheap Tickets travel agency businesses, and provides reservations processing, connectivity and information management services through WizCom.

- Our Financial Services segment provides enhancement packages to financial institutions through Progeny Marketing Innovation LLC (formerly known as FISI*Madison LLC), provides insurance-based products to consumers through Benefit Consultants, Inc. and Long Term Preferred Care, Inc., provides loyalty solutions to businesses through Cims Ltd., operates and franchises tax preparation services through Jackson Hewitt Inc. and provides a variety of membership programs offering discounted products and services to consumers through our relationship with Trilegiant Corporation.

* * *

We seek organic growth augmented, on a selected basis, by the acquisition and integration of complementary businesses. As a result, from time to time we engage in preliminary discussions concerning possible acquisitions. The purchase price for any possible transaction may be paid in cash, stock, other securities, borrowings, or a combination thereof. Prior to consummating any transaction, we will need to, among other things, initiate and satisfactorily complete our due diligence investigations; negotiate the financial and other terms (including price) and conditions of such transactions; obtain appropriate board of directors, regulatory and shareholder or other necessary consents and approvals; and, if necessary, secure financing. No assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. In the past, we have been involved in both relatively small and significant acquisitions.

In addition, we continually review and evaluate our portfolio of existing businesses to determine if they continue to meet our business objectives. As part of our ongoing evaluation of such businesses, we intend

from time to time to explore and conduct discussions with regard to joint ventures, divestitures and related corporate transactions. However, we can give no assurance with respect to the magnitude, timing, likelihood or financial or business effect of any possible transaction. We also cannot predict whether any divestitures or other transactions will be consummated or, if consummated, will result in a financial or other benefit to us. We intend to use a portion of the proceeds from any such dispositions and cash from operations to retire indebtedness, make acquisitions and for other general corporate purposes.

This 10-K/A Report includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, business, competitive, market and regulatory factors. Please refer to "Management's Discussion and Analysis of Results of Operations" for additional factors and assumptions that could cause actual results to differ from the forward-looking statements contained in this 10-K/A Report.

We were created through the merger of HFS Incorporated into CUC International, Inc. in December 1997 with the resultant corporation being renamed Cendant Corporation. Our principal executive office is located at 9 West 57th Street, New York, New York 10019 (telephone number: (212) 413-1800).

SEGMENTS

REAL ESTATE SERVICES SEGMENT (22%, 34% and 24% of revenue for 2001, 2000 and 1999, respectively)

Real Estate Franchise Business (8%, 14% and 10% of revenue for 2001, 2000 and 1999, respectively)

We are the world's largest real estate brokerage franchisor. We franchise real estate brokerage businesses under the following franchise systems:

- CENTURY 21®, the world's largest residential real estate brokerage franchisor, with approximately 6,600 independently owned and operated franchised offices and approximately 101,000 active sales agents located in 34 countries and territories;
- ERA®, a leading residential real estate brokerage franchisor, with approximately 2,500 independently owned and operated franchise offices, and more than 29,000 sales agents located in 27 countries;
- Coldwell Banker®, one of the world's leading brands for the sale of million-dollar-plus homes and the third largest residential real estate brokerage franchisor, with approximately 3,200 independently owned and operated franchise offices in the United States, Canada and 15 other countries and approximately 89,000 sales agents; and
- Coldwell Banker Commercial®, a leading commercial real estate brokerage franchisor with approximately 100 independently owned and operated franchise offices, and approximately 1,000 sales agents in the United States.

Service and marketing fees on commissions from real estate transactions comprise the primary component of revenue for our real estate franchise business. We also offer service providers an opportunity to market their products to our brokers through our Preferred Alliance[sm] program. To participate in this program, service providers generally pay us an up-front fee, commissions or both.

Each of our brands has a consumer Web site that offers real estate listing contacts and services. century21.com, coldwellbanker.com, coldwellbankercommercial.com and era.com are the official Web sites for the CENTURY 21, Coldwell Banker, Coldwell Banker Commercial and ERA real estate franchise systems, respectively. In addition, all of the aggregated listings of our CENTURY 21, Coldwell Banker and ERA national real estate franchises are available through the Realtor.com® Web site.

Growth. We market real estate brokerage franchises primarily to independent, unaffiliated owners of real estate brokerage companies as well as individuals who are interested in establishing real estate brokerage businesses. We believe that our existing franchisee base represents another source of potential growth, as franchisees seek to expand their existing business geographically. Therefore, our sales strategy focuses on maintaining the satisfaction of our franchisees by providing services such as training, ongoing support, volume discounts and increasing brand awareness by providing each brand with a dedicated marketing staff. Our real estate brokerage franchise systems employ a national franchise sales force, compensated primarily by commissions on sales, consisting of approximately 100 sales personnel.

Competition. Competition among the national real estate brokerage brand franchisors to grow their franchise systems is intense. Our chief competitors in this industry include the Prudential®, GMAC Real Estate[sm] and RE/MAX® real estate brokerage brands. In addition, a real estate broker may choose to affiliate with a regional chain or choose not to affiliate with a franchisor but to remain independent. We believe that competition for the sale of franchises in the real estate brokerage industry is based principally upon the perceived value and quality of the brand and services offered to franchisees.

The ability of our real estate brokerage franchisees to compete in the industry is important to our prospects for growth. The ability of an individual franchisee to compete may be affected by the location and real estate agent service quality of its office, the number of competing offices in the vicinity, its affiliation with a recognized brand name, community reputation and other factors. A franchisee's success may also be affected by general, regional and local economic conditions. The potential negative effect of these conditions on our results of operations is generally reduced by virtue of the diverse geographical locations of our franchisees, although 2001 did have year-over-year declines in California. At December 31, 2001, the combined real estate franchise systems had approximately 8,200 franchised brokerage offices in the United States and approximately 12,400 offices worldwide. The real estate franchise systems have offices in 50 countries and territories in North and South America, Europe, Asia, Africa and Australia.

NRT Relationship. NRT Incorporated, the largest real estate brokerage firm in the United States, was originally organized as a joint venture between us and Apollo Management, L.P. Apollo owned 100% of the common stock of NRT and we owned all of NRT's preferred stock, a portion of which was convertible into an equal equity ownership with Apollo. The convertible preferred stock entitled us to preferred dividends at rates of 5% to 9% of our investment, rates which we negotiated with NRT and Apollo. We exercised our option to purchase the NRT common stock held by Apollo on April 17, 2002. The purchase price was approximately $230 million which we satisfied by delivering 11.5 million shares of CD common stock. We also repaid approximately $320 million of NRT's debt. Prior to our acquisition of the NRT common stock, NRT was the largest real estate franchisee in our brokerage system based on gross commission income and represented approximately 42% of the Real Estate Franchise Business revenue for 2001. NRT's strategy is to grow through the acquisition of independent real estate brokerages which it then converts to one of our brands. Prior to our acquisition of the NRT common stock, NRT operated its offices under two 50-year franchise agreements for our brands that were similar to those utilized by our other real estate franchisees, except for the term and lack of royalty rebate provision. These agreements were recorded as an asset on our balance sheet. During 2001, we received from NRT approximately $220 million in royalties for the use of our real estate trademarks based on the volume of real estate commissions earned by NRT. Additionally, during 2001, we received $16 million of other fees from NRT, which included a fee paid in connection with the termination of a franchise agreement under which NRT operated our Century 21 real estate brand. During 2001, we also received $37 million of real estate referral fees from NRT in connection with clients referred to NRT by our relocation business. These fees are based on a standard real estate brokerage agreement, in which the franchisor receives approximately 40% of the commission. These fees are also paid to us by all other real estate brokerages (both affiliates and non-affiliates) who receive referrals from our relocation business. At

December 31, 2001, NRT had $291 million in debt, which was non-recourse to us and, as noted above, the outstanding balance of such debt was repaid at the time of our acquisition of the NRT common stock. NRT has informed us, for the twelve months ended September 30, 2001, its leverage ratio (debt/EBITDA as defined in its credit agreement)

was 2.6 to 1. Certain officers of Cendant serve on the Board of Directors of NRT. Immediately subsequent to our acquisition of NRT, NRT acquired Clearwater, Florida-based Arvida Realty Services for approximately $160 million in cash. Arvida offices have been converted to Coldwell Banker and will be integrated with our NRT Coldwell Banker operations in Florida.

In September 2002, NRT acquired all of the outstanding common stock of The DeWolfe Companies, Inc. at a price of approximately $146 million in cash. DeWolfe provides residential real estate brokerage, mortgage banking, insurance, moving and relocation services primarily in New England.

Relocation Business (5%, 10% and 7% of revenue for 2001, 2000 and 1999, respectively)

Cendant Mobility[sm] is the leading provider of employee relocation services in the world and assists more than 128,000 affinity customers, transferring employees and global assignees annually, including over 23,000 employees internationally each year in over 125 countries.

We offer corporate and government clients employee relocation services, such as the evaluation, inspection, selling or purchasing of a transferee's home, the issuance of home equity advances to employees permitting them to purchase a new home before selling their current home (these advances are generally guaranteed by the corporate client), certain home management services, assistance in locating a new home, immigration support, intercultural and language training and repatriation counseling. We also provide clients with relocation-related accounting services. Our services allow clients to outsource their relocation programs.

Clients pay a fee for the services performed and/or permit Cendant Mobility to retain referral fees collected from brokers. The majority of our clients pay interest on home equity advances and reimburse all costs associated with our services, including, if necessary, repayment of home equity advances and reimbursement of losses on the sale of homes purchased. This limits our exposure on such items to the credit risk of our corporate clients and not on the potential changes in value of residential real estate. We believe such risk is minimal due to the credit quality of our corporate clients. In transactions where we assume the risk for losses on the sale of homes (primarily government clients), which comprise less than 3% of net revenue for our relocation business, we control all facets of the resale process, thereby limiting our exposure.

Our group move management service provides coordination for moves involving a large number of employees over a short period of time. Our moving service, with over 72,000 shipments annually, provides support for all aspects of moving an employee's household goods. We also handle insurance and claim assistance, invoice auditing and quality control of van line, driver, and overall service.

Our affinity services provide real estate and relocation services, including home buying and selling assistance, as well as mortgage assistance and moving services, to organizations, such as insurance and airline companies that have established members. Often these organizations offer our affinity services to their members at no cost. This service helps the organizations attract new members and retain current members. Personal assistance is provided to over 50,000 individuals, with approximately 26,000 real estate transactions annually.

Growth. Our strategy is to grow by generating business from corporations and government agencies seeking to outsource their relocation function due to downsizing, cost containment initiatives and increased need for expense tracking. Our growth strategy has been driven by domestic and international acquisitions and market expansion, and we continually explore acquisitions and other strategic corporate transactions that would complement our relocation business.

Competition. Competition is based on service, quality and price. We are a leader in the United States, United Kingdom, and Australia/Southeast Asia for outsourced relocations. In the United States, we compete with in-house relocation solutions and with numerous providers of outsourced relocation services, the largest of which are GMAC Relocation Services and Prudential Relocation Management. Internationally, we compete with in-house solutions, local relocation providers and the international accounting firms.

Mortgage Business (9%, 10% and 7% of revenue for 2001, 2000 and 1999, respectively)

We originate, sell and service residential first mortgage loans in the United States. For 2001, Cendant Mortgage[sm] was the second largest purchase lender of retail originated residential mortgages, and the sixth largest retail lender of residential mortgages in the United States. Cendant Mortgage is a centralized mortgage lender conducting its business in all 50 states.

We market our mortgage products to consumers through:

- an 800-number teleservices operation under programs for real estate organizations (Phone In, Move In®) and relocation clients and private label programs for financial institutions;
- a Web interface, containing educational materials, rate quotes and a full mortgage application, made available to the customers of our businesses such as Century 21, Coldwell Banker, ERA, Cendant Mobility, and our financial institution private label relationships, including American Express Centurion Bank, GE Financial Network and Merrill Lynch Credit Corporation;
- field sales professionals with processing, underwriting and other origination activities generally located in real estate offices around the U.S. equipped with software to obtain product information, quote interest rates and to help customers prepare mortgage applications; and
- purchasing closed loans from financial institutions and mortgage banks after underwriting the loans.

Cendant Mortgage customarily sells all mortgages it originates to investors (which include a variety of institutional investors) either as individual loans, mortgage-backed securities or participation certificates issued or guaranteed by Fannie Mae Corp., the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association. Cendant Mortgage earns revenue from the sale of the mortgage loans to investors, as well as on the servicing of the loans for investors. Mortgage servicing consists of collecting loan payments, remitting principal and interest payments to investors, holding escrow funds for payment of mortgage related expenses such as taxes and insurance, and administering our mortgage loan servicing portfolio.

Growth. Our strategy is to increase sales by expanding all of our sources of business with emphasis on purchase mortgage volume through our teleservices and Internet programs. The Phone In, Move In program was developed in 1997 and has been established in over 5,600 real estate offices.

We will also expand our volume of mortgage originations resulting from corporate employee relocations by working with financial institutions which desire to outsource their mortgage origination operations through increased linkage with Cendant Mobility. Each of these growth opportunities is driven by our low cost teleservices platform. The competitive advantage of using a centralized, efficient and high quality teleservices platform allows us to more cost effectively capture a greater percentage of the highly fragmented mortgage marketplace.

Competition. Competition is based on service, quality, products and price. Cendant Mortgage has increased its share of retail mortgage originations in the United States to 4.4% in 2001 from 2.1% in 2000. According to *Inside Mortgage Finance*, the industry leader for 2001 reported a 12.4% share in the United States. Competitive conditions can also be impacted by shifts in consumer preference for variable rate mortgages from fixed rate mortgages, depending upon the current interest rate market.

Real Estate Services Seasonality

The principal sources of revenue for our real estate franchise and mortgage businesses are based upon the timing of residential real estate sales, which are generally lower in the first calendar quarter each year. The principal sources of revenue for our relocation business are based upon the timing of transferee moves, which are generally lower in the first and last quarter of each year.

Real Estate Services Trademarks and Intellectual Property

The trademarks "CENTURY 21®", "Coldwell Banker®", "Coldwell Banker Commercial®", "ERA®", "Cendant Mobility®", and "Cendant Mortgage" and related trademarks and logos are material to our real estate franchise, relocation and mortgage businesses, respectively. Our franchisees and subsidiaries in our real estate services business actively use these marks and all of the material marks are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where these businesses have significant operations and are owned by us.

Real Estate Services Employees

The businesses that make up our Real Estate Services segment employed approximately 8,893 persons as of December 31, 2001.

HOSPITALITY SEGMENT (18%, 21% and 16% of revenue for 2001, 2000 and 1999, respectively)

Lodging Franchise Business (5%, 11% and 8% of revenue for 2001, 2000 and 1999, respectively)

We are the world's largest hotel franchisor, operating nine lodging franchise systems.

The lodging industry can be divided into four broad sectors based on price and services: upper upscale, with room rates above $110 per night; upscale, with room rates between $80 and $110 per night; middle market, with room rates generally between $55 and $79 per night; and economy, with room rates generally less than $55 per night. The following is a summary description of our lodging franchise systems properties that are open and operating as of December 31, 2001, including the average occupancy rate, average room rate and total room revenue divided by total available rooms for each property. We do not own or operate hotel properties. Information regarding such properties is derived from information we receive from our franchisees.

Brand	Primary Domestic Sector Served	Avg. Rooms Per Property	# of Properties	# of Rooms	Location*	Average Occupancy Rate	Average Room Rate	Total Room Revenue/Available Rooms
AmeriHost	Middle Market	68	86	5,827	U.S. Only	55.50%	$ 58.91	$ 32.70
Days Inn	Upper Economy	84	1,946	164,092	U.S. and International(1)	50.50%	$ 50.47	$ 25.49
Howard Johnson	Middle Market	99	503	49,831	U.S. and International(2)	50.30%	$ 59.89	$ 30.12
Knights Inn	Lower Economy	80	227	18,145	U.S. and International(3)	45.50%	$ 37.70	$ 17.15
Ramada	Middle Market	123	978	120,515	U.S. Only(4)	47.50%	$ 61.00	$ 28.98
Super 8 Motel	Economy	61	2,054	125,016	U.S. and International(5)	57.20%	$ 46.97	$ 26.87
Travelodge	Upper Economy	80	598	47,688	U.S. and International(6)	46.80%	$ 53.53	$ 25.05
Villager	Lower Economy	101	120	12,177	International(7)	47.80%	$ 29.80	$ 14.24
Wingate Inn	Upper Middle Market	94	112	10,480	U.S. and International(8)	55.70%	$ 71.85	$ 40.02
Total			6,624	553,771	Total Average:			$ 27.11

* Description of rights owned or licensed.
(1) 73 properties located in Canada and 49 properties located in China, Colombia, Czech Republic, Egypt, England, Hungary, India, Jordan, Mexico, Philippines, South Africa, Scotland and Uruguay.
(2) 38 properties located in Canada, and 33 properties located in Argentina, China, Dominican Republic, Ecuador, England, Israel, Jordan, Lebanon, Malta, Mexico, Oman, Venezuela and United Arab Emirates.
(3) Five properties located in Canada.
(4) Limited to the Continental U.S., Alaska and Hawaii.
(5) 88 properties located in Canada.
(6) 105 properties located in Canada and two properties located in Mexico.
(7) Two properties located in Canada and one property located in Mexico.
(8) One property located in Canada.

Our Lodging Franchise business derives substantially all of its revenue from initial franchise fees and continuing franchise fees, which are comprised of royalty and marketing/reservation fees and are normally charged as a percentage of the franchisee's gross room revenue. The royalty fee is intended to cover our operating expenses and the cost of the trademark, such as expenses incurred for franchise services, including group purchasing, administrative support and design and construction advice, and to provide the franchisor with operating profits. The marketing/reservation fee is intended to reimburse the franchisor for expenses associated with providing such franchise services as a central reservation system, national advertising and marketing programs and certain training programs. Since we do not own or operate hotel properties (we derive our revenue for this business from franchise fees), we do not incur renovation expenditures. Renovation costs are the obligation of each franchisee.

Our lodging franchisees are dispersed geographically, which minimizes our exposure to any one hotel owner or geographic region. Of the more than 6,600 properties and 4,900 franchisees in our lodging systems, no individual hotel owner accounts for more than 2% of our franchised lodging properties.

On March 1, 2002, we entered into a venture with Marriott International, Inc. where we contributed our domestic Days Inn trademark and an amended license agreement relating to the Days Inn trademarks and Marriott contributed the domestic Ramada trademarks and the amended master license agreements relating to Cendant's licenses of the Ramada trademarks. As a result of the transaction, we have a 50.0001% interest in the venture and Marriott has a 49.9999% interest in the venture. Pursuant to the terms of the venture, we will share income from the venture with Marriott on a substantially equal basis. We currently expect the venture to redeem Marriott's interest for approximately $200 million, the projected fair market value, in March 2004. We expect to loan the venture approximately $200 million in March 2004 to meet its obligations to Marriott. Upon such redemption, we will own 100% of the venture. Under the terms of the venture agreement, we control the venture and therefore we will consolidate the venture into our results of operations, financial position and cash flows beginning on March 1, 2002. The venture has no third party liabilities.

Growth. The sale of long-term franchise agreements to operators of existing and newly constructed hotels is the leading source of revenue and earnings growth in our lodging franchise business. We also continue to seek opportunities to acquire or license additional hotel franchise systems, including established brands in the upper upscale and upscale sectors, where we are not currently represented.

We market franchises principally to independent hotel and motel owners, as well as to owners who have the right to terminate franchise affiliations of their properties with other hotel brands. We believe that our existing franchisees also represent a significant potential growth opportunity because many own, or may own in the future, other hotels, which can be converted to our brand names. Accordingly, a significant factor in our sales strategy is maintaining the satisfaction of our existing franchisees by providing quality services. We employ a national franchise sales force, compensated primarily through commissions, consisting of approximately 90 sales personnel.

We seek to expand our franchise systems on an international basis through license agreements with developers and franchisors based outside the United States. As of December 31, 2001, our franchising subsidiaries (other than Ramada and AmeriHost) have entered into international licensing agreements for part or all of approximately 24 countries on five continents.

In 2001, we repurchased master licenses for the Howard Johnson and Days Inn brands covering the United Kingdom. We assumed the obligations to existing franchisees and commenced a direct franchising program for these brands in the United Kingdom and Ireland similar to our direct franchise program in the United States. We established an office in London and a reservation center in Cork, Ireland to support this activity.

Central Reservation Systems. The lodging business is characterized by remote purchasing through travel agencies and through the use by consumers of toll-free telephone numbers and the Internet. We maintain five reservation centers that are located in: Knoxville and Elizabethton, Tennessee; Aberdeen, South Dakota; Saint John, New Brunswick, Canada; and Cork, Ireland. In 2001, our brand Web sites had approximately 222 million page views and booked an aggregate of approximately 2.0 million roomnights

from Internet booking sources, compared with approximately 134 million page views and 1.3 million roomnights booked in 2000, increases of 66% and 54%, respectively.

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

We believe that competition for the sale of franchises in the lodging industry is based principally upon the perceived value and quality of the brand and services offered to franchisees. We believe that prospective franchisees value a franchise based upon their view of the relationship between affiliation and conversion costs and future charges to the potential for increased revenue and profitability and the reputation of the franchisor. We also believe that the perceived value of brand names to prospective franchisees is, to some extent, a function of the success of the brand's existing franchisees.

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

Timeshare Exchange Business (6%, 10% and 8% of revenue for 2001, 2000 and 1999, respectively)

Our Resort Condominiums International LLC ("RCI") subsidiary is the world's largest provider of timeshare vacation exchange opportunities and services for approximately 2.9 million timeshare members from more than 3,700 resorts in nearly 100 countries around the world. Our RCI® business consists primarily of the operation of two exchange programs for owners of condominium timeshares or whole units at affiliated resorts both in and outside the U.S., the publication of magazines and other periodicals related to the vacation and timeshare industry, travel-related services, resort management, and consulting services. RCI has significant operations in North America, Europe, the Middle East, Latin America, Africa, Australia and the Pacific Rim. RCI charges its members an annual membership fee and an exchange fee for each exchange resulting in fees totaling approximately $390 million during 2001.

Growth. The timeshare exchange industry has experienced significant growth over the past decade. We believe that the factors driving this growth include the demographic trend toward older, more affluent Americans who travel more frequently; the entrance of major hospitality and entertainment companies into timeshare development; a worldwide acceptance of the timeshare concept; and an increasing focus on leisure activities, family travel and a desire for value, variety and flexibility in a vacation experience. We believe that future growth of the timeshare exchange industry will be determined by general economic conditions both in the United States and worldwide, the public image of the industry, improved approaches to marketing and sales and a greater variety of products and price points. Accordingly, we cannot predict if future growth trends will continue at rates comparable to those of the recent past. Most RCI members are acquired through developers; only a small percentage of members are acquired through our direct solicitation activities. As a result, the growth of the timeshare exchange business is dependent on the sale of timeshare units by affiliated resorts. RCI affiliates consist of international brand names and independent developers, owners' associations and vacation clubs.

Competition. The global timeshare exchange industry is comprised of a number of entities, including resort developers and owners. RCI's competitors include Interval International Inc., formerly our wholly owned subsidiary, as well as vacation club products and internal exchange programs offered by the Walt

Disney Co., Marriott, Starwood, Hilton and Hyatt. RCI also competes with regional and local time share exchange companies and developers.

Timeshare Sales and Marketing Business (6% of revenue for 2001)

We acquired Fairfield Resorts, Inc. (formerly known as Fairfield Communities, Inc.) in April 2001. Fairfield Resorts is one of the largest vacation ownership companies in the United States in terms of property owners, vacation units constructed and revenue from sales of vacation ownership interests. Fairfield sells and markets vacation products that provide quality recreational experiences to its more than 365,000 property owners. As of December 31, 2001, our portfolio of resorts consisted of 35 resorts located in 12 states. Of those resorts which are in various stages of development, 25 are located in destination areas with popular vacation attractions and 10 are located in scenic locations. We also provide consumer financing to individuals purchasing vacation ownership interests.

We derive revenue from the sale of vacation ownership interests and from the interest income earned on notes receivable and contracts receivable generated by providing financing to purchasers of those vacation ownership interests.

On February 11, 2002, we acquired Equivest Finance, Inc. Equivest is a timeshare vacation services company that develops, markets and sells vacation services and vacation ownership interests to consumers at 29 resorts and will be integrated into Fairfield Resorts.

On April 30, 2002, we acquired approximately 90% of the outstanding common stock of Trendwest Resorts, Inc. for approximately $849 million, including $20 million of estimated transaction costs and expenses and $25 million related to the conversion of Trendwest employee stock options into CD common stock options. The acquisition consideration was funded through a tax-free exchange of approximately 42.6 million shares of CD common stock then valued at approximately $804 million. We purchased the remaining 10% of the oustanding Trendwest shares through a short form merger on June 3, 2002 for approximately $87 million, which was funded through a tax-free exchange of approximately 4.8 million shares of CD common stock then valued at approximately $87 million. Trendwest, through its WorldMark Club, markets, sells, and finances vacation ownership interests and will provide significant geographic diversification to our company, as our existing timeshare operations, Fairfield Resorts and Equivest, are principally located in the eastern United States. Trendwest's 48 properties are located primarily in the western United States, British Columbia, Mexico, Hawaii and the South Pacific.

Growth. The growth strategy for our timeshare sales and marketing business is driven primarily by acquisitions and further development. We also continually explore strategic corporate alliances and other transactions that would complement our timeshare sales and marketing business. We also plan to continue to further develop our existing destination resorts as well as develop additional resort locations.

Competition. The timeshare sales and marketing industry is highly competitive and is comprised of a number of companies specializing primarily in timeshare development, sales and marketing. In addition, a number of national hospitality chains develop and sell vacation ownership interests to consumers. Our primary competitors are Disney, Marriott, Starwood, Hilton and Hyatt.

Relationship with FFD Development Company, LLC. Prior to our acquisition of Fairfield Resorts, Fairfield's internal development function, consisting of property, acquisition, planning design and construction, and much of its inventory were contributed to a new, separate company, FFD Development Company, LLC ("FFD"). Fairfield received convertible preferred interests in FFD that may be converted into FFD's common equity interest and a warrant to purchase additional common equity interests in exchange for approximately $60 million of vacation ownership units and $4 million of cash. In connection with our acquisition of Fairfield in April 2001, through our Fairfield subsidiary, we now own the preferred equity interest, which approximated $59 million as of December 31, 2001, and the warrant to purchase a common equity interest in FFD. If we exercise our preferred interests and warrant, we will own approximately 75% of FFD, on a fully diluted basis. During 2001, we received $6 million in preferred equity as a dividend on

our preferred equity interest in FFD. FFD's common equity is held by an independent trust. FFD is our primary acquirer and developer of timeshare inventory. Fairfield Resorts utilizes FFD to develop new resorts or expand existing units as required by Fairfield or Equivest. We are only obligated to purchase the resort upon completion to the contractual specifications, upon delivery of a certificate of occupancy and when clear title is obtained. As of December 31, 2001, subject to FFD's completion of the construction of timeshare inventory in accordance with the contractual specifications and delivery of a certificate of occupancy with clear title, we would be obligated to purchase approximately $98 million of timeshare inventory from FFD. Certain officers of Cendant serve on the Board of Directors of FFD.

FFD has its own $125 million syndicated bank facility which is non-recourse to us. At December 31, 2001, $4 million was outstanding under the facility. We anticipate that FFD will increase its borrowings in 2002. Subsequent to December 31, 2001, as is customary in "build to suit" agreements, when we contract with FFD for the development of a property, we will issue a letter of credit for up to 20% of our purchase price for such property. Drawing under all letters of credit will only be permitted if we fail to meet our payment obligations with respect to any such property. As of June 30, 2002, we had issued approximately $42 million of these letters of credit.

Vacation Home Rental Business

In January 2001, we acquired Holiday Cottages Group Ltd. ("Holiday Cottages"), a leading marketer of vacation rental homes in Europe, promoted under eight brands. Holiday Cottages has relationships with over 9,000 independent property owners in the United Kingdom, France and Ireland. These property owners contract annually with Holiday Cottages on an exclusive basis to market their rental properties. In 2001, Holiday Cottages sold approximately 175,000 rental weeks on behalf of vacation property owners. Holiday Cottages also markets boat rentals in the UK, the Netherlands and France. This acquisition was not material to Cendant.

In September, 2001, we acquired Cuendet Cie SpA, a leading Italian brand specializing in the marketing and renting of over 3,500 private vacation homes in Italy, France, Spain and Portugal. Our acquisition of Cuendet increased our vacation home rental portfolio to approximately 15,000 properties. Cuendet markets its properties through tour operators and travel agents in Italy, France, Germany and North America. This acquisition was not material to Cendant.

In April 2002, we acquired Novasol A.S., which specializes in the marketing of privately owned holiday properties for rent principally across Denmark, Norway, Sweden, Germany and Eastern Europe. This acquisition added 17,000 properties to our portfolio. This acquisition was not material to Cendant.

In June 2002, we acquired Welcome Holidays Limited, which markets privately owned holiday properties for rent in the U.K., France and Ireland. This acquisition added approximately 3,700 properties to our portfolio. This acquisition was not material to Cendant.

In October, 2002, we acquired The International Life Group Limited which specializes in the provision of holiday rentals of cottages, villas, apartments and mobile homes based in France to UK and Irish consumers. This acquisition was not material to Cendant.

Our strategy is to provide sophisticated brand marketing and reservations for the benefit of owners of vacation home accommodations. We intend to increase our contract property portfolio and to make all contract inventory in our portfolio available to the global marketplace. Marketing strategies include establishing an optimal balance between direct partner and travel agent marketing.

Hospitality Trademarks and Intellectual Property

The service marks "Days Inn," "Ramada," "Howard Johnson," "Super 8," "Travelodge," "Wingate Inn," "Villager," "Knights Inn," "AmeriHost Inn", "RCI", "Resort Condominiums International", "Fairfield" and related trademarks and logos are material to our hospitality businesses. The subsidiaries that operate our timeshare businesses and our franchisees actively use the marks which are registered (or have applications

pending) with the United States Patent and Trademark Office as well as major countries worldwide where our hospitality business has significant operations. We own all the marks listed above other than the "Ramada" and "Days Inn" marks. In connection with the creation of a venture with Marriott International in March 2002, in which we own a 50.0001% interest, we contributed to the venture our "Days Inn" marks and Marriott contributed its domestic "Ramada" marks. We now license the "Ramada" and "Days Inn" marks from the venture. Prior to March 2002, we licensed the "Ramada" marks from Marriott. We are limited to using the Ramada marks in the Continental U.S., Alaska and Hawaii market. During 2001, we received approximately $44 million in royalties from Ramada franchisees and paid $24 million in licensing fees to Marriott. We own the Travelodge mark only in North America.

Hospitality Seasonality

Our lodging franchise business generates higher revenue during the summer months because of increased leisure travel. Therefore, any occurrence that disrupts travel patterns during the summer period could have a material adverse effect on our lodging franchisee's annual performance and consequently our annual performance. A principal source of timeshare exchange revenue relates to exchange services to members. Since members have historically shown a tendency to plan their vacations in the first quarter of the year, revenues are generally slightly higher in the first quarter. In timeshare sales, we rely upon tour flow in order to generate timeshare sales, consequently, sales volume tends to increase in the summer months as increased tourist travel results in additional increased tour flow. We cannot predict whether these trends will continue in the future as the timeshare sales business expands outside of the United States and Europe, and as global travel patterns shift with the aging of the world population.

Hospitality Employees

The businesses that make up our Hospitality segment employed approximately 13,724 persons as of December 31, 2001.

VEHICLE SERVICES SEGMENT (39%, 5% and 19% of revenue for 2001, 2000 and 1999, respectively)

With the acquisition of Avis Group Holdings, Inc. on March 1, 2001, the Vehicle Services Segment now consists of the car rental operations and fleet management services business of Avis Group in addition to the Avis franchise system and our parking facility business.

Car Rental Operations and Franchise Businesses (24%, 5%, 4% of revenue for 2001, 2000 and 1999, respectively)

We operate and/or franchise portions of the Avis® car rental system (the "Avis System"), which represents the second largest general use car rental brand in the world, based on total revenue and volume of rental transactions. The Avis System is comprised of approximately 4,800 rental locations (of which 1,713 are operated and/or franchised by us), including locations at some of the largest airports and cities in the United States and foreign countries. We operate 867 Avis car rental locations in both airport and non-airport (downtown and suburban) locations in the United States, Canada, Puerto Rico, the U.S. Virgin Islands, Argentina, Australia and New Zealand. For the period March 1, 2001, the date we acquired Avis, through December 31, 2001, our Avis car rental operations had an average fleet of approximately 216,000 vehicles and generated total vehicle rental revenue of approximately $2.0 billion, of which 90% (or $1.8 billion) was derived from U.S. operations.

We also franchise the Avis System to individual business owners in approximately 846 locations including locations in the United States, Latin America, Central America, South America and the Pacific region. Approximately 99.7% of the Avis System rental revenues in the United States are received from locations operated by us either directly or under agency arrangements, with the remainder being received from locations operated by independent franchisees. Independent franchisees pay fees based either on total time and mileage charges or total revenue. The Avis System in Europe, Africa, part of Asia and the Middle East is operated under franchise by Avis Europe Ltd., an unaffiliated third party.

The Avis System provides franchisees and our corporate locations access to the benefits of a variety of services, including: (i) the "Avis Cares®" driver and travel safety program, (ii) a standardized system identity for rental location presentation and uniforms; (iii) a training program, business policies, quality of service standards and data designed to monitor service commitment levels; (iv) marketing/advertising/public relations support for national consumer promotions including Frequent Flyer/Frequent Stay programs and the avis.com site; and (v) brand awareness of the Avis System through the familiar "We Try Harder®" service announcements.

Avis System franchisees have access to the Wizard® System, which provides (i) global reservations processing, (ii) rental agreement generation and administration and (iii) fleet accounting and control. Franchisees pay a fee for each use of the Wizard System. We also offer Avis InterActive®, which provides corporate customers real-time access to aggregated information on car rental expenses to better manage their car rental expenditures.

Growth. The existing rental patterns of our business cause us to have excess capacity from Friday through Sunday. We intend to increase business during this period through a combination of advertising, targeted marketing programs to associations and customers of other Cendant brands and increased presence in the online arena. Our own Internet site, avis.com, as well as other Internet travel sites, including our cheaptickets. com Web site, present good opportunities to grow our business and improve our profitability through enhanced utilization of our fleet. We also intend to continue to grow our share of the corporate market through normal contract negotiations and by seeking clients that may be affected by fleet constraints of certain of our competitors.

On August 22, 2002, we announced that we had entered into a definitive agreement to acquire substantially all of the assets of Budget Group, Inc. ("Budget"), a general car and truck rental company in the United States, for approximately $110 million in cash plus transaction costs and expenses. As part of the acquisition, we will assume certain contracts and trade payables, as well as refinance approximately $2.6 billion in Budget asset-backed vehicle related debt. The acquisition is subject to certain conditions, including bankruptcy court and regulatory approval outside the United States. The acquisition has received clearance under U.S. antitrust regulations. Subject to the satisfaction of these conditions, we currently expect to complete the acquisition during the fourth quarter of 2002.

Fleet Management. With respect to the car rental operations owned and operated by us, we participate in a variety of vehicle purchase programs with major domestic and foreign manufacturers, principally General Motors Corporation. Under the terms of our agreement with GM, which expires in 2004, we are required to purchase a certain number of vehicles from GM and maintain at least 51% GM vehicles in our U.S. fleet. Our current operating strategy is to maintain an average fleet age of approximately six months. For model year 2001, approximately 99% of our domestic fleet vehicles were subject to repurchase programs. Under these programs, subject to

certain conditions, such as mileage and vehicle condition, a manufacturer is required to repurchase those vehicles at a pre-negotiated price thereby eliminating our risk on the resale of the vehicles. In 2001, approximately 3% of repurchase program vehicles did not meet the conditions for repurchase.

Marketing. In 2001, approximately 75% of vehicle rental transactions generated from our owned and operated car rental locations were generated in the United States by travelers who used the Avis System under contracts between the Company and the travelers' employers or organizations of which they are members (such as AAA). Unaffiliated business travelers are solicited by direct mail, telesales and advertising campaigns.

Travel agents can make Avis System reservations by telephone, via our Web site, or through all major global distribution systems and can obtain access through these systems to our rental location, vehicle availability and applicable rate structures. An automated link between these systems and the Wizard System gives them the ability to reserve and confirm rentals directly through these systems. We also maintain strong links to the travel industry. We have arrangements with frequent traveler programs of airlines such as Delta®, American®, Continental® and United®, and of hotels including the Hilton Corporation, Hyatt Corporation, Best Western, and Starwood Hotels and Resorts. These arrangements provide various incentives to all program participants and cooperative marketing opportunities for Avis and the partner. We also have an arrangement with our

lodging brands whereby lodging customers who are making reservations by telephone will be transferred to Avis if they desire to rent a vehicle.

Internationally, we utilize a multi-faceted approach to sales and marketing throughout our global network by employing teams of trained and qualified account executives to negotiate contracts with major corporate accounts and leisure and travel industry partners. In addition, we utilize centralized telemarketing and direct mail initiatives to continuously broaden our customer base. Sales efforts are designed to secure customer commitment and support customer requirements for both domestic and international car rental needs. Our international operations maintain close relationships with the travel industry including participation in several airline frequent flyer programs, such as those operated by Air Canada®, Varig® Brazilian Airlines, as well as participation in Avis Europe programs with British Airways®, Lufthansa® and other carriers.

Avis.com. Avis has a strong brand presence on the Internet through our Web site, www.avis.com. A steadily increasing number of Avis vehicle rental customers obtain rate, location and fleet information and then reserve their Avis rentals directly on the avis.com Web site. In addition, customers electing to use other Internet services such as Expedia®, Travelocity® and America Online® for their travel plans also have access to Avis reservations. During 2001, reservations through Internet sources increased to 9.5% of total reservations from 7.4% in the prior year for our owned operations.

Competition. The vehicle rental industry is characterized by intense price and service competition. In any given location, we and our franchisees may encounter competition from national, regional and local companies, many of which, particularly those owned by the major automobile manufacturers, have greater resources than the Avis System. Nationally, our principal competitor is The Hertz Corporation, however, we also compete with Budget Rent A Car Corporation, National Car Rental System, Inc., Alamo Rent-A-Car, LLC, Dollar Rent A Car System, Inc. and Thrifty Rent-A-Car System, Inc. In addition, we compete with a large number of regional and local smaller vehicle rental companies throughout the country.

Competition in the U.S. vehicle rental operations business is based primarily upon price, reliability, ease of rental and return and other elements of customer service. In addition, competition is influenced strongly by advertising and marketing. In part, because of the Wizard System and Avis Interactive, we have been particularly successful in competing for commercial accounts.

Fleet Management Services Business (15% and 15% of revenue for 2001 and 1999, respectively)

Through our acquisition of Avis Group Holdings in March 2001, we acquired a portion of the fleet management business we had previously sold to Avis in June 1999. As a result, we generated no revenue in this business in 2000. PHH Vehicle Management Services LLC (d/b/a PHH Arval), a leader in the fleet management services business, and Wright Express LLC, a leading proprietary fuel card service provider in the United States comprise our fleet management services business.

We provide corporate clients and government agencies the following services and products for which we are generally paid a monthly fee:

- *Fleet Leasing and Fleet Management*. Services include vehicle leasing, fleet policy analysis and recommendations, benchmarking, vehicle recommendations, ordering and purchasing vehicles, arranging for vehicle delivery, administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims and remarketing used vehicles. We also offer various leasing plans, financed primarily through the issuance of floating rate notes and borrowings through an asset backed structure. In 2001, we leased in excess of 315,000 units. The majority of the residual risk on the value of the vehicle at the end of the lease term remains with the lessee for approximately 97% of the vehicles financed by us in North America.

- *Fuel and Expense Management*. For the effective management and control of automotive business travel expenses, we provide charge cards permitting a client's representatives to purchase gasoline or other fleet related products through a network of company-owned, distributor and independent merchant locations. The cards operate as a universal card with centralized billing designed to

measure and manage costs. In the United States, Wright Express is the leading fleet charge card supplier with over 160,000 fuel facilities in its network and in excess of 3.1 million cards issued. Wright Express distributes its fleet cards and related offerings through three primary channels: (i) the Wright Express®-branded universal card, which is issued directly to fleets by Wright Express; (ii) the private label card, under which Wright Express provides private label fuel cards and related services to commercial fleet customers of major petroleum companies; and (iii) the co-branded card, under which Wright Express fuel cards are co-branded and issued in conjunction with products and services of partners such as commercial vehicle leasing companies, including PHH Arval. Wright Express also issues MasterCard branded fleet, purchasing and travel and entertainment commercial charge cards.

- *Maintenance Services.* We offer customers vehicle maintenance charge cards that are used to facilitate repairs and maintenance payments. The vehicle maintenance cards provide customers with benefits such as (i) negotiated discounts off full retail prices through our convenient supplier network, (ii) access to our in-house team of certified maintenance experts that monitor card transactions for policy compliance, reasonability, and cost effectiveness, and (iii) inclusion of vehicle maintenance card transactions in a consolidated information and billing database that helps evaluate overall fleet performance and costs. We maintain an extensive network of service providers in the United States and Canada to ensure ease of use by the client's drivers.

- *Accident Management Services*. We also provide our clients with comprehensive accident management services such as (i) immediate assistance after receiving the initial accident report from the driver (e.g., facilitating emergency towing services and car rental assistance), (ii) organizing the entire vehicle

appraisal and repair process through a network of preferred repair and body shops, and (iii) coordinating and negotiating potential accident claims. Customers receive significant benefits from our accident management services such as (a) convenient coordinated 24-hour assistance from our call center, (b) access to our advantageous relationships with the repair and body shops included in our preferred supplier network, which typically provides customers with extremely favorable repair terms and (c) expertise of our damage specialists, who ensure that vehicle appraisals and repairs are appropriate, cost-efficient, and in accordance with each customer's specific repair policy. On February 6, 2002, we acquired driversshield.com FS Corp. to compliment our accident management business. This acquisition was not material to Cendant.

Growth. We intend to focus our efforts for growth on the large fleet segment and middle market fleets as well as fee based services to new and existing clients. We also intend to increase cross marketing the products offered by Wright Express and PHH Arval to our customers.

Competition. The principal factors for competition in vehicle management services are service, quality and price. We are competitively positioned as a fully integrated provider of fleet management services with a broad range of product offerings. Among providers of outsourced fleet management services, we rank second in North America in the number of leased vehicles under management and first in the number of proprietary fuel and maintenance cards for fleet use in circulation. There are four other major providers of outsourced fleet management services in the United States, GE Capital Fleet Services, Wheels Inc. Automotive Resources International (ARI), and CitiCapital, hundreds of local and regional competitors, and numerous niche competitors who focus on only one or two products and do not offer the fully integrated range of products provided by us. In the United States, it is estimated that only 50% of fleets are leased by third-party providers. The unpenetrated demand and the continued focus by corporations on cost efficiency and outsourcing will provide the growth platform in the future.

Discontinued Operation

Parking Facility Business. On May 22, 2002, we announced that we had completed the sale of our National Car Parks subsidiary for total consideration of £820 million (approximately $1.2 billion) in cash.

Vehicle Services Trademarks and Intellectual Property

The service mark "Avis," related marks incorporating the word "Avis", and related logos are material to our car rental business. Our subsidiaries and franchisees, actively use these marks. All of the material marks used in the Avis business are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where Avis franchises are in operation. We own the marks used in the Avis business. The service marks "Wright Express," "WEX," "PHH" and related trademarks and logos are material to our fleet services business. Wright Express, PHH Arval and their licensees actively use these marks. All of the material marks used by Wright Express and PHH Arval are registered (or have applications pending for registration) with the United States Patent and Trademark Office. All of the material marks used by PHH Arval are also registered in major countries throughout the world where the fleet management services are offered by Arval PHH. We own the marks used in Wright Express' and PHH Arval's business.

Vehicle Services Seasonality

For our Avis vehicle rental business, the third quarter of the year, which covers the summer vacation period, represents the peak season for vehicle rentals. Any occurrence that disrupts travel patterns during the summer period could have a material adverse effect on Avis' annual performance. The fourth quarter is generally the weakest financial quarter for the Avis System. In 2001, our average monthly rental fleet, excluding franchisees, ranged from a low of 184,000 vehicles in November to a high of 244,000 vehicles in August. Rental utilization, which is based on the number of hours vehicles are rented compared to the total number of hours vehicles are available for rental, ranged from 66.7% in December to 82.6% in August and averaged 74.4% for all of 2001.

The fleet management services businesses are generally not seasonal.

Vehicle Services Employees

The businesses that make up our Vehicle Services segment employed approximately 18,234 persons as of December 31, 2001.

TRAVEL DISTRIBUTION SEGMENT (5%, 2% and 2% of revenue for 2001, 2000 and 1999, respectively)

With the acquisitions of Galileo International, Inc. and Cheap Tickets, Inc. in October 2001, we added a new Travel Distribution segment which is comprised of (i) our global distribution services business through Galileo International, (ii) our travel agency business, including Cheap Tickets, and (iii) our reservations processing, connectivity and information management services business through Wizcom. For 2000 and 1999, revenue included in this segment was generated from our travel agency business, which is conducted by RCI Travel and Cendant Travel, and our electronic reservations business, which is conducted by our WizCom subsidiary. The results of these businesses were previously included in our Hospitality Segment.

Global Distribution Services Business (4% of revenue for 2001)

In October 2001, we acquired Galileo International, Inc. for approximately $1.9 billion, $1.5 billion of which was funded through the issuance of 117 million shares of Cendant common stock, and the remainder of which was funded from available cash. As part of the acquisition, we assumed approximately $586 million of Galileo's debt.

We provide, through Galileo, electronic global distribution and computer reservation services ("GDS") for the travel industry utilizing a computerized reservation system. Through our Apollo® and Galileo® computerized reservation systems, our GDS subsidiary provides travel agencies and other subscribers at approximately 45,000 locations, numerous Internet travel sites, as well as corporations and consumers who use our self-booking products, with the ability to access schedule and fare information, book reservations and issue tickets for more than 500 airlines. Our GDS subsidiary also provides subscribers with information and booking capabilities covering approximately 30 car rental companies and more than 200 hotel companies with approximately 52,000 properties throughout the world. Since our acquisition of Galileo, our GDS subsidiary completed approximately 60.4 million bookings. Our GDS subsidiary operates in 118 countries. Approximately 59% of our distribution revenues are generated outside the United States.

Effective November 1, 2001, we entered into a ten-year, $1.4 billion information technology services arrangement with IBM Global Services, pursuant to which IBM Global Services will manage information technology services for our various business units, including the Galileo GDS. Such services include managing our data center, which was relocated from Garden City, New York to Denver, Colorado, and operating our 1,400-plus computer servers. IBM has also assumed responsibility for information technology services and data operations of third-party companies that had contracted with us to provide those functions. IBM also provides help desk and desk-top support services to some of our employees. As a result of this agreement, approximately 500 of our employees were hired by IBM.

Substantially all of our electronic GDS revenue is derived from booking fees paid by travel suppliers, such as airlines, car rental companies and hotel companies. Travel suppliers store, display, manage and sell their services through our systems. Airlines and other travel suppliers are offered varying levels of functionality at which they can participate in our systems. Our Apollo system is utilized in North America and Japan, and our Galileo system is utilized in the rest of the world. In 2001, approximately 93% of our booking fee revenues were generated from airlines. United Airlines is the largest single travel supplier utilizing our systems, generating revenues that accounted for approximately 12% of our total GDS revenues in 2001.

Travel agencies access our systems using hardware and software typically provided by us or by independent national distribution companies ("NDCs"), although travel agencies can choose to purchase their own hardware and certain software. We, internally or through our NDCs, also provide technical support and other assistance to travel agencies. Multinational travel agencies constitute an important category of subscribers due to the high volume of business that can be generated through a single relationship. Bookings generated by our five largest travel agency customers constituted 20% of the bookings made through our systems in 2001.

Product Distribution. We distribute our products to subscribers primarily through our internal sales and marketing organization. We also distribute our products through our relationships with independent NDCs. NDC's are third party distributors who receive a commission for the sale and servicing of Galileo and Apollo technology to travel agents. Our local sales and marketing groups distribute our products in North America, the United Kingdom, Belgium, France, Germany, Spain, Portugal, the Netherlands, Switzerland, Sweden, Finland, Norway, Russia, Australia, New Zealand, Hong Kong, Singapore, the Philippines, Brazil and Venezuela. Bookings made in these countries collectively accounted for approximately 69% of our 2001 bookings.

In regions not supported directly by our sales and marketing organization, we provide services through our relationships with independent NDCs through distribution agreements entered into with Galileo. The NDC is responsible for cultivating the relationship with subscribers in its territory, installing subscribers' computer equipment, maintaining the hardware and software supplied to the subscribers and providing ongoing customer support. The NDC earns a share of the booking fees generated in the NDC's territory, as well as all subscriber fees billed in that marketplace. NDCs, which are typically owned or operated by the national airline of the relevant country or a local travel-related business, accounted for approximately 31% of our booking volume in 2001.

Growth. In order to grow our GDS business, we intend to capitalize on our competitive strengths, the key elements of which are: (i) Cendant's business to business expertise and relationships, (ii) a diversified global presence, (iii) established relationships with a diverse group of travel suppliers and subscribers, (iv) a comprehensive offering of innovative products, and (v) new product initiatives with unique appeal to travel consumers, agencies and suppliers. We believe that the distribution network established through our independent NDCs provides us with a local presence in countries throughout the world. In addition, we continue to strengthen our presence in developing and emerging economies that provide future growth opportunities, such as Eastern Europe, Africa, the Middle East and Asia. We believe that in-depth knowledge of the local travel economies in which we distribute our products is essential to developing and strengthening our ties to travel suppliers and the local travel agencies that generate significant booking volumes.

We will continue to assess opportunities to acquire distributors in mature, highly automated markets, where we can realize attractive economic returns and enhance our customer service. Consistent with this

strategy, in April 2001, prior to our acquisition of Galileo, Galileo acquired Southern Cross Distribution Systems Pty Limited, its NDC for Australia and New Zealand, from an entity owned by the Qantas Airways group, Ansett Airlines and Air New Zealand. This acquisition raised the number of wholly owned sales and marketing organizations to 19, representing approximately 69% of our distribution.

We intend to continue to pursue opportunities to further open up our computerized reservation system to distribute travel through a variety of means and to continue to develop leading technologies, integrate additional travel content into our products, further strengthen our relationships with our agency and supplier customers and maintain our position as a leading player in the integrated electronic travel distribution marketplace. In October 2001, we acquired Highwire, Inc., a developer of corporate Internet travel tools and technology, which we expect will complement our product offerings and create new opportunities in the corporate online channel. The acquisition of HighWire was not material to Cendant.

Information Services. We currently provide fare quotation services through our GlobalFares™ quotation system to approximately 68 airlines worldwide. GlobalFares is used in conjunction with each airline's internal reservation system and provides pricing information.

We also provide internal reservation services to United Airlines pursuant to a computer services agreement which terminates at the end of 2004. Such services include the display of schedules and availability, the reservation, sale and ticketing of travel services and the display of other travel-related information to United Airlines' airport offices, city ticket offices and reservation centers internationally. In addition, we provide certain other internal management services to United Airlines, including network management, departure control, availability displays, inventory management, database management and software development.

On August 12, 2002, we acquired all of the issued and outstanding equity securities of InterNETWORK Publishing Corporation and certain of its affiliates (collectively, "IPC"), which operate online hotel reservation travel sites, including Lodging.com. IPC is expected to broaden our marketing of discounted hotel rooms to consumers and travel agencies. The acquisition of IPC is not material to Cendant.

Competition. Our competitors include the three major global distribution system companies: Sabre®, Amadeus® and Worldspan®, the regional reservation systems including Abacus®, Axess**sm**, Infini**sm** and Topas**sm**, other travel infrastructure companies such as Pegasus Systems and Datalex, firms that operate in the virtual travel services sector such as Expedia®, Travelocity® and Orbitz**sm** and alternative channels by which travel products and services are distributed.

Competition to attract and retain travel agency subscribers is intense. As a result, we and other computerized reservation system service providers offer incentives to travel agency subscribers if certain productivity or booking volume growth targets are achieved. Although continued expansion of the use of such incentive payments could adversely affect our profitability, our failure to continue to make such incentive payments could result in the loss of some travel agency subscribers.

Travel Agency Services Business (1%, 2% and 2% of revenue for 2001, 2000 and 1999, respectively)

We provide travel services, through our travel agency subsidiaries RCI Travel, LLC, Cendant Travel, Inc. and Cheap Tickets, Inc. We are a full service travel agency operation providing airline, car rental, hotel and other travel reservation and fulfillment services. Such services are provided to members of Resort Condominiums International, LLC, our timeshare exchange company, as well as in connection with the travel programs offered through Trilegiant Corporation, an individual membership business, and Trip Network, Inc., an independent affiliate of Cendant and the operator of the cheaptickets.com**sm** and Trip.com**sm** travel Web sites. On October 5, 2001, we acquired Cheap Tickets, Inc. for approximately $313 million primarily in cash.

We work directly with travel suppliers, such as airlines, car rental companies, hotel companies and tour and cruise operators to secure both non-published and regularly available fares, rates and tariffs to supply the best possible rates and discounted travel to our customers. Cheap Tickets' non-published fares are not available to consumers directly from the airlines. Rates are made available to customers through our call centers and through our branded sites, cheaptickets.com and trip.com, which are operated by Trip Network, Inc. See "Relationship with Trip Network, Inc." discussion below. Transactions are booked via

global distribution service and fulfilled through our call center network and ticketing operations. As of December 31, 2001, we maintained a total of nine call centers located in: Lakeport, California, Colorado Springs, Denver and Englewood, Colorado, Tampa, Florida, Honolulu, Hawaii, Indianapolis (Carmel) Indiana, Moore, Oklahoma and Nashville, Tennessee.

Competition. As we provide services to our RCI members and to Trilegiant members through an outsourcing agreement, our primary competitors consist of other membership related travel services providers such as Memberworks, Quest, Encore Marketing and Damark. In addition, we compete with a large number of leisure travel agencies, including Liberty Travel, American Express Travel and AAA Travel Services, and Internet travel Web sites, such as Orbitz, Expedia, Travelocity, Priceline and Hotwire.

Relationship with Trip Network, Inc. Trip Network, Inc. ("TNI") was established in 2001 to develop and launch an Internet travel portal initiative, and is expected to significantly expand the Internet presence of our travel brands for the benefit of certain of our current and future franchisees. TNI was established with a $20 million contribution of assets by us in return for all of the common stock and preferred stock of Trip Network. We transferred all the common shares of Trip Network to an independent technology trust that is controlled by three independent trustees who are not officers, directors or employees of Cendant or relatives of officers, directors or employees of Cendant. The preferred stock is convertible at an exercise price of $0.01 per share into approximately 80% of TNI's common stock beginning on March 31, 2003 or earlier upon a change of control of TNI. Additionally, we also funded TNI in the first quarter of 2001 with approximately $85 million, including $45 million in cash and 1.5 million shares of Homestore common stock, then valued at $34 million. Following our acquisitions of Galileo and Cheap Tickets, TNI licensed the rights for the online businesses, Trip.com and Cheaptickets.com, respectively, which combined provide access to 20 million registered users. TNI currently operates these online travel businesses and we provide TNI with call center, supplier relationship management and GDS services. TNI is developing Trip.com as its primary consumer portal and released a new version of Trip.com in December 2001 as a "soft launch." It is anticipated TNI will launch an extensive Trip.com marketing campaign later this year as TNI further develops Trip.com with improved technology, greater discounted travel inventory and personalized customer services.

At December 31, 2001, TNI had no debt outstanding nor are we contingently liable for any debt which TNI may incur. Certain officers of Cendant serve on the Board of Directors of TNI.

WizCom Business

Our wholly-owned WizCom subsidiary is a global provider of electronic reservations processing, connectivity and computerized reservation system services for the travel industry. WizCom provides hotels, car rental businesses and tour/leisure travel operators, including Internet travel companies, with electronic distribution to the Global Distribution Systems (such as our Galileo GDS), Internet or other travel reservations systems, linking customers to all the major travel networks on six continents through telephone lines and satellite communications. These products allow for real time processing for travel agents, corporate travel departments and consumers. In addition, WizCom offers information management services that permit customers to maintain current information on property, vehicle or tour packages (such as rental rates and room amenity descriptions) and deliver the most current data to external distribution systems. Revenues are generated from services provided by WizCom to its customers and are primarily comprised of up-front implementation fees and ongoing transaction and support fees.

Growth. WizCom expects to increase its Internet distribution reach, allowing hotel and car rental companies to further optimize their sales mix. WizCom is also planning enhancements to its product and service portfolio aimed at the hospitality sector. For example, WizCom will launch a new product to enable hotels to reduce rate description management resources and generate revenue growth for WizCom.

Competition. In providing electronic distribution services to hotel customers, WizCom competes with third party connectivity providers such as Pegasus Solutions, and also with supplier direct connection technology. WizCom competes with many companies to provide computerized reservation system services to hotel customers, including other hotels. Some of our competitors include Hotel Data Systems, Synix and Micros Systems.

Travel Distribution Trademarks and Intellectual Property

The trademarks and service marks "Galileo," "Apollo," "Cheap Tickets," "Trip.com" and "WizCom" and related trademarks and logos are material to the businesses in our travel distribution segment. Galileo, Cheap Tickets, Trip.com, WizCom and their subsidiaries and licensees actively use these marks. All of the material marks used by Galileo, Cheap Tickets, Trip.com and WizCom are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries throughout the world where these businesses operate. We own the marks used in the travel distribution segment.

Travel Distribution Seasonality

We experience a seasonal pattern in our operating results, with the fourth quarter typically having the lowest total revenues and operating income due to early bookings by customers for holiday travel and a decrease in business travel during the holiday season.

Travel Distribution Employees

The businesses that make up our Travel Distribution segment employed approximately 6,022 persons as of December 31, 2001.

FINANCIAL SERVICES SEGMENT (16%, 32% and 26% of our revenue for 2001, 2000 and 1999, respectively)

Insurance/Wholesale Business (5%, 10% and 7% of our revenue for 2001, 2000 and 1999, respectively)

Our insurance/wholesale business provides (i) enhancement packages for financial institutions through Progeny Marketing Innovation, (ii) marketing for accidental death and dismemberment insurance and certain other insurance products through FISI and BCI and (iii) marketing for long term care insurance products through LTPC. With nearly 39 million customers, we offer the following products and services:

Enhancement Package Service. We sell enhancement packages for financial institution consumer and business checking and deposit account holders primarily through our Progeny subsidiary. Progeny's financial institution clients select a customized package of our products and services and then usually add their own services (such as unlimited check writing privileges, personalized checks, cashiers' or travelers' checks without issue charge, or discounts on safe deposit box charges or installment loan interest rates). With our marketing and promotional assistance, the financial institution then offers the complete package of enhancements to its checking account holders as a special program for a monthly fee. Most of these financial institutions choose a standard enhancement package, which generally includes $10,000 of common carrier insurance and travel discounts. Others may include Trilegiant's shopping and credit card registration services, a travel newsletter or pharmacy, eyewear or entertainment

discounts as enhancements. The common carrier coverage is underwritten under group insurance policies with two referral underwriters. We generally charge a financial institution client an initial fee to implement this program and monthly fees thereafter based on the number of customer accounts participating in that financial institution's program. In January 2001, Progeny acquired the customer lists and all contracts of MarketTrust, Inc. that were necessary to provide checking account enhancement packages to over 320 financial institutions located accross the United States and other related intellectual property. The acquisition of such assets of MarketTrust was not material to the Company.

AD&D Insurance. Through our Progeny and BCI subsidiaries, we serve as an agent and third-party administrator for marketing accidental death and dismemberment insurance throughout the country to the customers of financial institutions. These products are primarily marketed through direct mail solicitations which generally offer $1,000 of accidental death and dismemberment insurance at no cost to the customers and the opportunity to choose additional coverage of up to $250,000. The annual premium generally ranges from $10 to $250. BCI also acts as an administrator for, and markets, term life and hospital accident insurance. Progeny's and BCI's insurance products and other services are offered to customers of banks, credit unions, credit card issuers and mortgage companies.

Long Term Care Insurance. Through our LTPC subsidiary, we are one of the largest independent marketers of long term care insurance products in the United States representing five national underwriters. LTPC's sales efforts are supported by over 350 captive agents and 1,300 brokers across the United States.

Distribution Channels. We market our products to consumers: (i) of financial institutions or other associations through direct marketing; (ii) of financial institutions or other associations through a direct sales force, participating merchants or general advertising; and (iii) through companies and various other entities.

Growth. Primary growth drivers include expanding our customer base to include larger financial institutions and targeted non-financial partners. In addition, we are expanding the array of products and services sold through the direct marketing channels to existing clients.

Competition. Our checking account enhancement services compete with similar services offered by other companies, including insurance companies and other third-party marketers. In larger financial institutions, we may also compete with a financial institution's own marketing staff. Competition for the offering of our insurance products through financial institutions is growing and intense. Our competitors include other third-party marketers and large national insurance companies with established reputations that offer products with rates, benefits and compensation similar to ours. The long term care insurance industry is highly competitive. Our competition primarily includes large national insurance companies, such as General Electric Financial Assurance Company.

Loyalty Solutions (2%, 4% and 3% of our revenue for 2001, 2000 and 1999, respectively)

Our Cims subsidiary has developed customer loyalty solutions and insurance products for the benefit of financial institutions and businesses in other industries. The primary customer loyalty solution offered to Cims clients is the loyalty package. Loyalty packages provide targeted consumers of client organizations with a "package" of benefits and services for the purpose of improving customer retention, attracting consumers to become customers of the client organization and encouraging them to buy additional services. For example, packages include discounted travel services such as discounts on vacation rentals, car rentals, travel insurance, timeshare weeks, cruises, hotels and airlines. As of December 31, 2001, Cims has expanded its clients' membership and customer base to approximately 15.3 million individuals. Cims clients include over 50 financial institutions throughout Europe, South Africa and Asia. Cims offers travel and real estate benefits and other services within its loyalty packages for the benefit of consumers. Cims also leverages its internal insurance competencies and strategic relationships to provide insurance benefits to consumers. We also have exclusive licensing agreements covering the use of our merchandising systems in Australia, Japan and certain other Asian countries under which licensees pay initial license fees and agree to pay royalties to us based on membership fees, access fees and merchandise service fees paid to them.

Growth. The primary growth drivers for Cims are (i) to increase the number of consumers, from within our existing client base, who participate in loyalty programs for their particular financial institution, (ii) to increase the number of financial institutions we partner with for their respective loyalty marketing programs, (iii) to develop marketing relationships with clients in other industries (wireless providers for example) and (iv) to offer multiple loyalty solutions to our clients.

Competition. Cims represents an outsourcing alternative to marketing departments of large retail organizations. Cims competes with certain other niche loyalty solution providers throughout Europe.

Tax Preparation Business (1%, 1% and 1% of our revenue for 2001, 2000 and 1999, respectively)

Our Jackson Hewitt Inc. subsidiary ("Jackson Hewitt") is the second largest tax preparation service system in the United States. The Jackson Hewitt® franchise system is comprised of a 47-state network (and the District of Columbia) with approximately 3,800 offices operating under the trade name and service mark "Jackson Hewitt Tax Service®." Office locations range from stand-alone store front offices to kiosk offices within Wal-Mart® and Kmart® stores. Through the use of proprietary interactive tax preparation software, we are engaged in the preparation and electronic filing of federal and state individual income tax returns. During 2001, Jackson Hewitt prepared over 2.2 million tax returns, which represented an increase

of 22.0% from the approximately 1.8 million tax returns prepared during 2000. To complement our tax preparation services, we also offer accelerated check refunds and refund anticipation loans to our tax preparation customers through a designated bank. Franchisees pay a minimum initial fee and royalty and marketing fees.

H&R Block's recent shift to an owner/operator business model has resulted in Jackson Hewitt becoming the leading franchisor of tax preparation services.

Growth. We believe revenue and share growth in the tax preparation industry will come primarily from selling new franchises, the application of proven management techniques for existing franchise systems, and new product and service offerings.

During 1999, Jackson Hewitt, in conjunction with two of its largest franchisees, created an independent joint venture, Tax Services of America, Inc. ("TSA"), to maximize Jackson Hewitt's ability to add independent tax preparation firms to its franchise system. Jackson Hewitt initially contributed approximately 80 company-owned stores and as of December 31, 2001 had an approximate 89% interest in the form of preferred stock. The two other parties to the joint venture contributed a total of 40 stores in exchange for common stock in TSA. On January 18, 2002, Jackson Hewitt purchased all of the then outstanding common stock of TSA for approximately $4.0 million. TSA currently has over 400 offices and is expected to prepare over 350,000 tax returns in 2002. TSA's objective is to grow by acquiring independent tax preparation firms in areas where TSA is licensed to operate and convert them to the Jackson Hewitt system.

Competition. Tax preparation businesses are highly competitive. There are a substantial number of tax preparation firms and accounting firms that offer tax preparation services. Commercial tax preparers are highly competitive with regard to price, service and reputation for quality. Our largest competitor, H&R Block, is a nationwide tax

preparation service with approximately 9,000 locations.

Individual Membership Business (8%, 17% and 15% of our revenue for 2001, 2000 and 1999, respectively)

The individual membership business markets various clubs and services to individuals through client proprietary lists (such as banks, financial institutions, retailers, oil companies and internet service providers) for a membership fee. The membership period is typically on an annual basis although we do have some members that join on a monthly basis. Members have the ability to cancel their membership at any time during the membership period for a full or partial refund.

On July 2, 2001, we entered into 40-year outsourcing and licensing agreements with Trilegiant Corporation, a direct marketing company established by former management of our Cendant Membership Services and Cendant Incentives subsidiaries. All of Trilegiant's common stock is owned by the executives and senior management of Trilegiant, many of whom are former employees of our individual membership business. As of July 2, 2001, no common stockholder of Trilegiant was an officer, director or employee of Cendant. However, such former employees continue to hold vested Cendant stock options granted during their employment with Cendant. We continue to receive membership fees from, and are obligated to provide membership benefits to, existing members as of July 2, 2001, including their renewals, and Trilegiant provides fulfillment services (including cash collection, paying commissions, processing refunds, providing membership services and benefits) to these members in exchange for a servicing fee. Trilegiant collects the membership fees from, and is obligated to provide membership benefits to, those new members who join the membership based clubs and programs and all other incentive programs subsequent to July 2, 2001. Beginning in the third quarter of 2002 and throughout the remainder of the 40 year term of the licensing agreements, we will receive a royalty fee (initially 5% increasing to approximately 16% over ten years) from Trilegiant in connection with those new members. Certain of our officers serve on the Board of Directors of Trilegiant to oversee our interest in Trilegiant. Trilegiant's Board of Directors is comprised of three directors elected by the Trilegiant management (as the common shareholders) and three directors elected by us (as the sole preferred shareholder).

As of December 31, 2001, Trilegiant serviced approximately 23.8 million memberships, 18.9 million of which consist of our existing memberships. Trilegiant provides members with access to a variety of discounted products and services in such areas as retail shopping, travel, personal finance and auto and

home improvement. Trilegiant also affiliates with business partners such as leading financial institutions, retailers, and oil companies to offer membership as an enhancement to their credit card, charge card or other customers. Participating institutions generally receive commissions on initial and renewal memberships, based on a percentage of the net membership fees. Individual membership programs offer consumers discounts on many brand categories by providing shop at home convenience in areas such as retail shopping, travel, automotive, dining and home improvement.

Trilegiant offers the following membership programs from which we receive a royalty on sales to new members: Shoppers Advantage®, a discount shopping program; Travelers Advantage®, a discount travel service program; The AutoVantage® Service, a program which offers preferred prices on new cars and discounts on maintenance, tires and parts; AutoVantage Gold®, a program which provides a premium version of the AutoVantage® Service; Credit Card Guardian® and "Hot-Line", services which enable consumers to register their credit and debit cards to keep the account numbers securely in one place; The PrivacyGuard® and Credentials®, services which provide monitoring of a member's credit history, driving records and medical files; The Buyers Advantage®, a service which extends manufacturer's warranties; CompleteHome®, a service designed to save members time and money in maintaining and improving their homes; The Family FunSaver Club®, a program which provides the opportunity to purchase family travel services and other family related products at a discount; and The HealthSaver[sm], a program which provides discounts on prescription drugs, eyewear, eye care, dental care, selected health-related services and fitness equipment.

Investment in Trilegiant. We own preferred stock which is convertible at any time at our option, into approximately 20% of Trilegiant's common stock. We also advanced approximately $100 million in cash and $33 million of prepaid assets to support Trilegiant's marketing activities. In addition, we have provided Trilegiant with a $35 million revolving line of credit under which advances are at our sole and unilateral discretion. At December 31, 2001, there were no advances outstanding under this line of credit. We are not obligated or contingently liable for any debt incurred by Trilegiant.

In connection with marketing agreements entered into with a third party, we provided a $75 million loan facility to Trilegiant under which we will advance funds to Trilegiant for marketing performed by Trilegiant on behalf of the third party. Under the terms of the agreements, Trilegiant will provide certain services to the third party in exchange for commissions. As part of our royalty arrangement with Trilegiant, we will participate in those commissions. Trilegiant will repay borrowings under this facility as commissions are received by Trilegiant from the third party. As of December 31, 2001, the outstanding balance under this loan facility was $24 million.

Competition. The membership services industry is highly competitive. Competitors include membership services companies, as well as large retailers, travel agencies, insurance companies and financial service institutions, some of which have financial resources, product availability, technological capabilities or customer bases that may be greater than ours.

Financial Services Trademarks and Other Intellectual Property.

The service marks "Jackson Hewitt" and "Jackson Hewitt Tax Service" and related marks and logos are material to Jackson Hewitt's business. We, through our franchisees, actively use these marks. The trademarks and logos are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the marks used in the Jackson Hewitt business. The individual membership business trademarks and service marks listed above and related logos are material to the individual membership business. In connection with the Trilegiant outsourcing arrangement, we license the individual membership business trademarks and service marks listed above to Trilegiant in exchange for the licensing fee mentioned above. Individual membership business trademarks and logos are registered (or have applications pending for registration) with the United States Patent and Trademark Office, unless otherwise indicated above. We own the marks used in the individual membership business.

Financial Services Seasonality.

Our direct marketing and individual membership businesses are generally not seasonal. However, since most of our franchisees' customers file their tax returns during the period from January through April of

each year, substantially all franchise royalties are received during the first and second quarters of each year. As a result, Jackson Hewitt operates at a loss for the remainder of the year. Historically, such losses primarily reflect payroll of year-round personnel, the update of tax software and other costs and expenses relating to preparation for the following tax season.

Financial Services Employees

The businesses that make up our Financial Services segment employed approximately 2,470 persons as of December 31, 2001.

GEOGRAPHIC SEGMENTS

Financial data for geographic segments are reported in Note 26 to our Consolidated Financial Statements included in Item 8 of this Form 10-K/A.

REGULATION

Franchise Regulation. The sale of franchises is regulated by various state laws, as well as by the Federal Trade Commission (the "FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. Although no assurance can be given, proposed changes in the FTC's franchise rule should have no adverse impact on our franchised businesses. A number of states require registration or disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" or "business opportunity laws" that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our franchising operations have not been materially adversely affected by such existing regulation, we cannot predict the effect of any future federal or state legislation or regulation.

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

It is a common practice for online mortgage and real estate related companies to enter into advertising, marketing and distribution arrangements with other Internet companies and Web sites, whereby the mortgage and real estate related companies pay fees for advertising, marketing and distribution services and other goods and facilities. The applicability of RESPA's referral fee prohibitions to the compensation provisions of these arrangements is unclear and the Department of Housing and Urban Development has provided no guidance to date on the subject.

Timeshare Exchange Regulation. Our timeshare exchange business is subject to foreign, federal, state and local laws and regulations including those relating to taxes, consumer credit, environmental protection and labor matters. In addition, we are subject to state statutes in those states regulating timeshare exchange services, and must prepare and file annually certain disclosure guides with regulators in states where required. While our timeshare exchange business is not subject to those state statutes governing the development of timeshare condominium units and the sale of timeshare interests, such statutes directly affect both our timeshare sales and marketing business (see below) and the other members and resorts that participate in the RCI exchange programs. Therefore, the statutes indirectly impact our timeshare exchange business.

Timeshare Sales and Marketing Regulation. Our timeshare sales and marketing business is subject to extensive regulation by the states in which our resorts are located and in which its vacation ownership interests are marketed and sold. In addition, we are subject to federal legislation, including without limitation, the Federal Trade Commission Act; the Fair Housing Act; the Truth-in-Lending Act and

Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of their loans; the Real Estate Settlement Procedures Act and Regulation X promulgated thereunder which require certain disclosures to borrowers regarding the settlement and servicing of loans; the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, the Telemarketing and Fraud and Abuse Prevention Act, and the Civil Rights Acts of 1964, 1968 and 1991.

Many states have laws and regulations regarding the sale of vacation ownership interests. The laws of most states require a designated state authority to approve a timeshare public report, a detailed offering statement describing the resort operator and all material aspects of the resort and the sale of vacation ownership interests. In addition, the laws of most states in which we sell vacation ownership interests grant the purchaser of such an interest the right to rescind a contract of purchase at any time within a statutory rescission period, which generally ranges from three to ten days. Furthermore, most states have other laws that regulate our timeshare sales and marketing activities, such as real estate licensing laws, travel sales licensing laws, anti-fraud laws, telemarketing laws, prize, gift and sweepstakes laws, labor laws and various regulations governing access and use of our resorts by disabled persons.

Internet Regulation. Although our business units' operations on the Internet are not currently regulated by any government agency in the United States beyond regulations discussed above and applicable to businesses generally, it is likely that a number of laws and regulations may be adopted governing the Internet. In addition, existing laws may be interpreted to apply to the Internet in ways not currently applied. Regulatory and legal requirements are subject to change and may become more restrictive, making our business units' compliance more difficult or expensive or otherwise restricting their ability to conduct their businesses as they are now conducted.

Vehicle Rental and Fleet Leasing Regulation. We are subject to federal, state and local laws and regulations including those relating to taxing and licensing of vehicles, franchising, consumer credit, environmental protection and labor matters. The principal environmental regulatory requirements applicable to our vehicle and rental operations relate to the ownership or use of tanks for the storage of petroleum products, such as gasoline, diesel fuel and waste oils; the treatment or discharge of waste waters; and the generation, storage, transportation and off-site treatment or disposal of solid or liquid wastes. We operate 271 locations at which petroleum products are stored in underground or aboveground tanks. We have instituted an environmental compliance program designed to ensure that these tanks are in compliance with applicable technical and operational requirements, including the replacement and upgrade of underground tanks to comply with the December 1998 EPA upgrade mandate and periodic testing and leak monitoring of underground storage tanks. We believe that the locations where we currently operate are in compliance, in all material respects, with such regulatory requirements.

We may also be subject to requirements related to the remediation of, or the liability for remediation of, substances that have been released to the environment at properties owned or operated by us or at properties to which we send substances for treatment or disposal. Such remediation requirements may be imposed without regard to fault and liability for environmental remediation can be substantial.

We may be eligible for reimbursement or payment of remediation costs associated with future releases from its regulated underground storage tanks and have established funds to assist in the payment of remediation costs for releases from certain registered underground tanks. Subject to certain deductibles, the availability of funds, compliance status of the tanks and the nature of the release, these tank funds may be available to us for use in remediating future releases from its tank systems.

A traditional revenue source for the vehicle rental industry has been the sale of loss damage waivers, by which rental companies agree to relieve a customer from financial responsibility arising from vehicle damage incurred during the rental period. Approximately 3.2% of our vehicle operations revenue during 2001 was generated by the sale of loss damage waivers. Approximately 40 states have considered legislation affecting the loss damage waivers. To date, 24 states have enacted legislation which requires disclosure to each customer at the time of rental that damage to the rented vehicle may be covered by the customer's personal automobile insurance and that loss damage waivers may not be necessary. In addition, in the late

1980's, New York enacted legislation which eliminated our right to offer loss damage waivers for sale and limited potential customer liability to $100. Moreover Nevada has capped rates for loss damage waivers at $15.00 per day. California has capped these rates at either $9.00 per day for cars with an MSRP of $19,000 or less, or $15.00 per day for cars with an MSRP of $19,000 to $34,999, but there is no cap for cars with an MSRP of $35,000 or more.

We are also subject to regulation under the insurance statutes, including insurance holding company statutes, of the jurisdictions in which its insurance company subsidiaries are domiciled. These regulations vary from state to state, but generally require insurance holding companies and insurers that are subsidiaries of insurance holding companies to register and file certain reports including information concerning their capital structure, ownership, financial condition and general business operations with the state regulatory authority, and require prior regulatory agency approval of changes in control of an insurer and intercorporate transfers of assets within the holding company structure. Such insurance statutes also require that we obtain limited licenses to sell optional insurance coverage to our customers at the time of rental.

The payment of dividends to us by our insurance company subsidiaries is restricted by government regulations in Colorado, Bermuda and Barbados affecting insurance companies domiciled in those jurisdictions.

Marketing Regulation. Primarily through our insurance/wholesale business, we market our products and services via a number of distribution channels, including direct mail, telemarketing and online. These channels are regulated on the state and federal levels and we believe that these activities will increasingly be subject to such regulation. Such regulation may limit our ability to solicit new members or to offer one or more products or services to existing members. In addition to direct marketing, our insurance/wholesale business is subject to various state and local regulations including, as applicable, those of state insurance departments. While we have not been adversely affected by existing regulations, we cannot predict the effect of any future federal, state or local legislation or regulation.

In November 1999, the Federal Gramm-Leach-Bliley Act became law. This Act and its implementing regulations modernized the regulatory structure affecting the delivery of financial services to consumers and provided for new requirements and limitations relating to direct marketing by financial institutions to their customers. Compliance with the Act was required beginning July 1, 2001, and we have taken various steps to ensure our compliance; however, since specific aspects of the implementing regulations relating to this Act remain to be clarified, it is unclear what conclusive effect, if any, such regulations might have on our business.

We are also aware of, and are actively monitoring the status of, certain proposed privacy-related state legislation that might be enacted in the future; it is unclear at this point what effect, if any, such state legislation might have on our businesses.

Global Distribution Services Regulation. Our global distribution services business is subject to regulation primarily in the United States, the European Union and Canada. Each jurisdiction's rules are largely based on the same set of core premises: that a computerized reservation system must treat all participating airlines equally, whether or not they are owners of the system; that airlines owning computerized reservations systems must not discriminate against the computerized reservation systems they do not own; and that computerized reservation system relationships with travel agencies should not be an impediment to competition from other computerized reservation systems or to the provision of services to the traveler. While each jurisdiction has focused on the computerized reservation system industry's role in the airline industry, the United States' and EC rules have the greatest impact on us because of the volume of business transacted by us in the United States and the European Union. Neither jurisdiction currently seeks to regulate computerized reservation system relationships with non-airline participants such as hotel and car rental companies, although the EC rules allow computerized reservation systems to incorporate rail services into computerized reservation system displays and such rail services are therefore subject to certain sections of the EC rules.

Both the United States and the European Union require systems to provide airline displays for travel agencies that are ordered on the basis of neutral principles and that all airlines must be charged the same

fees for the same level of participation. The EC rules go further and require that fees must be reasonably structured and reasonably related to the cost of the service provided and used. Moreover, under the EC rules, airlines have the ability to disallow certain types of bookings, unless they have already been accepted.

Both the United States and European Union regulators seek to redress the potential that a computerized reservation system used for internal reservation purposes would offer a travel agency subscriber superior access to the hosted airline and inferior access to all other airlines. The EC rules require a GDS to ensure that its distribution facilities are separated from any carrier's private inventory hosted on the system. If a connection between distribution facilities and private inventory is permitted by an application interface, any such interface must be available to all carriers on a non-discriminatory basis. While the United States rules contain several principles outlining the requirement of unbiased displays, the EC rules prescribe a specific formula that a computerized reservation system must use to order its display of flights. U.S. regulations also require functional equivalence between the functionality offered to airlines whose internal reservation systems are hosted in the computerized reservation system and those provided to all other airlines. The EC rules require the owner airlines to provide the same data, and accept and confirm bookings with equal timeliness in all computerized reservation systems, when requested to do so. U.S. regulations contain no counterpart to the European requirement that subscribers be offered access to the computerized reservation system on a nondiscriminatory basis. Although U.S. regulations extend only to use of computerized reservation systems by travel agencies, European and Canadian rules apply to all subscriber uses of computerized reservation systems, whether by travel agencies, individuals or corporate travel departments. To the extent rules relating to computerized reservation systems are proposed or adopted by other countries, we expect they will be similar to the existing rules in other jurisdictions.

Travel Agency Regulation. The products and services we provide are subject to various federal, state and local regulations. We must comply with laws and regulations relating to our sales and marketing activities, including those prohibiting unfair and deceptive advertising or practices. Our travel service is subject to laws governing the offer and/or sale of travel products and services, including laws requiring us to register as a "seller of travel," to comply with disclosure. In addition, many of our travel suppliers and global distribution systems are heavily regulated by the United States and other governments and we are indirectly affected by such regulation.

EMPLOYEES

As of December 31, 2001, we employed approximately 50,000 people. Management considers our employee relations to be satisfactory.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased space at 9 West 57th Street, New York, NY 10019 with a lease term expiring in 2013. Many of our general corporate functions are conducted at leased offices at One Campus Drive, 1 Sylvan Way and 10 Sylvan Way and one owned facility located at 6 Sylvan Way, Parsippany, New Jersey 07054. Executive offices are also located at Landmark House, Hammersmith Bridge Road, London, England W69EJ.

Our lodging franchise business leases space for its reservations centers and data warehouse in Aberdeen, South Dakota; Phoenix, Arizona; Knoxville and Elizabethton, Tennessee; St. John, New Brunswick, Canada pursuant to leases that expire in 2004, 2007, 2004, 2002, and 2009 respectively. In addition, our lodging and real estate businesses share approximately four leased office spaces within the United States.

Our timeshare exchange business has three properties which we own; a 200,000 square foot facility in Carmel, Indiana, which serves as an administrative office; a 200,000 square foot call center in Cork, Ireland and a property located in Kettering, UK, which is RCI's European office. Our timeshare exchange business also has approximately 10 leased offices located within the United States and approximately 38 additional leased spaces in various countries outside the United States.

Our timeshare sales and marketing business owns a 60,500 square foot facility in Little Rock, Arkansas and leases space for call center and administrative functions in Las Vegas, Nevada and Orlando, Florida,

pursuant to leases expiring in 2006 and 2011, respectively. In addition, approximately 33 marketing and sales offices are leased throughout the United States.

Our relocation business has its main corporate operations in three leased buildings in Danbury, Connecticut with lease terms expiring in 2004, 2005, and 2008. There are also three regional offices located in Mission Viejo, California; Chicago, Illinois; and Irving, Texas, which provide operation support services. We own the office in Mission Viejo and the others we operate pursuant to leases that expire in 2004 and 2003 respectively. International offices are located in Hammersmith, Wexham and Swindon, United Kingdom; Melbourne and Brisbane, Australia; Hong Kong; and Singapore pursuant to leases that expire in 2012, 2012, 2013, 2005, 2003, 2002 and 2002, respectively.

Our mortgage business has centralized its operations to one main area occupying various leased offices in Mt. Laurel, New Jersey for a total of approximately 848,000 square feet. The lease terms expire over the next three years. Our mortgage business has recently entered into a lease for a new building expected to be completed in the beginning of 2003. This new building is expected to add 47,500 square feet to, and replace approximately 127,500 square feet at, the Mt. Laurel location. The lease for this new building expires in 2013. Regional sales offices are located in Englewood, Colorado; Jacksonville, Florida and Santa Monica, California, pursuant to leases that expire in 2002, 2005 and 2005, respectively.

Our vehicle services segment owns a 158,000 square foot facility in Virginia Beach, Virginia, which serves as a satellite administrative and reservations facility for WizCom and Avis rental car operations. Our Vehicle Services segment also leases space for its car reservations center in Tulsa, Oklahoma and Fredericton, New Brunswick, Canada pursuant to leases that expire in 2006 and 2009, respectively. In addition, there are approximately 19 leased office locations in the United States.

WizCom operates out of leased space in Garden City, New York.

We lease or have vehicle rental concessions relating to space at 676 locations in the United States and 191 locations outside the United States utilized in connection with our vehicle rental operation. Of those locations, 224 in the United States and 82 outside the United States are airports. Typically, an airport receives a percentage of vehicle rental revenues, with a guaranteed minimum. Because there is a limit to the number of vehicle rental locations in an airport, vehicle rental companies frequently bid for the available locations, usually on the basis of the size of the guaranteed minimums.

PHH Arval leases office space and marketing centers in eight locations in the United States and Canada, with approximately 102,000 square feet in the aggregate. PHH Arval maintains a 200,000 square foot regional/processing office in Hunt Valley, Maryland. In addition, Wright Express leases approximately 187,000 square feet of office space in two domestic locations.

Our insurance/wholesale business leases five domestic office spaces in Brentwood and Franklin, Tennessee with lease terms ending in 2002, 2003, and 2009. In addition, there are ten leased locations internationally that function as sales and administrative office for Cims with the main office located in Portsmouth, UK.

Our leased space in Parsippany, New Jersey also supports our tax preparation business.

Our travel distribution business has three properties, which we own; a 256,000 square foot data center in Greenwood, Colorado; a 32,000 square foot facility in Atlanta, Georgia and a 20,000 square foot facility in Lakeport, California. The travel distribution business also leases 121,000 square feet of office space in Rosemont, Illinois; 256,000 square feet of office space among six locations in the Denver, Colorado area; approximately 20 additional properties within the United States and 50 leased spaces in various countries outside the United States.

Our travel operations have leased locations in Aurora, Colorado; Nashville, Tennessee; Arlington, Texas and Moore, Oklahoma. They occupy a total of approximately 152,000 square feet pursuant to leases expiring in 2006, 2006, 2002 and 2003, respectively.

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

ITEM 3. LEGAL PROCEEDINGS

A. CLASS ACTION AND OTHER LITIGATION AND GOVERNMENT INVESTIGATIONS

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

In re Cendant Corporation Litigation, Master File No. 98-1664 (WHW) (D.N.J.) (the "Securities Action"), is a consolidated class action consisting of over sixty constituent class action lawsuits. The Securities Action is brought on behalf of all persons who acquired securities of the Company and CUC, except our PRIDES

securities, between May 31, 1995 and August 28, 1998. Named as defendants are the Company; twenty-eight current and former officers and directors of the Company, CUC and HFS; and Ernst & Young LLP, CUC's former independent accounting firm.

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

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

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

On December 7, 1999, we announced that we had reached an agreement to settle the Securities Action for approximately $2.85 billion in cash which was fully funded on May 24, 2002. (See "Litigation Settlements" below and Note 14 to the Consolidated Financial Statements).

Welch & Forbes, Inc. v. Cendant Corp., et al., No. 98-2819 (WHW) (the "PRIDES Action"), is a consolidated class action filed on June 15, 1998 on behalf of purchasers of the Company's PRIDES securities between February 24 and August 28, 1998. Named as defendants are the Company; Cendant Capital I, a statutory business trust formed by the Company to participate in the offering of PRIDES securities; seventeen current and former officers and directors of the Company, CUC and HFS; Ernst & Young; and the underwriters for the PRIDES offering, Merrill Lynch & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Chase Securities Inc.

The allegations in the Amended Consolidated Complaint in the PRIDES Action are substantially similar to those in the Securities Action. The PRIDES Action states claims under Sections 11, 12(a)(2) and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act, and seeks damages in an unspecified amount. In January 2000, we announced a partial settlement of the PRIDES Action. (See Litigation Settlements below and Note 14 to the Consolidated Financial Statements).

Semerenko v. Cendant Corp., et al., Civ. Action No. 98-5384 (D.N.J.), and *P. Schoenfield Asset Management LLC v. Cendant Corp., et al.*, Civ. Action No. 98-4734 (D.N.J.) (the "ABI Actions"), were initially commenced in October and November of 1998, respectively, on behalf of a putative class of persons who purchased securities of American Bankers Insurance Group, Inc. ("ABI") between January 27, 1998 and October 13, 1998. Named as defendants are the Company, four former CUC officers and directors and Ernst & Young. The complaints in the ABI actions, as amended on February 8, 1999, assert violations of Sections 10(b), 14(e) and 20(a) of the Exchange Act. The plaintiffs allege that they purchased shares of ABI common stock at prices artificially inflated by the accounting irregularities after we announced a cash tender offer for 51% of ABI's outstanding shares of common stock in January 1998. Plaintiffs also allege that after the disclosure of the accounting irregularities, we misstated our intention to complete the tender offer and a second step merger pursuant to which the remaining shares of ABI stock were to be acquired by us. Plaintiffs seek, among other things, unspecified compensatory damages. On April 30, 1999, the United States District Court for the District of New Jersey dismissed the complaints on motions of the defendants. In an opinion dated August 10, 2000, the United States Court of Appeals for the Third Circuit vacated the District Court's judgment and remanded the ABI Actions for further proceedings. On December 15, 2000, we filed a motion to dismiss those claims based on ABI purchases after April 15, 1998, and the District Court granted this motion on May 7, 2001. The plaintiffs subsequently moved for leave to file a Second Amended Complaint to reallege claims based on ABI purchases between April 16, 1998 and October 13, 1998. That motion was denied on August 15, 2002.

B. OTHER LITIGATION

Prior to April 15, 1999, actions and other proceedings making substantially similar allegations to the allegations in the Securities Action were filed by various plaintiffs on their own behalf. Set forth below are summaries of certain of these matters.

Deutch v. Silverman, et al., No. 98-1998 (WHW) (the "Deutch Action"), is a shareholder derivative action, purportedly filed on behalf of, and for the benefit of the Company. The Deutch Action was commenced on April 27, 1998 in the District of New Jersey against certain of the Company's current and former directors and officers; and, as a nominal defendant, the Company. The complaint in the Deutch Action alleges that individual officers and directors of the Company breached their fiduciary duties by selling shares of the Company's stock while in possession of non-public material information concerning the accounting irregularities, and by, among other things, causing and/or allowing the Company to make a series of false and misleading statements regarding the Company's financial condition, earnings and growth; entering into an agreement to acquire ABI and later paying $400 million to ABI in connection with termination of that agreement; re-pricing certain stock options previously granted to certain Company executives; and entering into certain severance and other agreements with Walter Forbes, the Company's former Chairman, under which Mr. Forbes received approximately $51 million from the Company pursuant to an employment agreement we had entered into with him in connection with the merger of HFS and CUC. Damages are sought on behalf of Cendant in unspecified amounts. (See Litigation Settlements below)

Resnik v. Silverman, et. al., No. 18329 (NC) (Del. Ch.) (the "Resnik Action"), is a purported derivative action filed in the Court of Chancery for the State of Delaware on or about September 19, 2000. The Complaint names as defendants those current and former members of Cendant's Board of Directors (the "Director Defendants") who were both named as defendants in, and approved the settlement of, the Securities Action (the "Settlement"). The Complaint alleges that the decision of the Director Defendants to approve the Settlement constituted a breach of their fiduciary duties of loyalty and good faith, and seeks a monetary judgment in an unspecified amount in favor of nominal defendant Cendant. On or about November 16, 2000, Cendant moved to dismiss the Resnik Action on the grounds that any challenge to the Director Defendants' decision to approve the Settlement is not ripe because Cendant has not yet incurred any liability under the Settlement, and may never do so if the District Court's approval of the Settlement is not affirmed on appeal. Also on or about November 16, 2000, the Director Defendants moved to stay the Resnik Action pending resolution of the Deutch Action. The plaintiff in the Resnik Action has not yet responded to either of these motions. (See Litigation Settlements below)

The SEC and the United States Attorney for the District of New Jersey conducted investigations relating to accounting irregularities. The investigation of the SEC as to Cendant concluded on June 14, 2000 when Cendant consented to an entry of an Order Instituting Public Administration Proceedings in which the SEC found that Cendant

had violated certain record-keeping provisions of the federal securities laws, Sections 13(a) and 13(b) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13b2-1, and ordered Cendant to cease and desist from committing or causing any violation and any future violation of those provisions.

C. LITIGATION SETTLEMENTS.

Settlement of Common Stock Class Action Litigation

On December 7, 1999, the Company announced that it reached an agreement in principle to settle the Securities Action pending against the Company in the United States District Court for the District of New Jersey. In a settlement agreement executed March 17, 2000, the Company agreed to pay the class members approximately $2.85 billion in cash. On August 15, 2000, the District Court approved the settlement and the plan of allocation of the settlement proceeds and awarded fees and expenses to counsel for the Class. Certain parties who objected to the settlement, the plan of allocation or the award of attorneys' fees and expenses appealed the District Court's orders to the United States Court of Appeals for the Third Circuit. In August 2001, the Third Circuit affirmed the District Court's order approving the settlement and plan of allocation. On January 2, 2002, one party who had objected to the plan of allocation before the District Court and unsuccessfully appealed the District Court's approval of the plan of allocation filed a petition for a writ of certiorari in the United States Supreme Court seeking review of the Third Circuit's decision affirming the approval of the plan of allocation. The Supreme Court denied the petition in an order dated March 18, 2002.

As of December 31, 2001, we had made payments totaling $1.41 billion to a fund established for the benefit of the plaintiffs in this lawsuit. We made an additional payment of $250 million during March 2002 and completed making payments to the fund on May 24, 2002.

Partial Settlement of PRIDES Class Action Litigation

On March 17, 1999, we entered into an agreement to settle the claims of those Class members in the PRIDES Action who purchased their securities on or prior to April 15, 1998 ("eligible persons"). The settlement did not resolve claims based upon purchases of PRIDES after April 16, 1998 and, as of December 31, 2001, other than Welch & Forbes, Inc. v. Cendant Corp., et al., which is previously discussed, no purchasers of PRIDE securities after April 16, 1998 have instituted proceedings against us. Under the settlement, each eligible person was entitled to receive a new security—a Right—for each PRIDES held on April 15, 1998. On June 15, 1999, the United States District Court for the District of New Jersey approved the settlement.

In April 2000, The Chase Manhattan Bank ("Chase"), acting as custodian of three mutual funds that sought a total of 2,020,000 Rights, filed a motion seeking relief from an order of the District Court that rejected the claims filed by Chase on behalf of the mutual funds. On June 7, 2000, the District Court denied Chase's motion, but on December 1, 2000 the Third Circuit vacated that order and remanded the case to the District Court for further proceedings. In August 2001, the District Court issued a decision that again rejected Chase's claims. Chase has appealed again to the Third Circuit. As the Rights expired on February 14, 2001, if Chase's claim is successful it will be satisfied with approximately 1.2 million shares of our CD Common Stock.

Pursuant to the settlement, we distributed 24,107,038 Rights to eligible persons. The Rights provided that we issue two New PRIDES to every person who delivered to us by February 14, 2001 three rights and two original PRIDES. The terms of the New PRIDES were the same as the original PRIDES, except that the conversion rate was revised so that, at the time the Rights were distributed, each of the New PRIDES had a value equal to $17.57 more than each original PRIDES, based upon a generally accepted valuation

model. We issued approximately 15,485,000 New PRIDES upon exercise of Rights. Under the terms of the New PRIDES, each holder of a New PRIDES was required to purchase 2.3036 shares of our Common Stock on February 16, 2001. In connection with this mandatory purchase, we distributed approximately 14,745,000 more shares of our Common Stock on February 16, 2001 than we otherwise would have under the terms of the original PRIDES.

In connection with the settlement, we recorded a charge of approximately $351 million ($228 million, after tax) in the fourth quarter of 1998. Such charge was reduced by $14 million ($9 million, after tax) and $41 million ($26 million, after tax) during 2001 and 2000, respectively, resulting from adjustments to the original estimate of the number of rights to be issued.

The settlements do not encompass all litigation asserting claims against us associated with the accounting irregularities. We do not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, we do not believe that the impact of such unresolved proceedings should result in a material liability to us in relation to our consolidated financial position or liquidity.

Settlement of the Deutch and Resnick Actions

On July 9, 2002, we entered into a settlement agreement providing for payment to Cendant of $54 million, less such attorneys fees and expenses as may be awarded by the Court, which are not expected to exceed $12 million, by certain director and officer liability insurers in settlement of claims against several current and former directors and officers of Cendant who are named as defendants. The settlement is subject to approval by the District Court, and a hearing on the settlement was held on October 21, 2002.

Other Settlements

On March 6, 2002, we entered into an agreement to settle the claims under a pending arbitration proceeding filed on December 17, 1998, by Janice G. and Robert M. Davidson, former majority shareholders of a California-based computer software firm acquired by the Company in a July 1996 stock merger (the "Davidson Merger"). The Davidsons' Demand for Arbitration asserted claims against Cendant based upon allegations that the value of the Company securities they acquired in the Davidson Merger and through a May 1997 settlement agreement settling all disputes arising out of the Davidson Merger was artificially inflated due to the accounting irregularities. We entered into a Settlement Agreement dated as of March 6, 2002 with Janice G. Davidson, Robert M. Davidson and various trusts of which one or both of them are trustees (collectively, the "Davidsons"). Pursuant to the Settlement Agreement, we issued 2,986,857 shares of our common stock to the Davidsons. Pursuant to the Settlement Agreement, we also reduced the exercise price of (a) options authorizing the Davidsons to buy 1.6 million shares of our common stock from $20.50 per share to $9.8125 per share, which options initially were granted to the Davidsons in connection with a 1997 settlement agreement with CUC International Inc. ("CUC"); and (b) options authorizing each of Janice G. Davidson and Robert M. Davidson to buy 75,000 shares of our common stock from $22.33 per share to $9.8125 per share, which options were granted pursuant to employment agreements entered into in 1996 with CUC in connection with CUC's acquisition of Davidson & Associates, Inc. In the Settlement Agreement, the Davidsons agreed to remain in the class certified in the Securities Action and to pay to us an amount equal to the sum they receive in settlement of the Securities Action. We currently believe that the amount to be distributed to the Davidsons in connection with settlement of the Securities Action will be approximately $15 million. In connection with the settlement, we recorded a charge of approximately $48 million ($31 million, after tax) in the fourth quarter of 2001.

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

Not Applicable.

PART II

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

Market Price on Common Stock

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "CD". At March 15, 2002 the number of stockholders of record was approximately 10,093. The following table sets forth the quarterly high and low sales prices per share of CD common stock as reported by the NYSE for 2001 and 2000.

2001	High	Low
First Quarter	$ 14.760	$ 9.625
Second Quarter	20.370	13.890
Third Quarter	21.530	11.030
Fourth Quarter	19.810	12.040

2000	High	Low
First Quarter	$ 24.313	$ 16.188
Second Quarter	18.750	12.156
Third Quarter	14.875	10.626
Fourth Quarter	12.563	8.500

On March 15, 2002, the last sale price of our CD common stock on the NYSE was $18.86 per share.

Dividend Policy

We expect to retain our earnings for the development and expansion of our businesses and the repayment of indebtedness and do not anticipate paying dividends on common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

	At or For the Year Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions, except per share data)				
Results of Operations					
Net revenues	$ 8,613	$ 4,320	$ 5,755	$ 6,364	$ 5,429
Income (loss) from continuing operations	$ 342	$ 569	$ (307)	$ 114	$ 66
Income (loss) from discontinued operations, net of tax	81	91	252	426	(26)
Extraordinary (loss) gain, net of tax	—	(2)	—	—	26
Cumulative effect of accounting changes, net of tax	(38)	(56)	—	—	(283)
Net income (loss)	$ 385	$ 602	$ (55)	$ 540	$ (217)
Per Share Data					
CD Common Stock					
Income (loss) from continuing operations:					
Basic	$ 0.37	$ 0.79	$ (0.41)	$ 0.13	$ 0.08
Diluted	0.36	0.77	(0.41)	0.13	0.08
Cumulative effect of accounting changes:					
Basic	$ (0.05)	$ (0.08)	$ —	$ —	$ (0.35)
Diluted	(0.04)	(0.08)	—	—	(0.35)
Net income (loss):					
Basic	$ 0.42	$ 0.84	$ (0.07)	$ 0.64	$ (0.27)
Diluted	0.41	0.81	(0.07)	0.61	(0.27)
Financial Position					
Total assets	$ 33,544	$ 15,153	$ 15,412	$ 20,230	$ 14,073
Total long-term debt, excluding Upper DECS	6,132	1,948	2,845	3,363	1,246
Upper DECS	863	—	—	—	—
Assets under management and mortgage programs	11,868	2,861	2,726	7,512	6,444
Debt under management and mortgage programs	9,844	2,040	2,314	6,897	5,603
Mandatorily redeemable preferred interest in a subsidiary	375	375	—	—	—
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	—	1,683	1,478	1,472	—
Stockholders' equity	7,068	2,774	2,206	4,836	3,921

See Notes 4 and 7 to the Consolidated Financial Statements for a detailed discussion of net gains (losses) on dispositions of businesses and impairment of investments and other charges recorded for the years ended December 31, 2001, 2000 and 1999.

During 1998, we recorded restructuring and other unusual charges of $838 million ($545 million, after tax or $0.62 per diluted share) primarily associated with the termination of a proposed acquisition and the PRIDES litigation settlement.

During 1997, we recorded restructuring and other unusual charges of $704 million ($505 million, after tax or $0.58 per diluted share) primarily associated with the merger of HFS Incorporated and CUC International Inc. and the merger with PHH Corporation in April 1997.

Income (loss) from discontinued operations, net of tax includes the after tax results of discontinued operations and the gain on disposal of discontinued operations.

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

The following discussion should be read in conjunction with our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein. Unless otherwise noted, all dollar amounts are in millions and those relating to our results of operations are presented before taxes.

We are one of the foremost providers of travel and real estate services in the world. Our businesses provide a wide range of consumer and business services and are intended to complement one another and create cross-marketing opportunities both within and among our following five business segments. Our Real Estate Services segment franchises our three real estate brands, provides home buyers with mortgages and facilitates employee relocations; our Hospitality segment franchises our nine lodging brands, facilitates the sale and exchange of vacation ownership intervals and markets vacation rental properties in Europe; our Vehicle Services segment operates and franchises the Avis car rental brand, provides fleet management and fuel card services and operates car parking facilities in the United Kingdom; our Travel Distribution segment provides global distribution, computer reservation and travel agency services and our Financial Services segment provides enhancement products, insurance-based products and loyalty solutions, franchises tax preparation services and provides a variety of membership programs.

We seek organic growth augmented by the acquisition and integration of complementary businesses and routinely review and evaluate our portfolio of existing businesses to determine if they continue to meet our current objectives. As a result, we are currently engaged in a number of preliminary discussions concerning possible acquisitions, divestitures, joint ventures and related corporate transactions. We intend to continually explore and conduct discussions with regard to such transactions.

On April 30, 2002, we acquired approximately 90% of the outstanding common stock of Trendwest Resorts, Inc. for $849 million, including $20 million of estimated transaction costs and expenses and $25 million related to the conversion of Trendwest employee stock options into CD common stock options. The acquisition consideration was funded through a tax-free exchange of approximately 42.6 million shares of CD common stock then-valued at $804 million. As part of the acquisition, we assumed $89 million of Trendwest debt, which was subsequently repaid. We purchased the remaining 10% of the outstanding Trendwest shares through a short form merger on June 3, 2002 for approximately $87 million, which was funded through a tax-free exchange of approximately 4.8 million shares of CD common stock then-valued at $87 million. Trendwest markets, sells and finances vacation ownership interests and is now part of our Hospitality segment. Management believes that this acquisition will provide us with significant geographic diversification and global presence in the timeshare industry.

On April 17, 2002, we acquired all of the outstanding common stock of NRT, the largest residential real estate brokerage firm in the United States, for a total purchase price of approximately $230 million. The purchase was effected through issuing approximately 11.5 million shares of our common stock. As part of the acquisition, we also assumed approximately $320 million of NRT debt, which was subsequently repaid. On April 17, 2002, we also acquired all of the outstanding common stock of Arvida Realty Services, the largest residential real estate brokerage firm in Florida, for approximately $160 million in cash. Management believes that NRT and Arvida as wholly-owned subsidiaries will be a more efficient acquisition vehicle, experience greater opportunities to enhance mortgage and title penetration and achieve greater financial and operational synergies.

On March 1, 2002, we entered into a venture with Marriott International, Inc. whereby we contributed our domestic Days Inn trademark and an amended license agreement relating to such trademark and Marriott contributed the Ramada trademark and the amended master license agreements relating to such trademark. We received a 50.0001% interest in the venture and Marriott received 49.9999% interest in the venture. Pursuant to the terms of the venture, we will share income from the venture with Marriott on a substantially equal basis. We currently expect the venture to redeem Marriott's interest for approximately $200 million, the projected fair market value, in March 2004. We expect to loan the venture such amount in March 2004 to enable the venture to meet its obligations to Marriott. Upon redemption, we will own 100% of the venture. Under the terms of the venture agreement, we control the venture and, therefore, will

consolidate the venture into our results of operations, financial position and cash flows beginning on March 1, 2002. The venture has no third party liabilities.

On May 22, 2002, we sold our car parking facility business, NCP, a wholly-owned subsidiary within our Vehicle Services segment, for approximately $1.2 billion in cash. We recorded an after-tax loss of $256 million in second quarter 2002 on the sale of this business principally related to foreign currency translation, as U.S. dollar strengthened significantly against the U.K. pound since Cendant's acquisition of NCP in 1998. NCP operated off-street commercial parking facilities and managed on-street parking and related operations on behalf of town and city administration in England. The account balances and activities of NCP have been segregated and reported as a discontinued operation for all periods presented.

During 2001, we acquired several businesses, which substantially contributed to our revenue growth and overall improvement in the cash flows we generate from operations. Avis Group Holdings, Inc., one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions, was acquired on March 1, 2001 for approximately $994 million primarily in cash and Fairfield Resorts, Inc. (formerly, Fairfield Communities, Inc.), one of the largest vacation ownership companies in the United States, was acquired on April 2, 2001 for approximately $760 million primarily in cash. In addition, on October 1, 2001 and October 5, 2001, we acquired Galileo International, Inc., a leading provider of electronic global distribution services for the travel industry, for approximately $1.9 billion (approximately $1.5 billion of which was funded through the issuance of approximately 117 million shares of CD common stock with the remainder being funded in cash) and Cheap Tickets, Inc., a leading seller of discount leisure travel products, for approximately $313 million primarily in cash, respectively. In connection with these acquisitions, we acquired net assets (assets acquired less liabilities assumed) of approximately $2.1 billion (including the assumption of approximately $11.8 billion of liabilities).

During 2001, we also completed the sale of our real estate Internet portal, move.com, along with certain ancillary businesses to Homestore.com, Inc. in exchange for approximately 21 million shares of Homestore common stock then-valued at $718 million. As of December 31, 2001, we held 18.1 million shares of Homestore, for which the carrying amounts had been written down to zero during the fourth quarter of 2001 (see discussion in "Results of Consolidated Operations 2001 vs. 2000—Net Loss on Dispositions of Businesses and Impairment of Investments"). The sale permitted us to align the company with the market leader in on-line real estate content, as

well as real estate broker technology. We also outsourced our individual membership and loyalty business to Trilegiant Corporation during 2001 (see discussion in "Liquidity and Capital Resources").

The consolidated results of operations of the businesses we acquired have been included in our consolidated results of operations since their respective dates of acquisition and the consolidated results of operations of businesses we disposed of have only been included in our consolidated results of operations through their respective dates of disposition.

Critical Accounting Policies

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Certain of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We continue to evaluate these estimates and assumptions. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significantly unfavorable change to current conditions, there will likely be a material adverse impact to our financial statements. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. We have reviewed the accounting policies of all our businesses to identify those policies where we are required to make particularly subjective and complex judgments that affect these estimates and assumptions.

The majority of our businesses operate in environments where we are paid a fee for a service performed, and therefore, the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex. Following is a description of those

accounting policies which we believe require subjective and complex judgments and could potentially affect reported results.

Mortgage Servicing Rights. A mortgage servicing right is the right to receive a portion of the interest coupon and fees collected from the mortgagor for performing specified servicing activities. The value of mortgage servicing rights is estimated based on expected future cash flows considering market prepayment estimates, historical prepayment rates, portfolio characteristics, interest rates and other economic factors. We estimate 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. To the extent that fair value is less than carrying value, we would consider the portfolio to have been impaired and record a related charge. During 2001, we determined that impairment had occurred due to interest rate reductions, which results in a greater level of mortgage prepayments than expected. Accordingly, we recorded net aggregate write-downs of $144 million. Approximately $50 million of this write-down was related to changes in estimates of interest rates in the ordinary course of business, which were the direct result of the continued lowering of interest rates that occurred during 2001 prior to the September 11th terrorist attacks. These rate reductions caused a decline in the value of our mortgage servicing rights portfolio, hence requiring the write-down. The remaining $94 million of aggregate write-down was directly related to interest rate reductions subsequent to the September 11th terrorist attacks, whereby the Federal Reserve reduced the Federal Funds rate by 50 basis points twice within a 14-day period following the terrorist attacks and the U.S. Treasury Department announced thereafter the discontinuance of new sales of the 30-year treasury bond. The reductions in the Federal Funds rate which occurred between September 17th and December 11th of 2001, resulted in a 50% reduction to such rate, which has never occurred over such a short period in the history of the Federal Funds rate. The series of these actions resulted in a reduction of mortgage rates to a 30-year low during fourth quarter 2001, according to the Freddie Mac Home Loan Index. Such reductions resulted in increases to our forecasted loan prepayment rates, which negatively impacted the carrying value of the mortgage servicing rights asset, hence requiring a write-down of $94 million. Further reductions in interest rates would have caused us to use different assumptions in the valuation of our mortgage servicing rights resulting in additional corresponding write-downs through a valuation allowance. We use derivatives to mitigate the prepayment risk associated with mortgage servicing rights. Such derivatives tend to increase in value as interest rates decline and conversely decline in value as interest rates increase. Additionally, as interest rates are reduced, we have historically experienced a greater level of refinancings, which partially mitigates the impact of the decline in the valuation of our mortgage servicing rights portfolio.

We continue to evaluate these estimates and assumptions and believe that these assumptions, which included estimates of future interest rate levels and prepayment rates, were appropriate. Changes in fair value of the mortgage servicing rights based upon variations in the assumptions (e.g. future interest rate levels, prepayment speeds) cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities. The carrying value of our Mortgage Servicing rights was approximately $2.0 billion at December 31, 2001 after recording the net aggregate write-down of $144 million.

Securitizations. We sell a significant portion of our residential mortgage loans, relocation receivables and timeshare receivables into securitization entities as part of our financing strategy. We retain the servicing rights and, in some instances, subordinated residual interests in the mortgage loans and relocation and timeshare receivables. The investors have no recourse to our other assets for failure of debtors to pay when due. Gains or losses relating to the assets sold are allocated between such assets and the retained interests based on their relative fair values at the date of transfer. We estimate fair value of retained interests based upon the present value of expected future cash flows. The value of the retained interests is subject to the prepayment risks, expected credit losses and interest rate risks of the transferred financial assets. The effects of any adverse changes in the fair value of our retained interests are detailed in Note 24—Transfers and Servicing of Financial Assets to the Consolidated Financial Statements.

We continue to evaluate these estimates and assumptions and believe that these assumptions, which included estimates of future cash flows and expected credit losses were appropriate. Changes in fair value

of the retained interests based upon variations in the assumptions (e.g. prepayment risks, expected credit losses and interest rate risks) cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities. The fair value of the retained interest was approximately $400 million at December 31, 2001. (Refer to Note 24—Transfers and Servicing of Financial Assets)

Financial Instruments. We use derivative instruments as part of our overall strategy to manage and reduce the interest rate risk primarily related to our mortgage-related assets. Effective January 1, 2001, we account for our derivatives at fair value on the balance sheet in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." The application of SFAS No. 133 is complex, as evidenced by amendments and significant interpretations to the original standard, which continue to evolve. When applying SFAS No. 133, we must make an estimate of fair value for each of our derivatives and other financial instruments. Most of the derivatives and other financial instruments we use are not exchange traded. Therefore, we estimate fair values using dealer quotes, present value cash flow models, options-pricing models or other conventional valuation methods, as appropriate. These estimates involve significant judgments and estimates in the absence of quoted market prices. The amounts of such estimates are disclosed in Note 23—Financial Instruments to the Consolidated Financial Statements. The key assumptions used in these valuations are estimates of future interest rate levels based on interest rate yield curves, prepayment and volatility factors, and an estimation around the timing of future cash flows. The use of different assumptions may have a material effect on the estimated fair value amounts recorded in the financial statements. In addition, hedge accounting requires that at the beginning of each hedge period, we justify an expectation that the relationship between the changes in fair value of derivatives designated

as hedges compared to changes in the fair value of the underlying hedged items be highly effective. This effectiveness assessment involves estimation of changes in fair value resulting from changes in interest rates and corresponding changes in prepayment levels, as well as the probability of the occurrence of transactions for cash flow hedges. Use of different assumptions and changing market conditions may impact the results of the effectiveness assessment and ultimately the timing of when changes in derivative fair values and the underlying hedged items are recorded in earnings.

We continue to evaluate these estimates and assumptions and believe that these assumptions, which included an estimate of fair value (including estimates of future interest rate levels, prepayment and volatility factors and an estimate around the timing of future cash flows) were appropriate. See Item 7a. "Quantitative and Qualitative Disclosures about Market Risk" for a discussion of the effect of hypothetical changes to the assumptions.

Goodwill and Other Intangible Assets. We have reviewed the carrying value of all our goodwill and other intangible assets in connection with the implementation of SFAS No. 142, "Goodwill and Other Intangible Assets," by comparing such amounts to their fair values. We determined that the carrying amounts of all our goodwill and other intangible assets did not exceed their respective fair values. Accordingly, the initial implementation of this standard will not impact earnings during 2002. We are required to perform this comparison at least annually, or more frequently if circumstances indicate possible impairment. When determining fair value, we utilize various assumptions, including projections of future cash flows. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause fair value to be less than the carrying amounts. In such event, we would then be required to record a corresponding charge, which would impact earnings.

We continue to evaluate these estimates and assumptions and believe that these assumptions, which included an estimate of future cash flows based upon the anticipated performance of the underlying business units, were appropriate. We provide a wide range of consumer and business services and, as a result, our goodwill and other intangible assets are reflected among many diverse reporting units. Accordingly, it is difficult to quantify the impact of an adverse change in financial results and related cash flows as such change may be isolated to a small number of our reporting units or spread across our entire organization. In either case, the magnitude of an impairment to our goodwill such other intangibles, if any, cannot be extrapolated. However, our businesses are concentrated in a few industries (e.g. Travel, Real Estate) and, as such, an adverse change to any of these industries will impact our consolidated results and

may result in impairment of our goodwill and other intangibles. The carrying value of our goodwill and other intangibles (including franchise agreements) was approximately $10 billion at December 31, 2001.

RESULTS OF CONSOLIDATED OPERATIONS—2001 vs. 2000

Our consolidated results from continuing operations comprised the following:

	2001	2000	Change
Net revenues	$ 8,613	$ 4,320	$ 4,293
Expenses, excluding other charges and non-vehicle interest, net	7,003	3,056	3,947
Other charges	671	111	560
Non-vehicle interest, net	252	152	100
Total expenses	7,926	3,319	4,607
Gains on disposition of businesses	(443)	(37)	(406)
Losses on disposition of businesses	26	45	(19)
Impairment of investments	441	—	441
Income before income taxes, minority interest and equity in Homestore.com	663	993	(330)
Provision for income taxes	220	341	(121)
Minority interest, net of tax	24	83	(59)
Losses related to equity in Homestore.com, net of tax	77	—	77
Income from continuing operations	$ 342	$ 569	$ (227)

Net revenues increased primarily as a result of the impact of acquired businesses (Avis, Fairfield, Galileo and Cheap Tickets), which resulted in an additional $4.2 billion in net revenues, as well as substantial growth in mortgage refinancing activity and mortgage purchase volume, which resulted in an additional $367 million in net revenues. A detailed discussion of revenue trends is included in "Results of Reportable Segments—2001 vs. 2000." Total expenses also increased primarily as a result of the impact of acquired businesses, which resulted in an additional $4.0 billion in expenses, as well as other charges of $560 million (discussed below) and an increase in net non-vehicle interest expense of $100 million, which primarily resulted from interest expense accrued on our stockholder litigation settlement liability.

Our overall effective tax rate was 33.2% and 34.3% for 2001 and 2000, respectively. The effective rate for 2001 was lower, as the benefit from the recognition of foreign tax credits exceeded the negative impact of acquisitions. Minority interest, net of tax, decreased by $59 million due to the maturity of the Feline PRIDES in February 2001, at which time holders used the interest bearing trust preferred security to satisfy their obligation to purchase CD common stock. Additionally, we recorded after-tax charges of $77 million related to our equity ownership in Homestore, which was received in connection with the sale of move.com and certain ancillary businesses to Homestore in February 2001.

As a result of the above-mentioned items, income from continuing operations decreased $227 million, or 40%, during 2001.

Other Charges

Restructuring and Other Unusual Charges

Restructuring Costs. During 2001 and 2000, we incurred restructuring charges of $110 million and $60 million, respectively. The 2001 charges were primarily recorded as a result of actions taken in response to the September 11th terrorist attacks, while the 2000 charges primarily related to the consolidation of business operations and rationalization of certain existing processes.

As a result of changes in business and consumer behavior following the September 11th terrorist attacks, we formally committed to various strategic initiatives during fourth quarter 2001, which were generally aimed at aligning cost structures in our underlying businesses in response to anticipated levels of volume. The major areas of

cost reductions include call center operations, field locations for car rental operations and back office support functions. To achieve these reductions, we will redirect call traffic, consolidate processes, reduce staffing levels and close offices. Accordingly, we incurred restructuring charges of $110 million, of which $21 million were non-cash, ($40 million, $30 million, $22 million, $8 million, $7 million and $3 million of charges were recorded within Hospitality, Real Estate Services, Corporate and Other, Financial Services, Vehicle Services and Travel Distribution, respectively). We anticipate that these

initiatives will be completed by the end of fourth quarter 2002. The initiatives are anticipated to increase pre-tax income by approximately $95 million to $100 million annually, commencing in first quarter 2002. The initial recognition of the charge and the corresponding utilization from inception are summarized by category as follows:

	2001 Restructuring Charge	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 68	$ 11	$ 5	$ 52
Asset impairments and contract terminations	17	3	10	4
Facility related	25	1	—	24
Total	$ 110	$ 15	$ 15	$ 80

Personnel related costs primarily include severance resulting from the rightsizing of certain businesses and corporate functions. As of December 31, 2001, we formally communicated the termination of employment to approximately 3,000 employees, representing a wide range of employee groups, and approximately 2,100 employees were terminated. We anticipate the majority of the personnel related costs will be paid during first quarter 2002. All other costs were incurred primarily in connection with facility closures and lease obligations resulting from the consolidation of our operations. Cash payments made during 2001 were funded from operations and we anticipate funding remaining cash requirements from operations.

During first quarter 2000, we incurred restructuring charges of $60 million in connection with various strategic initiatives (such liability was reduced by $4 million during 2001 as a result of a change in the original estimate of costs to be incurred). These initiatives were generally aimed at improving the overall level of organizational efficiency, consolidating and rationalizing existing processes, and reducing cost structures in our underlying businesses. The initiatives primarily affected our Hospitality and Financial Services segments and were completed by the end of first quarter 2001. The initial recognition of the charge and the corresponding utilization from inception are summarized by category as follows:

	2000 Restructuring Charge	Cash Payments	Other Reductions	Balance at December 31, 2000	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 25	$ 18	$ 1	$ 6	$ 4	$ 2	$ —
Asset impairments and contract terminations	26	1	25	—	—	—	—
Facility related	9	2	1	6	4	2	—
Total	$ 60	$ 21	$ 27	$ 12	$ 8	$ 4	$ —

Personnel related costs primarily included severance resulting from the consolidation of our operations and certain corporate functions. We formally communicated the termination of employment to approximately 970 employees, representing a wide range of employee groups, all of whom were terminated by March 31, 2001. Asset impairments and contract terminations were incurred in connection with the exit of our timeshare software development business. Facility related costs consisted of facility closures and lease obligations also resulting from the consolidation of our operations. All cash payments were funded from operations.

Other Unusual Charges. During 2001 and 2000, we incurred unusual charges of $273 million and $49 million, respectively. The 2001 charges primarily consisted of (i) $95 million related to the funding of an irrevocable contribution to the Real Estate Technology Trust, an independent technology trust responsible for providing technology initiatives for the benefit of certain of our current and future real estate franchisees, (ii) $85 million related to the funding of Trip Network, Inc., formerly, Travel Portal, Inc., (see discussion in "Liquidity and Capital Resources"), (iii) $41 million related to the rationalization of the Avis fleet in response to the September 11th terrorist attacks as a result of anticipated reduction in the volume of business (including the reduction in the fleet, as well as corresponding personnel reductions), (iv) $8 million related to the abandonment of financial software projects due to our decision to forego their implementation as a result of anticipated reduction in the volume of business in our rental car, travel distribution and timeshare businesses resulting from the September 11th terrorist attacks and (v) $7 million related to a charitable contribution of $1.5 million in cash and stock in a publicly traded company valued at $5.5 million (based upon its then-current fair value), to the Cendant Charitable Foundation, which we established in September

2000 to serve as a vehicle for making charitable contributions to worthy charitable causes that are of particular interest to our employees, customers and franchisees. The foundation is controlled by its Board of Directors, which is currently comprised of eight persons, all of whom are either our employees or employees of our affiliates. Although we may make contributions to the foundation from time to time, we are not under any obligation or otherwise committed to do so. No contributions were made to the foundation in 2000.

The 2000 charges primarily consisted of (i) $21 million of costs to fund an irrevocable contribution to the Hospitality Technology Trust, an independent technology trust responsible for completing the transition of our lodging franchisees to a common property management system, (ii) $11 million of executive termination costs, (iii) $7 million of costs primarily related to the abandonment of certain computer system applications, (iv) $3 million of costs related to stock option contract modifications and (v) $3 million of costs related to the postponement of the initial public offering of Move.com common stock.

The Real Estate Technology Trust and Hospitality Technology Trust are governed by trustees, none of whom are employees or affiliates of Cendant. Furthermore, we have no on-going requirement to fund these independent trusts.

Acquisition and Integration Related Costs

During 2001, we incurred acquisition and integration charges totaling $112 million. Such charges primarily represented (i) $78 million in connection with the outsourcing of our data operations, including Galileo's global distribution system and desktop support and other related services to a third party provider, (ii) $23 million in connection

with the integration of our existing travel agency businesses with Galileo's computerized reservations system and (iii) $4 million of severance costs in connection with the rationalization of duplicative functions.

Mortgage Servicing Rights Impairment

As previously discussed, during fourth quarter 2001, we determined that an impairment of our mortgage servicing rights portfolio had occurred due to unprecedented interest rate reductions subsequent to the September 11th terrorist attacks that we deemed not to be in the ordinary course of business as the Federal Reserve reduced the Federal Funds Rate by 50 basis points twice within a 14-day period following the terrorist attacks. Additionally, during fourth quarter 2001, the U.S. Treasury Department announced the discontinuance of new sales of the 30-year treasury bond. The reductions in the Federal Funds Rate, which occurred between September 17th and December 11th of 2001, resulted in a 50% reduction to such rate which has never occurred over such a short period in the history of the Federal Funds Rate. The series of these actions resulted in a reduction of mortgage rates to a 30-year low during fourth quarter 2001, according to the Freddie Mac Home Loan Index. Such reductions resulted in increases to our forecasted loan prepayment rates, which negatively impacted the carrying value of the mortgage servicing rights assets. Accordingly, we recorded an impairment charge of $94 million to reduce the carrying value of our mortgage servicing rights portfolio to approximately $2.0 billion as of December 31, 2001.

Litigation Settlement and Related Costs

During 2001 and 2000, we recorded $86 million and $2 million, respectively, of litigation settlement and related charges net of credits discussed below. The 2001 charges are comprised of $67 million related to the settlement of litigation (outside of the principal common stockholder litigation) resulting from previously discovered accounting irregularities in the former business units of CUC International, Inc. and $33 million related to investigations into those accounting irregularities. Such charges were partially offset by a credit of $14 million related to an adjustment to the PRIDES class action litigation settlement charge we recorded in 1998 (see Note 18—Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary Holding Solely Senior Debentures Issued by the Company for a detailed discussion regarding the PRIDES settlement). The 2000 charges are comprised of $23 million related to investigations into the previously discovered accounting irregularities in the former business units of CUC and $20 million related to the settlement of litigation resulting from those accounting irregularities (outside of the principal common stockholder litigation). Such charges were partially offset by a credit of $41 million also related to an adjustment to the PRIDES class action litigation settlement charge we recorded in 1998.

Net Loss on Dispositions of Businesses and Impairment of Investments

During 2001, we recorded net losses on dispositions of businesses and impairment of investments of $24 million. Such amount comprises (i) losses of $19 million related to the sale of several non-strategic businesses, (ii) a gain of $436 million recorded on the sale of our real estate Internet portal and certain ancillary businesses to Homestore and (iii) impairment losses of $441 million recorded during fourth quarter 2001 as a result of an other-than-temporary decline in the value of our investment in Homestore ($407 million) and a lodging and an Internet-related investment ($34 million). At December 31, 2001, our investment in Homestore was recorded at zero and we had no future obligations relating to this investment.

During 2000, we recorded net losses on dispositions of businesses and impairment of investments of $8 million. Such amount comprises (i) losses of $43 million related to the sale of several non-strategic businesses and (ii) the recognition of $35 million of the deferred gain that resulted from the 1999 sale of our fleet management business (see Note 4—Dispositions of Businesses and Impairment of Investments).

RESULTS OF REPORTABLE SEGMENTS—2001 vs. 2000

Our discussion of each of our segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before non-vehicle interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, all of which are not measured in assessing segment performance or are not segment specific. In addition, Adjusted EBITDA also excludes items, which are of a non-recurring or unusual nature and are also not measured in assessing segment performance or are not segment specific. For specific details regarding the nature of excluded items, see the sections above entitled "Other Charges" and "Net Loss on Dispositions of Businesses and Impairment of Investments." Our management believes such discussions are the most informative representation of how management evaluates performance. However, our presentation of Adjusted EBITDA may not be comparable with similar measures used by other companies.

In connection with the acquisitions of Avis and Galileo and the disposition of our real estate Internet portal, we realigned the operations and management of certain of our businesses during 2001. Accordingly, our segment reporting structure now encompasses the following five reportable segments: Real Estate Services, Hospitality, Vehicle Services, Travel Distribution and Financial Services. The periods presented herein have been reclassified to reflect this change in our segment reporting structure.

	Revenues			Adjusted EBITDA		
	2001	2000	% Change	2001[a]	2000[b]	% Change
Real Estate Services[c]	$ 1,859	$ 1,461	27%	$ 939	$ 752	25%
Hospitality[d]	1,522	918	66	513	385	33
Travel Distribution[f]	437	99	*	108	10	*
Vehicle Services[e]	3,322	230	*	290	169	*
Financial Services	1,402	1,380	2	310	373	(17)
Total Reportable Segments	8,542	4,088		2,160	1,689	
Corporate and Other[g]	71	232	*	(73)	(104)	*
Total Company	$ 8,613	$ 4,320		$ 2,087	$ 1,585	

* Not meaningful.

(a) Excludes charges of $192 million primarily in connection with restructuring and other initiatives undertaken as a result of the September 11th terrorist attacks ($31 million, $51 million, $58 million, $7 million, $10 million and $35 million of charges were recorded within Real Estate Services, Hospitality, Vehicle Services, Travel Distribution, Financial Services and Corporate and Other, respectively).

(b) Excludes charges of $109 million in connection with restructuring and other initiatives ($2 million, $63 million, $31 million and $13 million of charges were recorded within Real Estate Services, Hospitality, Financial Services and Corporate and Other, respectively).

(c) Adjusted EBITDA for 2001 excludes charges of $95 million related to the funding of an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of certain of our current and future franchisees and $94 million related to the impairment of our mortgage servicing rights portfolio.

(d) Adjusted EBITDA for 2001 excludes a charge of $11 million related to the impairment of certain of our investments in part due to the September 11th terrorist attacks. Adjusted EBITDA for 2000 excludes $12 million of losses related to the dispositions of businesses.

(e) Adjusted EBITDA for 2001 excludes charges of $5 million related to the acquisition and integration of Avis and $2 million related to the impairment of certain of our investments due to the September 11th terrorist attacks.

(f) Adjusted EBITDA for 2001 excludes charges of $23 million related to the acquisition and integration of Galileo and Cheap Tickets.

(g) Represents the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments. Adjusted EBITDA for 2001 excludes charges of (i) $427 million primarily related to the impairment of our investment in Homestore, (ii) $86 million for net litigation settlement and related costs, (iii) $85 million related to the funding of Trip Network., (iv) $80 million related to the outsourcing of our information technology operations to IBM in connection with the acquisition of Galileo, (v) $19 million related the dispositions of certain non-strategic businesses in 1999, (vi) $7 million related to a non-cash contribution to the Cendant Charitable Foundation and (vii) $4 million related to the acquisition and integration of Avis. Such charges were partially offset by a gain of $436 million primarily related to the sale of our real estate Internet portal, move.com. Adjusted EBITDA for 2000 excludes a gain of $35 million, which represents the recognition of a portion of our previously recorded deferred gain from the sale of our former fleet business due to the disposition of VMS Europe by Avis in August 2000. Such amounts were partially offset by $31 million of losses related to the disposition of certain non-strategic businesses and $2 million of net litigation settlement and related costs.

Real Estate Services

Revenues and Adjusted EBITDA increased $398 million (27%) and $187 million (25%), respectively. The increase in operating results was primarily driven by substantial growth in mortgage loans sold due to increased refinancing activity and purchase volume. Higher franchise fees from our Century 21, Coldwell Banker and ERA franchise brands and increases in relocation services also contributed to the favorable operating results. Offsetting the revenue increases, operating and administrative expenses within this segment increased $208 million primarily to support the higher volume of mortgage originations and related servicing activities.

Collectively, mortgage loans sold increased $14.8 billion (70%) to $35.9 billion, generating incremental revenues of $367 million, a 117% increase. Closed mortgage loans increased $22.4 billion (101%) to $44.5 billion in 2001. Such growth consisted of a $17.6 billion increase (approximately ten-fold) in refinancings and a $4.8 billion increase (24%) in purchase mortgage closings. A significant portion of mortgage loans closed in any quarter will generate revenues in future periods as those loans closed are packaged and sold and revenue is recognized upon the sale of the loan, which is typically 45 to 60 days after closing. Beginning in January 2001, Merrill Lynch outsourced its mortgage loan origination and servicing operations to us under a 10-year agreement, which accounted for $7.4 billion (17%) of our mortgage closings in 2001. Consideration paid to Merrill Lynch for this outsourcing agreement was not material. Partially offsetting record production revenues was a $26 million (24%) decline in net loan servicing revenue. The average servicing portfolio grew $28 billion (45%) resulting from the high volume of mortgage loan originations and our purchase of rights to service $11 billion of existing mortgage loans owned by Merrill Lynch; however, accelerated servicing amortization expenses during 2001, due primarily to refinancing activity, more than offset the increase in recurring servicing fees from the portfolio growth.

Franchise fees from our real estate franchise brands also contributed to revenue and Adjusted EBITDA growth. Royalties and other franchise fees increased $41 million (8%), despite only modest industry-wide growth and a year-over-year industry decline in California, principally due to a 4% increase in the average price of homes sold and a $16 million fee received from NRT in connection with the termination of a franchise agreement under which NRT operated our Century 21 real estate brand. Service-based fees from relocation activities also contributed to the increase in revenues and Adjusted EBITDA principally due to a $14 million increase in referral fees resulting from increased volume, which included the execution of new service contracts. In addition, asset-based relocation revenues decreased by $3 million, which was comprised of a $10 million revenue decline due to lower corporate and government homesale closings, partially offset by a $7 million increase in net interest income from relocation operations due to reduced debt levels in 2001.

Hospitality

Revenues and Adjusted EBITDA increased $604 million (66%) and $128 million (33%), respectively. While our April 2001 acquisition of Fairfield produced the bulk of this growth, our pre-existing timeshare exchange operations also made contributions. Prior to the acquisition of Fairfield, the results of this segment consisted principally of royalties earned on our lodging brands and exchange fees earned from our timeshare exchange business, Resort Condominium International, LLC. Fairfield contributed revenues, expenses and Adjusted EBITDA of $568 million, $424 million and $144 million, respectively, during 2001. In addition, the first quarter 2001 acquisition of Holiday Cottages Group Limited, the leading UK brand in holiday cottage rentals, contributed incremental revenues and Adjusted EBITDA of $34 million and $13 million, respectively, in 2001. Notwithstanding the negative impact that the September 11th terrorist attacks had on the economy's travel sector, timeshare subscription and transaction fees increased $41 million supported by increases in both members and exchange transactions. A corresponding increase in timeshare-related staffing costs was incurred to support volume growth and meet anticipated service levels. Revenues and Adjusted EBITDA in this segment include a decline in preferred alliance fees of $8 million, principally due to the expiration of a vendor contract in 2000. Royalties and marketing fund revenues from our lodging franchise operations declined $13 million (6%) and $14 million (7%), respectively, due to a 7% decrease in revenue per available room. Lower marketing fund revenues received from franchisees were directly offset by lower expenses incurred on the marketing of our nine lodging brands. The September 11th terrorist attacks caused a decline in the occupancy levels and room rates of our franchised lodging properties in the fourth quarter of 2001. While we expect the events of September 11th to suppress the growth of this segment in the near term, we also expect that the percentage impact will continue to decline over time, absent any further negative events affecting the travel industry. Furthermore, since many of our timeshare operations and franchised lodging properties principally serve road travelers (rather than air travelers), we believe that the effects of September 11th on this segment's operations will be less severe than on the travel industry as a whole.

Vehicle Services

Revenues and Adjusted EBITDA increased $3.1 billion and $121 million, respectively, substantially due to the acquisition of Avis in March 2001. Prior to the acquisition of Avis, revenues and Adjusted EBITDA of this segment consisted principally of earnings from our 18% equity investment in Avis and franchise royalties received from Avis. The acquisition of Avis contributed incremental revenues, expenses and Adjusted EBITDA of $3.1 billion, $3.0 billion and $112 million, respectively, in 2001. Avis' results in 2001 were negatively impacted by reduced demand at airport locations due to a general decline in commercial travel throughout the year, which was further exacerbated by the September 11th terrorist attacks. In response to the slowdown in commercial travel and in the wake of the September 11th terrorist attacks, we believe that we have rightsized our car rental operations to meet anticipated business levels, which included reductions in workforce and fleet (fleet was downsized by approximately 10%). We expect that seasonally adjusted car rental volumes will continue to increase as air travel volumes rebound. Our fleet management and fuel card management businesses were not materially impacted by the September 11th terrorist attacks.

Travel Distribution

Prior to the acquisitions of Galileo and Cheap Tickets, revenue and Adjusted EBITDA for this segment principally comprised the operations of Cendant Travel, our travel agent subsidiary. Galileo contributed revenues, expenses and Adjusted EBITDA of $337 million, $233 million and $104 million, respectively, while Cheap Tickets contributed revenues and expenses of $8 million each and made no contribution to Adjusted EBITDA. The September 11th terrorist attacks caused a decline in demand for travel-related services and, accordingly, reduced the booking volumes for Galileo and our travel agency businesses below fourth quarter 2000 levels. Galileo worldwide booking volume for air travel declined 19% in fourth quarter 2001 compared with fourth quarter 2000 and other travel-related bookings (car, hotel, etc.) were down 23% for the comparable periods. Upon completing the acquisitions of Galileo and Cheap Tickets, in

response to the existing economic conditions, we not only moved aggressively to integrate these businesses and achieve expected synergies, but we also re-examined their cost structures and streamlined their operations through workforce reductions and other means to meet expected business volumes. Absent any further shock to the travel industry, we expect travel volumes to continue to improve over time.

Financial Services

Revenues increased $22 million (2%) while Adjusted EBITDA decreased $63 million (17%). While the royalties we will receive from Trilegiant will benefit segment results in future periods, the outsourcing of our individual membership business to Trilegiant caused a decrease in Adjusted EBITDA during 2001, largely due to $41 million of our transaction-related expenses and $66 million of marketing spending by Trilegiant, which we were contractually required to fund and, as such, expensed (see discussion in "Liquidity and Capital Resources—Trilegiant Corporation"). The transaction related expenses are comprised of the $20 million write-off of the entire amount of our preferred stock investment due to operating losses incurred by Trilegiant in excess of the common equity and other expenses that include employee benefits and professional fees and a portion of the marketing advance that was expensed as Trilegiant incurred qualified marketing expenses pursuant to the contractual terms of the agreement. Membership volumes and revenues declined; however, commissions increased due to higher commission rates. Conversely, the cost savings from servicing fewer members, as well as Trilegiant's absorption of its share of fixed overhead expenses subsequent to the outsourcing, more than offset the lower membership revenues and higher commissions. In addition, we acquired Netmarket, an online membership business, during fourth quarter 2000, which was immediately integrated into our existing membership business. Netmarket contributed incremental revenues of $53 million in 2001. Jackson Hewitt, our tax preparation franchise business, contributed incremental revenues of $18 million, principally comprised of higher royalties due to a 22% increase in tax return volume, with relatively no corresponding increases in expenses due to the significant operating leverage within our franchise operations. Revenues and Adjusted EBITDA in 2000 included $8 million of fees recognized from the sale of certain referral agreements.

Corporate and Other

Revenues decreased $161 million while Adjusted EBITDA increased $31 million. Our real estate Internet portal and certain ancillary businesses, which were sold to Homestore in February 2001, collectively accounted for a decline in revenues of $87 million and an improvement to Adjusted EBITDA of $82 million because we were investing in the development and marketing of the portal during 2000. Revenues and Adjusted EBITDA were negatively impacted by $36 million less income from financial investments. In addition, revenues recognized from providing electronic reservation processing services to Avis ceased coincident with our acquisition of Avis, contributing to a reduction in revenues of $43 million with no Adjusted EBITDA impact since Avis had been billed for such services at cost. In December 2001, we entered into a ten-year, information technology services relationship with IBM whereby IBM will manage all of our data center operations. Adjusted EBITDA in 2001 benefited from the absence of $13 million of costs incurred in 2000 to pursue Internet initiatives and also reflects increased unallocated corporate overhead costs principally due to infrastructure expansion to support company growth.

RESULTS OF CONSOLIDATED OPERATIONS—2000 vs. 1999

Our consolidated results from continuing operations comprised the following:

	2000	1999	Change
Net revenues	$ 4,320	$ 5,755	$ (1,435)
Expenses, excluding other charges and non-vehicle interest, net	3,056	4,299	(1,243)
Other charges	111	3,032	(2,921)
Non-vehicle interest, net	152	201	(49)
Total expenses	3,319	7,532	(4,213)
Gains on dispositions of businesses	(37)	(1,142)	1,105
Losses on dispositions of businesses	45	33	12
Income (loss) before income taxes and minority interest	993	(668)	1,661
Provision (benefit) for income taxes	341	(422)	763
Minority interest, net of tax	83	61	22
Income (loss) from continuing operations	$ 569	$ (307)	$ 876

Net revenues decreased primarily as a result of the impact of businesses we disposed of during 1999 (primarily our former fleet management and entertainment publications businesses), which resulted in a $1.55 billion reduction in net revenues, despite growth in recurring business activities, including higher relocation service-based fees of $33 million, increased mortgage production and loan servicing revenues aggregating $27 million and greater royalty fees of $31 million generated from our real estate franchised brands, which resulted in an increase in net revenues of approximately $100 million. A detailed discussion of revenue trends is included in "Results of Reportable Segments—2000 vs. 1999." Total expenses decreased primarily due to other charges (discussed below), as well as the impact of businesses we disposed of during 1999, which also resulted in a $1.5 billion reduction in expenses, and a decrease in net non-vehicle interest expense primarily resulting from a decrease in our average debt balance outstanding, which was partially offset by interest expense accrued on our stockholder litigation settlement liability during 2000.

Our provision for income taxes was $341 million in 2000, or an effective tax rate of 34.3%, compared to a benefit of $422 million in 1999, or an effective tax rate of 63.2%. The effective tax rate variance represents the impact of the disposition of our fleet businesses in 1999, which was accounted for as a tax-free merger.

As a result of the above-mentioned items, income from continuing operations increased $876 million.

Other Charges

Restructuring and Other Unusual Charges

Restructuring Costs. During 2000, we incurred restructuring charges of $60 million. A detailed discussion of such charges is included in "Results of Consolidated Operations—2001 vs. 2000."

Other Unusual Charges. During 2000 and 1999, we incurred unusual charges of $49 million and $117 million, respectively. A detailed discussion of the 2000 unusual charges is included in "Results of Consolidated Operations—2001 vs. 2000." The 1999 charge primarily consisted of (i) $85 million incurred in connection with the creation of Netmarket Group, Inc., a then-independent company that was created to pursue the development and expansion of interactive businesses, which is contingently repayable to us only if certain financial targets related to NGI are achieved, (ii) $23 million primarily related to an irrevocable contribution to an independent technology trust responsible for completing the transition of our lodging franchisees to a common property management system and (iii) $7 million primarily related to the termination of a proposed acquisition.

Litigation Settlement and Related Costs

During 2000 and 1999, we recorded net charges of $2 million and $2.9 billion, respectively, for litigation settlement and related costs. A detailed discussion of the 2000 charge is included in "Results of Consolidated Operations—2001 vs. 2000." The 1999 charge primarily represented the settlement of our principal common stockholder class action lawsuit, as well as $21 million of charges related to investigations into previously discovered accounting irregularities in the former business units of CUC.

Net Gain (Loss) on Dispositions of Businesses

During 2000 and 1999, we recorded a net loss of $8 million and a gain of $1.1 billion, respectively, related to the dispositions of businesses. A detailed discussion of the 2000 net loss is included in "Results of Consolidated Operations—2001 vs. 2000." The 1999 gain was recognized primarily in connection with the disposal of our fleet and entertainment publications businesses.

RESULTS OF REPORTABLE SEGMENTS—2000 vs. 1999

For specific details regarding the nature of excluded items, see the sections above entitled "Other Charges" and "Net Gain (Loss) on Dispositions of Businesses."

	Revenues			Adjusted EBITDA		
	2000	1999	% Change	2000[a]	1999	% Change
Real Estate Services	$ 1,461	$ 1,383	6%	$ 752	$ 727	3%
Hospitality[b]	918	920	—	385	420	(8)
Travel Distribution	99	91	9	10	7	43
Vehicle Services	230	1,109	*	169	246	*
Financial Services[c]	1,380	1,518	(9)	373	305	22
Total Reportable Segments	4,088	5,021		1,689	1,705	
Corporate and Other[d]	232	734	*	(104)	89	*
Total Company	$ 4,320	$ 5,755		$ 1,585	$ 1,794	

(*) Not meaningful

(a) Excludes a charge of $109 million in connection with restructuring and other initiatives ($2 million, $63 million, $31 million and $13 million of charges were recorded within Real Estate Services, Hospitality, Financial Services and Corporate and Other, respectively).

(b) Adjusted EBITDA for 2000 excludes $12 million of losses related to the dispositions of businesses. Adjusted EBITDA for 1999 excludes a charge of $23 million related to the funding of an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of certain of our current and future franchisees.

(c) Adjusted EBITDA for 1999 excludes $131 million of gains related to the dispositions of businesses and a charge of $85 million associated with the creation of Netmarket.

(d) Represents the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments. Adjusted EBITDA for 2000 excludes a gain of $35 million, which represents the recognition of a portion of our previously recorded deferred gain from the sale of our former fleet business due to the disposition of VMS Europe by Avis in August 2000. Such amounts were partially offset by $31 million of losses related to the disposition of certain non-strategic businesses and $2 million of net litigation settlement and related costs. Adjusted EBITDA for 1999 excludes charges of (i) $2,915 million primarily related to the settlement of the principal common stockholder class action lawsuit and (ii) $7 million related to the termination of a proposed acquisition. Such charges were partially offset by a net gain of $978 million related to the dispositions of businesses.

Real Estate Services

Revenues and Adjusted EBITDA increased $78 million (6%) and $25 million (3%), respectively. The increase in operating results was principally due to increased royalties from our real estate franchise brands and growth in service-based fees generated from client relocations. Royalty fees for the CENTURY 21®, Coldwell Banker®, and ERA® franchise brands collectively increased $31 million (7%) resulting from an 11% increase in the average price of homes sold (net of a 3% reduction in the volume of homes sold). Increases in royalties and franchise fees are recognized with minimal corresponding increases in expenses due to the significant operating leverage within our franchise operations. Service-based fees from relocation related operations also significantly contributed to the increase in revenues and Adjusted EBITDA. Service-based relocation fees increased $33 million and are reflective of increased penetration into both destination and departure markets and expanded services provided to our clients.

Revenues from mortgage loans closed increased $16 million as the impact of favorable production margins exceeded the effect of a reduction in mortgage loan closings. The average production fee increased 25 basis points (21%) due to a reduction in the direct costs per loan. Mortgage loan closings declined $3.4 billion (13%) to $22.1 billion, consisting of $20.2 billion in purchase mortgages and $1.9 billion in refinancing mortgages. The decline in loan closings was primarily the result of a $4.2 billion reduction in mortgage refinancings due to the continued high volume of industry-wide refinancing activity in 1999. Lower loan origination volume during the first half of 2000 contributed to a reduction in the Adjusted EBITDA margin in 2000. Purchase mortgage closings in our retail lending business (where we interact directly with the consumer) increased $1.0 billion to $16.6 billion. Retail mortgage lending has been our primary focus and accounted for more than 80% of loan volume in 2000.

Loan servicing revenues in 1999 included an $8 million gain on the sale of servicing rights. Excluding such gain, recurring loan servicing revenue increased $19 million (20%). The increase in loan servicing revenue was principally attributable to a corresponding increase in the average servicing portfolio, which grew approximately $14.3 billion (31%).

The aforementioned increases in our core business operations were partially offset by a reduction of $10 million in gains recognized from the sale of portions of our preferred stock investments in NRT Incorporated, a $7 million gain recognized in 1999 on the sale of a minority interest in an insurance subsidiary, an $8 million gain on the sale of mortgage servicing rights and a $9 million increase in corporate overhead allocations due to a refinement of allocation methods used in 2000. Excluding the aforementioned gains on asset sales and increase in corporate overhead allocations, revenues and Adjusted EBITDA increased $103 million (8%) and $59 million (8%), respectively, and the Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenue) remained constant at 52%.

Hospitality

Revenues remained relatively constant while Adjusted EBITDA decreased $35 million, or 8%. However, the primary drivers impacting our franchise and timeshare operations reflected growth. Royalties from our lodging business increased $8 million (4%) principally due to a 3% increase in available rooms. Timeshare exchange revenues grew $12 million (6%) primarily due to a 6% growth in memberships and a 6% increase in the average exchange fee. Timeshare subscription revenues remained constant, despite the membership growth, due to the impact of the January 1, 2000 implementation of Staff Accounting Bulletin No. 101, which modified and extended the timing of revenue recognition for subscriptions and certain other fees. Accounting under SAB No. 101 resulted in non-cash reductions in timeshare subscription revenues and preferred alliance revenues of $11 million and $6 million, respectively. Also during 2000, Adjusted EBITDA declined in part due to $24 million of incremental overhead allocations due to a refinement of allocation methods used in 2000. During 1999, revenues and Adjusted EBITDA benefited by $11 million from the execution of a bulk timeshare exchange transaction and also by $6 million from the generation of a master license agreement and joint venture.

Vehicle Services

Prior to the acquisition of Avis on March 1, 2001, revenues and Adjusted EBITDA of this segment consisted principally of earnings from our equity investment in Avis and royalties received from Avis. Revenues and Adjusted EBITDA decreased $879 million and $77 million, respectively. Such decreases are significantly due to the disposition of our fleet businesses in June 1999 which contributed revenues, expenses and Adjusted EBITDA of $881 million, $800 million and $81 million, respectively, to our 1999 operating results, prior to its disposition. Excluding the impact of fleet operations in 1999, revenues and Adjusted EBITDA increased $2 million (1%) and $4 million (2%), respectively. Franchise royalties increased $4 million (3%) primarily due to a 4% increase in the volume of car rental transactions at Avis. Additionally, an increase in revenues and Adjusted EBITDA of $10 million, due to incremental dividend income recognized on our preferred stock investment in Avis, was offset by $11 million of gains recognized in 1999 on the sale of a portion of our common equity interest in Avis.

Travel Distribution

Revenues and Adjusted EBITDA increased $8 million (9%) and $3 million (43%), respectively. Prior to the acquisitions of Galileo and Cheap Tickets in October 2001, revenues and Adjusted EBITDA of this segment consisted of our travel services business.

Financial Services

Revenues decreased $138 million (9%), while Adjusted EBITDA increased $68 million (22%). During 1999, we disposed of four individual membership businesses, which had contributed revenues, expenses and Adjusted EBITDA losses of $174 million, $190 million and $16 million, respectively, in 1999 prior to their disposals. Excluding the operating results of these businesses, revenues and Adjusted EBITDA increased $36 million (3%) and $52 million (16%), respectively. During 2000, our membership solicitation strategy was to focus on profitability by targeting our marketing efforts and reducing expenses incurred to reach potential new members. Accordingly, a favorable mix of products and programs with marketing partners in 2000 positively impacted revenues and Adjusted EBITDA. Additionally, we acquired and integrated Netmarket Group, an online membership business, in the fourth quarter of 2000, which contributed $12 million to revenues but also decreased Adjusted EBITDA by $7 million. Such increases were partially offset by a decrease in membership expirations during 2000 (revenue is generally recognized upon expiration of the membership), which was partially mitigated by a reduction in operating and marketing expenses, including commissions, which directly related to servicing fewer members.

Jackson Hewitt, our tax preparation franchise business, contributed incremental revenues of $16 million, which were recognized with minimal corresponding increases in expenses due to our significant operating leverage within our franchise operations. Jackson Hewitt experienced a 33% increase in tax return volume and a 10% increase in the average price of a return. Additionally, we incurred costs of approximately $9 million during 2000 to consolidate our domestic insurance wholesale business operations in Tennessee. The majority of such costs were offset by economies and related cost savings realized from such consolidation.

Corporate and Other

Revenues and Adjusted EBITDA decreased $502 million and $193 million, respectively. Revenues decreased primarily as a result of the 1999 dispositions of several businesses, the operating results of which were included through their respective disposition dates in 1999. The absence of such divested businesses from 2000 operations resulted in a reduction in revenues, expenses and Adjusted EBITDA of $502 million, $424 million and $78 million, respectively. Excluding the impact of divested businesses on 1999 operating results, revenues remained constant while Adjusted EBITDA decreased $115 million in 2000. Our real estate Internet portal, move.com, which was sold during first quarter 2001, contributed incremental revenues of $41 million, with a reduction in Adjusted EBITDA of $72 million. The increase in revenues principally reflects an increase in sponsorship revenues resulting from the launch of the move.com[SM]

portal. The decline in Adjusted EBITDA primarily reflects our increased investment in marketing and development of the move.com network. Additionally, revenues and Adjusted EBITDA in 2000 were negatively impacted by $30 million less income recognized from financial investments and $19 million of costs incurred to pursue Internet initiatives.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Within our car rental, vehicle management, relocation, mortgage services and timeshare development businesses, we purchase assets or finance the purchase of assets on behalf of our clients. Assets generated in this process are classified as assets under management and mortgage programs. We seek to offset the interest rate exposures inherent in these assets by matching them with financial liabilities that have similar term and interest rate characteristics. As a result, we minimize the interest rate risk associated with managing these assets and create greater certainty around the financial income that they produce. Fees generated from our clients are used, in part, to repay the interest and principal associated with the financial liabilities. Funding for our assets under management and mortgage programs is also provided by both unsecured borrowings and secured financing arrangements, which are classified as liabilities under management and mortgage programs, as well as securitization facilities

with special purpose entities. Cash inflows and outflows relating to the generation or acquisition of assets and the principal debt repayment or financing of such assets are classified as activities of our management and mortgage programs.

Financial Condition

	2001	2000	Change
Total assets exclusive of assets under management and mortgage programs	$ 21,676	$ 12,292	$ 9,384
Assets under management and mortgage programs	11,868	2,861	9,007
Total liabilities exclusive of liabilities under management and mortgage programs	15,207	7,805	7,402
Liabilities under management and mortgage programs	10,894	2,516	8,378
Mandatorily redeemable preferred securities	375	2,058	(1,683)
Stockholders' equity	7,068	2,774	4,294

Total assets exclusive of assets under management and mortgage programs increased primarily due to an increase in goodwill resulting from the acquisitions of Avis and Galileo, various other increases in assets also due to the impact of acquired businesses and cash proceeds received from debt and equity issuances during 2001 (including the Upper DECS). Assets under management and mortgage programs increased primarily due to vehicles acquired in the acquisition of Avis, as well as vehicles acquired during 2001 for use in our car rental and fleet management operations.

Total liabilities exclusive of liabilities under management and mortgage programs increased primarily due to $4.8 billion of debt issued during 2001 (including the Upper DECS), approximately $600 million of debt assumed in the acquisition of Avis and various other increases in liabilities due to the impact of acquired businesses. Liabilities under management and mortgage programs increased primarily due to $5.1 billion of debt assumed in the acquisition of Avis and $2.2 billion of debt issued during 2001, as well as $750 million of borrowings in 2001 under a revolving credit facility.

Mandatorily redeemable securities decreased due to the settlement of the purchase contracts underlying the FELINE PRIDES during 2001, whereby we issued 61 million shares of CD common stock in satisfaction of our obligation under the forward purchase contracts and received, in exchange, the trust preferred securities forming a part of the PRIDES.

Stockholders' equity increased primarily due to the issuance of approximately 117 million shares of CD common stock valued at $12.72 per share to fund a portion of the purchase price of Galileo, the above-mentioned issuance of approximately 61 million shares of CD common stock, the issuance during first quarter 2001 of 46 million shares of CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million and net income of $385 million generated during 2001.

Liquidity and Capital Resources

Our principal sources of liquidity are cash on hand, our ability to generate cash through operations and financing activities, as well as available credit and securitization facilities.

Cash Flows

At December 31, 2001, we had approximately $1.9 billion of cash on hand, an increase of approximately $1.1 billion from $856 million at December 31, 2000. The following table summarizes such increase:

	2001	2000	Change
Net cash provided by (used in):			
Operating activities	$ 2,737	$ 1,336	$ 1,401
Investing activities	(6,407)	(1,142)	(5,265)
Financing activities	4,643	(483)	5,126
Effects of exchange rate changes on cash and cash equivalents	(8)	(6)	(2)
Cash provided by discontinued operations	121	89	32
Net change in cash and cash equivalents	$ 1,086	$ (206)	$ 1,292

Net cash provided by operating activities increased primarily due to cash generated by acquired operations, as well as growth in our mortgage business. We used more cash in 2001 for investing activities primarily to fund the acquisitions of Avis, Fairfield, Galileo and Cheap Tickets and a portion of our stockholder litigation settlement liability. Additionally, we used $1.6 billion of cash during 2001 to acquire vehicles used in our car rental and fleet management programs. We also generated cash from financing activities during 2001 as compared to using cash in financing activities during 2000 primarily due to proceeds received from debt and equity issuances, the issuance of the Upper DECS and borrowings under our revolving credit facilities. Capital expenditures during 2001 amounted to $329 million and were utilized to support operational growth, enhance marketing opportunities and develop operating efficiencies through technological improvements. We anticipate capital expenditure investments during 2002 of approximately $375 million. Such amount represents an increase from 2001 primarily due to capital expenditures related to businesses we acquired during 2001. During February 2002, we used $390 million of available cash to redeem all our outstanding 3% convertible notes. During first quarter 2002, we used $36 million of available cash to repurchase approximately 2.0 million shares of our CD common stock. We anticipate using cash on hand and operating cash flow generated in 2002 to continue repurchasing our CD common stock in order to offset the impact of employee stock option exercises. We currently have approximately $226 million of remaining availability under our board-authorized CD common stock repurchase program. We also anticipate using cash on hand, operating cash flow generated in 2002 and, if necessary, revolving credit facility borrowings to fund the remainder of our stockholder litigation settlement liability during 2002. Our net funding obligation for the stockholder litigation settlement liability was $1.44 billion at December 31, 2001. We intend to make quarterly payments of $250 million to this trust until mid-July 2002, at which time we will fund the remaining obligation.

Available Credit Facilities

At December 31, 2001, we had $2.8 billion of available credit facilities (including availability of $1.7 billion at the corporate level and $1.1 billion at our PHH subsidiary). The credit facilities at the corporate level comprise a $1.75 billion revolving credit facility maturing in August 2003 and a $1.15 billion revolving credit facility maturing in February 2004. Borrowings under the $1.75 billion facility bear interest at LIBOR plus a margin of 60 basis points. In addition, we are required to pay a per annum facility fee of 15 basis points under this facility and a per annum utilization fee of 12.5 basis points if usage under the facility exceeds 33% of aggregate

commitments. In the event that the credit ratings assigned to us by nationally recognized debt rating agencies are downgraded to a level below our ratings as of December 31, 2001 but still above investment grade, the interest rate and facility fees on our $1.75 billion facility are subject to incremental upward adjustments of 10 and 2.5 basis points, respectively. In the event that such credit ratings are downgraded below investment grade, the interest rate and facility fees are subject to further

upward adjustments of 47.5 and 15 basis points, respectively. This facility also contains the committed capacity to issue up to $1.75 billion in letters of credit. As of December 31, 2001, there were no borrowings outstanding under this facility; however, letters of credit of $1.1 billion were outstanding under this facility, of which $865 million were used as collateral for our stockholder litigation settlement liability. Under the terms of this facility, in August 2002, the revolving line will be reduced by $500 million to $1.25 billion. The $1.15 billion facility contains the committed capacity to issue up to $300 million in letters of credit, of which $82 million were outstanding as of December 31, 2001. Borrowings under this facility bear interest at LIBOR plus a margin of 82.5 basis points. In addition, we are required to pay a per annum facility fee of 17.5 basis points under this facility and a per annum utilization fee of 25 basis points if usage under the facility exceeds 33% of aggregate commitments. In the event that the credit ratings assigned to us by nationally recognized debt rating agencies are downgraded below investment grade, the interest rate and facility fees on our $1.15 billion facility are subject to upward adjustments of 35 and 15 basis points, respectively.

The credit facilities at our PHH subsidiary are comprised of two $750 million revolving credit facilities maturing in February 2004 and February 2005, a $100 million revolving credit facility maturing in December 2002 and $275 million of other revolving credit facilities maturing in November 2002. Borrowings under these facilities currently bear interest at LIBOR plus a margin of approximately 62.5 basis points. In addition, we are currently required to pay a per annum facility fee of approximately 12.5 basis points under these facilities and a per annum utilization fee of approximately 25 basis points if usage under the facilities exceeds 25% of aggregate commitments. In the event that the credit ratings assigned to PHH by nationally recognized debt rating agencies are downgraded to a level below PHH's ratings as of December 31, 2001, the interest rate and facility fees on these facilities are subject to incremental upward adjustments of approximately 12.5 basis points. In the event that the credit ratings are downgraded below investment grade, the interest rate and facility fees are subject to further upward adjustments of approximately 62.5 basis points. At December 31, 2001, we had outstanding borrowings of $750 million under our facility maturing in February 2005. There were no borrowings outstanding under any of these other facilities at December 31, 2001.

We also currently have $3.0 billion of availability for public debt or equity issuances under a shelf registration statement at the corporate level and $2.4 billion of availability for public debt issuances under shelf registration statements at the PHH level.

Outstanding Corporate Debt

At December 31, 2001, we had approximately $17.2 billion of indebtedness (including corporate indebtedness of $7.0 billion, debt related to our management and mortgage programs of $9.8 billion and our mandatorily redeemable interest of $375 million). Our net debt (excluding the Upper DECS and net of cash and cash equivalents) to total capital (including debt and the Upper DECS) ratio was 36% and the ratio of Adjusted EBITDA to net non-vehicle interest expense was 9 to 1 for 2001.

The following table summarizes the components of our corporate indebtedness:

	Earliest Redemption Date	Final Maturity Date	2001	2000	Change
3% convertible subordinated notes[(a)]	February 2002	February 2002	$ 390	$ 548	$ (158)
7 3/4% notes	December 2003	December 2003	1,150	1,149	1
6.875% notes	August 2006	August 2006	850	—	850
11% senior subordinated notes	May 2009	May 2009	584	—	584
3 7/8% convertible senior debentures	November 2004	November 2011	1,200	—	1,200
Zero coupon senior convertible contingent notes	February 2004	February 2021	920	—	920
Zero coupon convertible debentures	May 2002	May 2021	1,000	—	1,000
Term loan facility			—	250	(250)
Other			38	1	37
Total long-term debt, excluding Upper DECS			6,132	1,948	4,184
Upper DECS	May 2004	August 2006	863	—	863
			$ 6,995	$ 1,948	$ 5,047

(a) On February 15, 2002, we redeemed the entire outstanding balance of 3% convertible subordinated notes.

During 2001, we generated cash of $4.8 billion from the issuance of contingently convertible debt securities, the 6.875% notes and the Upper DECS. The proceeds from these issuances were used, in part, to prepay a portion of our stockholder litigation settlement liability, reduce or extinguish certain borrowings, fund a portion of the purchase price of certain acquisitions and for general corporate purposes. During 2001, we used $160 million of cash to redeem a portion of our 3% convertible subordinated notes. We redeemed the remaining balance at maturity on February 15, 2002. Our 7 3/4% notes are due in December 2003 and may be redeemed by us, in whole or in part, at any time at our option. Our 6.875% notes, which were issued during 2001 for net proceeds of $843 million, are due in August 2006. Our 7 3/4% and 6.875% notes are senior unsecured obligations and rank equally in right of payment with all our existing and future unsecured senior indebtedness. The interest rates on these notes are subject to upward adjustments of 150 basis points in the event that the credit ratings assigned to us by nationally recognized debt rating agencies are downgraded below investment grade. Our 11% senior subordinated notes are due in May 2009 and may be redeemed by us in part prior to May 2002 upon the occurrence of specific events, or at any time, in whole or in part, after May 2004. These notes are subordinated in the right of payment to all our existing and future senior indebtedness of Avis and are unconditionally guaranteed on a senior subordinated basis by certain of our car rental subsidiaries.

Contingently Convertible Debt Securities

Our contingently convertible debt securities, which were all issued during 2001, comprised the following:

	Earliest Redemption Date	Principal Amount	Gross Proceeds Received	Conversion Rate	Shares Potentially Issuable
3 7/8% convertible senior debentures	November 2004	$ 1.2 billion	$ 1.2 billion	41.58	49.9 million
Zero coupon senior convertible contingent notes	February 2004	$ 1.5 billion	$ 0.9 billion	33.40	49.4 million
Zero coupon convertible debentures	May 2002	$ 1.0 billion	$ 1.0 billion	39.08	39.1 million

As described in detail below, our contingently convertible debt securities include provisions that permit investors to require us to redeem the securities at their accreted value at specified times. Holders of our 3 7/8% convertible senior debentures may first require us to redeem them in November 2004; holders of our zero coupon senior convertible contingent notes, in February 2004; and holders of our zero coupon convertible debentures, in May 2003. If our stock price fails to adequately appreciate from the date of issuance of the contingently convertible debt securities until their redemption date, we believe it is likely that investors would exercise their option to require us to redeem the securities absent any modification to the terms of the securities. A redemption could cause us to utilize a material amount of cash to redeem such securities at their accreted value; however, we would not expect it to have a material adverse effect on

our results of operations. The cost of redeeming and/or refinancing such securities would depend on market conditions at the time and the type of securities, if any, issued for refinancing purposes. As a result, our management considers the use of redemption of our contingently convertible securities in establishing and utilizing our credit facilities, in targeting our cash position, and in evaluating additional issuances of securities. We consider our access to capital adequate to meet our prospective obligations under the terms of our contingently convertible debt securities. If holders were to require us to redeem these securities, we would fund such redemptions with available cash, borrowings under available credit facilities and/or the issuance of debt or equity securities; we may also consider amending the terms of the securities to induce holders to retain, rather than redeem, these securities.

As also described in detail below, our contingently convertible debt securities include provisions that could require us to pay a higher interest rate on the securities if they remain outstanding after the date at which we begin to have the right to redeem them. Because we have the right to redeem the securities at their accreted value before any such provisions become effective; we do not believe these provisions would have an adverse impact on our results of operations compared to our results of operations using other financing sources available at that time.

3 7/8% Convertible Senior Debentures. We may be required to pay additional interest on these notes commencing in November 2004 if the average of the sales prices of our CD common stock is less than or equal to 45% of the accreted conversion price of the debentures for any 20 of the 30 trading days during the applicable measurement period. Thereafter, the interest rate will be adjusted upward for the subsequent six-month period to the rate at which a hypothetical issue of our senior, non-convertible, fixed-rate, callable debt securities would trade, at that time, at par, provided that the reset rate shall not exceed 10% per year. The accreted conversion price of the debentures would increase (ratably with the accreted value of debentures) if an upward interest adjustment occurs. The applicable measurement period for determining whether an upward interest adjustment will occur ends five business days prior to each May 30 and November 30 after November 27, 2004. In the event of an upward interest adjustment, no more than 0.25% per year, incrementally, will be paid in cash; the remaining additional interest will accrue and be paid at maturity. Through December 31, 2001, there was no upward interest adjustment to the notes.

These notes may be converted prior to maturity (i) during each three-month period following issuance of the notes if the closing sale price of our CD common stock exceeds 120%, declining ratably to 110% in November 2011, of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the notes have been called for redemption; or (iii) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. We expect that, if these debentures are indeed convertible immediately prior to maturity due to the price of our CD common stock exceeding the contingent-conversion threshold, holders of such debentures will elect to convert them into shares of our CD common stock. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is subject to change as a result of any upward interest adjustment as it is calculated as 100% of the principal amount of the notes, plus accrued and unpaid cash interest (which will only result from an upward adjustment to the interest) divided by the number of shares of CD common stock issued for each note, or 41.58. At December 31, 2001, the accreted conversion price was $24.05.

The notes are not redeemable by us prior to November 27, 2004, but will be redeemable thereafter. In addition, holders of the notes may require us to repurchase the notes on November 27, 2004 and 2008. In such circumstance, we have the option of paying the repurchase price in cash, shares of our CD common stock, or any combination thereof. These debentures are senior unsecured obligations and rank equally in right of payment with all our existing and future senior unsecured indebtedness.

Zero Coupon Senior Convertible Contingent Notes. These notes were issued at a discount representing a yield-to-maturity of 2.5%. We will not make periodic payments of interest on the notes, but may be required to make nominal interest payments commencing in February 2004 if the average market price of the zero coupon senior convertible contingent notes equals 120% or more of the sum of the issue price and accrued original issue discount for the notes during the applicable measurement period, then we will make contingent interest payments on the notes. The contingent interest payments for any six-month period will

equal (a) the lesser of (i) 2% of our estimated borrowing rate, at that time, for our senior, non-convertible, fixed-rate indebtedness with a maturity date comparable to these notes and (ii) 0.25% times (b) the sum of the issue price of $608.41 and accrued original issuance discount for the notes as of the day immediately preceding the relevant six-month period. The applicable measurement period for determining whether contingent interest payments will be made is the five trading days ending on the second trading day preceding each February 13 and August 13, commencing February 13, 2004.

These notes may be converted prior to maturity (i) during each three-month period following issuance of the notes if the closing sale price of our CD common stock exceeds 110% of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the notes have been called for redemption; (iii) if Moody's Investors Service and Standard & Poor's Corporation no longer have investment-grade ratings assigned to the notes; or (iv) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. We expect that, if these notes are indeed convertible immediately prior to maturity due to the price of our CD common stock exceeding the contingent-conversion threshold, holders of such notes will elect to convert them into shares of our CD common stock. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is calculated as the issue price of $608.41 and accrued original discount divided by the number of shares of CD common stock issued for each note, or 33.4. At December 31, 2001, the accreted conversion price was $18.62.

The notes are not redeemable by us prior to February 13, 2004, but will be redeemable thereafter at the issue price of $608.41 per note plus accrued original discount through the redemption date. In addition, holders of the notes may require us to repurchase the notes on February 13, 2004 for $655.49 per note, February 13, 2009 for $742.20 per note or February 13, 2014 for $840.37 per note. In such circumstance, we have the option of paying the repurchase price in cash, shares of our CD common stock, or any combination thereof. These notes are senior unsecured obligations and rank equally in right of payment with all our existing and future senior unsecured and unsubordinated indebtedness.

Zero Coupon Convertible Debentures. We will make cash interest payments of 3% per annum beginning May 5, 2002 and continuing through May 4, 2003 to the holders of these debentures on a semi-annual basis. We amended the terms of the debentures to include these interest payments in order to maintain a lower cost of capital rather than issuing additional equity to cover the potential puts, which were exercisable at May 4, 2002. We may be required to pay additional interest on these notes commencing in May 2004 if the average of the sales prices of our CD common stock is less than or equal to 60% of the accreted conversion price of the debentures for any 20 of the 30 trading days during the applicable measurement period, then the interest rate will be adjusted to 7% per year. The applicable measurement period for determining whether contingent interest payments will be made ends five business days prior to each May 4 and November 4, commencing May 4, 2004. In the event of an upward interest adjustment, 0.25% per year will be paid in cash; the remaining additional interest will accrue and be paid at maturity. Through December 31, 2001, there was no upward interest adjustment to the notes. These notes may be converted prior to maturity (i) during each three-month period following issuance of the notes if the closing sale price our CD common stock exceeds 110% of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the notes trade at less than 95% of the value of the shares into which the notes are convertible; (iii) if the notes have been called for redemption; (iv) if Moody's Investors Service and Standard & Poor's Corporation no longer have investment-grade ratings assigned to the notes; or (v) in the event of certain material distributions to holders of CD commons stock, excluding payments of dividends in the normal course. We believe that, if these debentures are indeed convertible immediately prior to maturity due to the price of our CD common stock exceeding the contingent-conversion threshold, holders of such notes and debentures will elect to convert them into shares of our CD common stock. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is subject to change as a result of any upward interest adjustment as it is calculated as 100% of the principal amount of the notes, plus accrued and unpaid cash interest (which will only result from an upward adjustment to the interest) divided by the number of shares of CD common stock issued for each note, or 39.08. At

December 31, 2001, the accreted conversion price was $25.59. The conversion threshold at maturity is 110% of the accreted conversion price per share, or approximately $28.15.

The notes will not be redeemable by us prior to May 4, 2004, but will be redeemable thereafter. In addition, holders of the notes may require us to repurchase the notes on May 4, 2003, 2004, 2006, 2008, 2011 and 2016. In such circumstance, we have the option of paying the repurchase price in cash, shares of our CD common stock, or any combination thereof. These debentures are senior unsecured obligations and rank equally in right of payment with all our existing and future senior unsecured indebtedness.

Upper DECS

The Upper DECS each consist of both a senior note and a forward purchase contract. The senior notes initially bear interest at an annual rate of 6.75%, which will be reset based upon a remarketing in either May or August 2004. The senior notes have a term of five years and represent senior unsecured debt, which ranks equally in right of payment with all our existing and future unsecured and unsubordinated debt and ranks senior to any future subordinated indebtedness.

In August 2004, the forward purchase contract component of each Upper DECS security requires the holder to purchase $50 of CD common stock. The price at which Upper DECS holders will be required to purchase CD common stock will be the average closing price of our CD common stock during the twenty consecutive trading days ending on the third trading day immediately preceding August 17, 2004, but no less than $21.53 and no more than $28.42. The minimum and maximum number of shares to be issued under the forward purchase contracts are 30.3 million and 40.1 million, respectively. The forward purchase contracts also require quarterly cash distributions to each holder at an annual rate of 1.00% through August 2004 (the date the forward purchase contracts are required to be settled).

Upon settlement of the forward purchase contracts in August 2004, we expect to receive gross proceeds in cash of approximately $863 million. Upon maturity in August 2006, of the senior notes that are currently a component of the Upper DECS, we would be required to repay $863 million.

Because the Upper DECS obligate holders to purchase CD common stock at a price determined by the average closing price of CD common stock during a 20-trading-day period ending in August 2004, the Upper DECS are functionally equivalent to issuing shares of CD common stock subject to an issue-price collar, with a delay in issuance until 2004. At the time of issuance of the Upper DECS, we believed that the economic impact of issuing the Upper DECS would be favorable compared to an equivalent immediate issuance of common stock. The proceeds from the offering were to be used for general corporate purposes, including acquisitions.

Outstanding Debt Related to Management and Mortgage Programs

The following table summarizes the components of our debt related to management and mortgage programs:

	December 31,	
	2001	2000
Secured Borrowings:		
Term notes	$ 6,237	$ —
Short-term borrowings	582	292
Commercial paper	120	—
Other	295	—
Unsecured Borrowings:		
Medium-term notes	679	117
Short-term borrowings	983	—
Commercial paper	917	1,556
Other	31	75
	$ 9,844	$ 2,040

Debt related to our management and mortgage programs increased $7.8 billion during 2001 primarily resulting from the assumption of Avis debt aggregating $5.1 billion (principally comprising $4.7 billion of secured term notes and $415 million of secured commercial paper and other borrowings), debt issuances during 2001 aggregating approximately $2.2 billion and unsecured borrowings under our revolving credit facility during 2001 aggregating $750 million. The proceeds from these issuances were used to fund the purchase of assets under management and mortgage programs and retire maturing debt under management and mortgage programs.

Secured Borrowings

Secured borrowings primarily represent asset-backed funding arrangements whereby we or our wholly-owned and consolidated special purpose entities issue debt or enter into loans supported by the cash flows derived from specific pools of assets classified as assets under management and mortgage programs. These borrowings are primarily issued under our AESOP Funding or Greyhound Funding programs. AESOP Funding is a domestic financing program that provides for the issuance of up to $4.45 billion of variable rate notes to support our car rental operations. Greyhound Funding is also a domestic financing program that provides for the issuance of up to $3.19 billion of variable rate notes, preferred membership interests and term notes to support our fleet leasing operations. Under both programs, the debt issued is collateralized by vehicles owned by either our car rental subsidiary or our fleet leasing subsidiary. In the AESOP Funding program, the vehicles financed are generally covered by agreements where manufacturers guarantee a specified repurchase price for the vehicles. However, the program will allow funding for 25% of vehicles not covered by such agreements. The titles to all the vehicles supporting these facilities is held in bankruptcy remote trusts and we act as a servicer of all the vehicles. For the Greyhound Funding facility, the bankruptcy remote trust also acts as lessor under both operating and financing lease agreements. At December 31, 2001, we had $3.5 billion of term notes outstanding under the AESOP Funding program. At December 31, 2001, we had $2.9 billion of outstanding debt under the Greyhound Funding program, of which $2.6 billion and $295 million were included as components of secured term notes and other secured borrowings, respectively, in the above table. All debt issued under these programs is classified as liabilities under management and mortgage programs on our Consolidated Balance Sheet. Also included in secured term notes are $450 million of variable- rate notes maturing in 2011 and $285 million of variable-rate notes maturing in 2006. These notes are collaterized by vehicles owned by our fleet leasing subsidiary.

Secured short-term borrowings primarily consist of financing arrangements to sell mortgage loans under a repurchase agreement, which is renewable on an annual basis at the discretion of the lender. Such loans are collateralized by underlying mortgage loans held in safekeeping by the custodian to the agreement. The total commitment under this agreement is $500 million. Secured commercial paper matures within 270 days and is supported by rental vehicles owned by our car rental subsidiary.

Unsecured Borrowings

Unsecured medium-term notes primarily bear interest at a rate of $8^{1}/_{8}$% per annum. Such interest rate is generally subject to incremental upward adjustments of 50 basis points in the event that the credit ratings assigned to PHH by nationally recognized credit rating agencies are downgraded to a level below PHH's ratings as of December 31, 2001. In the event that the credit ratings are downgraded below investment grade, the interest rate is subject to an upward adjustment not to exceed 300 basis points. Unsecured short-term borrowings primarily represent borrowings under revolving credit facilities. Unsecured commercial paper matures within 270 days and is fully supported by the committed revolving credit agreements described above.

Mandatorily Redeemable Interest

Also included in out total indebtedness in addition to corporate indebtedness and debt related to our management and mortgage program, is a $375 million mandatorily redeemable senior preferred interest, which is mandatorily redeemable by the holder in 2015 and may not be redeemed by us prior to March 2005, except upon the occurrence of specified circumstances. We are required to pay distributions

on the senior preferred interest based on three-month LIBOR plus a margin of 1.77%. In the event of default, or other specified events, including a downgrade in our credit ratings below investment grade, holders of the senior preferred interest have certain remedies and liquidation preferences, including the right to demand payment by us.

Off-Balance Sheet Financing Arrangements

In addition to our on-balance sheet borrowings and available credit facilities, we enter into transactions where special purpose entities are used as a means of securitizing financial assets generated or acquired in the normal course of business under our management and mortgage programs. We utilize these special purpose entities because they are highly efficient for the sale of financial assets and represent conventional practice in the securitization industry. In accordance with generally accepted accounting principles, the assets sold to the special purpose entities and the related liabilities are not reflected on our balance sheet as such assets are legally isolated from creditor claims and removed from our control.

At the corporate level, we sell timeshare receivables in securitizations to bankruptcy remote qualifying special purpose entities under revolving sales agreements in exchange for cash. Our maximum funding capacity under these securitization facilities is $500 million. These facilities are non-recourse to us. However, we retain a subordinated residual interest and the related servicing rights and obligations in the transferred timeshare receivables. We receive monthly servicing fees of approximately 100 basis points of the outstanding balance of the transferred timeshare receivables. At December 31, 2001, we were servicing approximately $492 million of timeshare receivables transferred under these agreements.

Additionally, our PHH subsidiary customarily sells all mortgage loans we originate into the secondary market, primarily to government-sponsored entities, in exchange for cash. These mortgage loans are placed into the secondary market either by PHH or through an unaffiliated bankruptcy remote special purpose entity, Bishop's Gate Residential Mortgage Trust, the equity (currently in excess of 4%) of which is held by independent third parties who bear the credit risk of the assets. Our maximum funding capacity through the special purpose entity is $3.2 billion. The loans sold to the secondary market are generally non-recourse to us and to PHH. However, we generally retain the servicing rights on the mortgage loans sold and receive an annual servicing fee of approximately 47 basis points on such loans. At December 31, 2001, we were servicing $96.3 billion of mortgage loans sold to the secondary market and $2.5 billion sold to the special purpose entity.

Bishop's Gate has entered into a swap with several banks, the net effect of which is that the banks have agreed to bear certain interest rate risks, non-credit related market risks and prepayment risks related to the mortgage loans held by Bishop's Gate. Additionally, PHH has entered into a separate corresponding swap with the banks, the net effect of which is that PHH has agreed to bear the interest rate risks, non-credit related market risks and prepayment risks related to the mortgage loans held by Bishop's Gate assumed by the banks under their swap with Bishop's Gate. We in turn offset the interest rate risks associated with the swap by entering into forward delivery contracts for mortgage backed securities. Both the swap and the forward delivery commitments are derivatives under SFAS No. 133 and are marked-to-market through earnings in the current period. The fair value and changes in fair value of the swap and forward delivery committments have substantially offsetting effects.

Our PHH subsidiary also sells relocation receivables in securitizations to a bankruptcy remote qualifying special purpose entity in exchange for cash. Our maximum funding capacity under this securitization facility is $650 million. This facility is non-recourse to us and to PHH. However, we retain a subordinated residual interest and the related servicing rights and obligations in the relocation receivables and receive an annual servicing fee of approximately 75 basis points on the outstanding balance of relocation receivables transferred. At December 31, 2001, we were servicing $620 million of relocation receivables transferred under this agreement.

None of our affiliates, officers, directors or employees hold any equity interest in any of the above special purpose entities, nor do we or our affiliates provide any financial support or financial guarantee arrangements to the above special purpose entities. None of our affiliates, officers, directors or employees receive any remuneration from any of the above special purpose entities.

PHH also sells interests in operating leases and the underlying vehicles to two independent Canadian third parties. PHH repurchases the leased vehicles and leases such vehicles under direct financing leases to the Canadian third parties. The Canadian third parties retain the lease rights and prepay all the lease payments except for an agreed upon residual amount, which is typically 0% to 8% of the total lease payments. The residual amounts represent our only exposure in connection with these transactions. At December 31, 2001, the balance of outstanding lease receivables which were sold to the Canadian third parties was $341 million. The total outstanding prepaid rent and our subordinated residual interest under these leasing arrangements were $320 million and $21 million, respectively, as of December 31, 2001. We recognized $108 million of revenues related to these leases during 2001.

Additionally, PHH leases certain office buildings on an annual basis from an unaffiliated finance company which holds the title to the property. PHH has the option to renew this lease each year through 2004. At the end of each annual renewal period, we have the option to either purchase the property under a fixed price purchase option of approximately $80 million or sell the office buildings, on behalf of the lessor, to an unrelated third party. If the office buildings are sold and the proceeds from the sale are less than the amount of the fixed price purchase option, we are required to make a payment to the lessor for any deficiency, up to a maximum payment of approximately $68 million.

Liquidity Risk

Our liquidity position may be negatively affected by unfavorable conditions in any one of the industries in which we operate as we may not have the ability to generate sufficient cash flows from operating activities due to those unfavorable conditions. Additionally, our liquidity as it relates to both management and mortgage programs could be adversly affected by a deteroriation in the performance of the underlying assets of such programs. Access to the principal financing program for our car rental subsidiary may also be impaired should General Motors Corporation not be able to honor its obligations to repurchase a substantial number of our vehicles. Our liquidity as it relates to mortgage programs is highly dependent on the secondary markets for mortgage loans. Access to certain of our securitization facilities and our ability to act as servicer thereto also may be limited in the event that our or PHH's credit ratings are downgraded below investment grade and, in certain circumstances, where we or PHH fail to meet certain financial ratios. However, we do not believe that our or PHH's credit ratings are likely to fall below such thresholds. Additionally, we monitor the maintenance of these financial ratios and as of December 31, 2001, we were in compliance with all covenants under these facilities. When securitizing assets under management and mortgage programs, we make representations and warranties customary to the securitization markets, including eligibility characteristics of the assets transferred and servicing responsibilties.

Currently our credit ratings are as follows:

	Moody's Investors Service	Standard & Poor's	Fitch
Cendant			
Senior unsecured debt	Baa1	BBB	BBB+
Subordinated debt	Baa2	BBB-	BBB
PHH			
Senior debt	Baa1	A-	BBB+
Short-term debt	P-2	A-2	F-2

In February 2002, the credit ratings assigned to us and to PHH by Moody's Investors Service and Standard & Poor's were affirmed. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.

Affiliated Entities

We also maintain certain relationships with affiliated entities principally to support our business model of growing earnings and cash flow with minimal asset risk. We do not have the ability to control the operating and financial policies of these entities and, accordingly, do not consolidate these entities in our results of operations, financial position or cash flows. Certain of our officers serve on the Board of Directors of these entities, but in no instances do they constitute a majority of the Board, nor do they receive any economic benefits.

NRT Incorporated

NRT Incorporated is a joint venture between us and Apollo Management, L.P. NRT acquires independent real estate brokerages, converts them to one of our real estate brands and operates the brand under a 50-year franchise agreement with us. The original business purpose of this relationship was to permit us to maintain and expand our original business purpose as a franchisor in the lodging and residential real estate brokerage industries without directly competing with our existing franchisees. This structure permitted us to receive a royalty stream on NRT's revenues consistent with other franchisees and to receive a market rate return on the preferred investment. Upon NRT's formation, we committed to participate in acquisitions made by NRT by acquiring intangible assets and, in some cases, mortgage operations of the real estate brokerage firms acquired by NRT, which result in us recording franchise agreements or other intangible assets on our Consolidated Balance Sheets. As of December 31, 2001, we had committed to participate in additional NRT acquisitions for which we would fund up to $592 million ($500 million of which will not be funded prior to February 2004).

Franchise agreements of $854 million and other intangible assets of $29 million, which resulted from the acquisition of mortgage operations through NRT, are recorded on our Consoldiated Balance Sheet as of December 31, 2001. Except for the term and the lack of a royalty rebate provision, these franchise agreements are similar to those of our other real estate franchisees. NRT pays us royalty and advertising fees in connection with these franchise agreements based on the real estate commissions earned by NRT, which approximated $220 million, $198 million and $172 million during 2001, 2000 and 1999, respectively. Additionally, during 2001, we received $16 million of other fees from NRT, which included a fee paid in connection with the termination of a franchise agreement under which NRT operated our Century 21 real estate brand. The mortgage operations we acquired through NRT were immediately integrated into our existing mortgage operations. We also receive real estate referral fees from NRT in connection with clients referred to NRT by our relocation business. These fees are based on a standard real estate brokerage agreement, in which the franchisor receives approximately 40% of the commission. During 2001, 2000 and 1999, such fees were approximately $37 million, $25 million and $15 million, respectively. These fees are also paid to us by all other real estate brokerages (both affiliates and non-affiliates) who receive referrals from our relocation business. In February 1999, we advanced $35 million to NRT for services to be provided related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. As NRT makes acquisitions, we capitalize a proportionate share of this advance, which is then amortized over the term of the franchise agreement. As of December 31, 2001, the remaining balance of this advance was $12 million. Such amount is refundable in the event that services are not provided and therefore is accounted for as a prepaid asset until services are rendered by NRT.

Apollo's original investment in NRT consisted of a $20 million investment in NRT's common stock and a $54 million investment in NRT's preferred stock, which was subsequently redeemed in 1999. As of December 31, 2001, we owned all of NRT's preferred stock, which approximated $384 million as of December 31, 2001. This ownership entitles us to preferred dividends at 5% to 9% of our investment, which we negotiated with NRT and Apollo. We have the option, upon the occurrence of certain events, to convert a portion of our preferred stock investment into no more than 50% of NRT's common stock. As of December 31, 2001, none of the events that would have caused the preferred stock to be currently convertible had occurred and there was no common management between us, Apollo and NRT. We also have the option to purchase all of NRT's common stock from Apollo for $20 million. This option is not

exercisable until August 11, 2002 and is conditional upon NRT's payment of $166 million to Apollo. We may exercise the option prior to August 11, 2002 if we satisfy NRT's obligation. If NRT is unable to make the $166 million payment to Apollo, we would be required to make the payment on behalf of NRT and would receive additional NRT preferred stock in exchange. As of December 31, 2001, NRT had $291 million in debt, which is non-recourse to us. NRT has ten seats on its board of directors, four of which were under our control as of December 31, 2001. In addition, without the consent of both Cendant and Apollo, NRT cannot make capital expenditures over $500,000; approve its business plan; engage in any affiliate transactions; acquire a brokerage for more than $2 million; appoint or terminate an officer; amend the by-laws, charter or material agreements; incur debt over $500,000; issue or redeem equity, sell assets or combine with any business; file a registration statement; settle any litigation or pay a dividend.

Trip Network, Inc.

During March 2001, we funded the creation of Trip Network with a contribution of assets valued at approximately $20 million in exchange for all of the common and preferred stock of Trip Network. We transferred all the common shares of Trip Network to the Hospitality Technology Trust, an independent technology trust that is controlled by three independent trustees who are not officers, directors or employees of Cendant or relatives of officers, directors or employees of Cendant. The trust was established in 1997 for purposes of enhancing and promoting the use of advanced technology for our lodging brands, its beneficiaries, including providing financial and technology support services and investing in Internet related activities for the benefit of its beneficiaries. The hotel franchise chains have agreed to link their brand and property Web sites to Trip.com, for among other reasons because of their beneficial interest in the trust. Management believes that the enhanced functionality for the brand and property Web pages to be provided by Trip.com links will help build customer loyalty and avoid the problem of viewers leaving the brand and property web sites for the sites of competitors. Additionally, management believes that the aggregate links of all franchisee properties creates critical mass and web-traffic for Trip Network further enhancing its ablility to be successful. If Trip Network is successful, then management believes the common shares will likely appreciate in value. The liquidation of shares (representing the trust's equity stake, which approximates 20% of Trip Network's common stock on a fully diluted basis) will provide the trust with further resources to pursue its stated objectives. Further, as Trip Network provides travel services to both our franchisees as well as non-franchisees, our contribution of the Trip Network common stock to the Hospitality Technology Trust supported our lodging franchise business model whereby we do not compete directly with our franchisees for the sale of transient hotel rooms.

The preferred stock investment, which is convertible into approximately 80% of Trip Network's common stock on a fully diluted basis, is not convertible prior to March 31, 2003, except upon a change of control of Trip Network. Subsequently, we contributed $85 million, including $45 million in cash and 1.5 million shares of Homestore common stock, then-valued at $34 million, to Trip Network to pursue the development of an online travel business for the benefit of certain of our current and future franchisees. Such amount was expensed during 2001. We also received warrants to purchase up to 28,250 shares of Trip Network's common stock, which are exercisable, at our option, upon the achievement of certain valuations beginning on March 31, 2003 or upon a change of control at Trip Network at an exercise price of $0.01 per share. This arrangement is consistent with our strategy of creating a single platform to research and develop Internet related products within an integrated business plan. Since we do not have the in-house expertise to develop new technology for Internet Web sites, we outsourced the development of certain Internet assets and Web-site features to Trip Network.

During October 2001, we entered into two separate lease and licensing agreements with Trip Network, whereby, Trip Network was granted a license to operate the online businesses of Trip.com, Inc. and Cheap Tickets (both wholly-owned subsidiaries of Cendant) and a lease or sublease, as applicable, to all the assets of these companies necessary to operate such businesses. The Trip.com license agreement has a one-year term and is renewable at Trip Network's option for 40 additional one-year periods. The Cheaptickets.com license agreement has a 40-year term. Under these agreements, we receive a license fee of 3% of revenues generated by Trip.com and Cheaptickets.com during the term of the agreements. We also received warrants to purchase up to 46,000 shares of Trip Network common stock, which are exercisable upon

achievement of certain financial results beginning in October 2003 or upon a change of control of Trip Network. The royalty rate and warrants were negotiated with and approved by Trip Network's board of directors. We proposed our royalty rate based upon market rate analysis of similar licensing type agreements. Also during October 2001, we entered into a travel services agreement with Trip Network, whereby we provide Trip Network with call center services. In addition, we process and support Trip Network's booking and fulfillment of travel transactions and provide travel-related products and services to maintain and develop relationships, discounts and favorable commissions with travel vendors. For these services, we receive a fee of cost plus an applicable mark-up, which was determined based upon our understanding of profit margins in the travel agency industry. During 2001, the revenue we received in connection with these agreements was not material. Additionally, during October 2001, we entered into a 40-year global distribution services subscriber agreement with Trip Network, whereby we provide all global distribution services for Trip Network. We are not obligated or contingently liable for any debt incurred by Trip Network. We recorded a prepaid asset of approximately $40 million in connection with this agreement, which is being amortized over 40 years. The $40 million was computed as the present value of the expected benefit we would realize in lieu of paying

financial assistance at market rates for expected volumes at an appropriate discount rate. Amortization of the asset is calculated in direct proportion to the expected cash flow benefits.

FFD Development Company, LLC

Prior to our acquisition of Fairfield in April 2001, Fairfield contributed approximately $60 million of timeshare inventory and $4 million of cash to FFD Development Company LLC, a company created by Fairfield to acquire real estate for construction of vacation ownership units, which are sold to Fairfield upon completion. Fairfield previously operated its own property acquisition, planning, design and construction function. This function was transferred to FFD immediately prior to our acquisition of Fairfield. Former Fairfield employees who were responsible for the timeshare property development became employed by FFD as part of the spin-off. Given the extensive knowledge of Fairfield's standards and specifications as it related to the procurement of property and the planning and construction of the timeshares, we continue to rely on the relationship between Fairfield and FFD.

In exchange for the contribution of timeshare inventory and cash, Fairfield received all of the common and preferred equity interests of FFD. Fairfield then contributed all the common equity interest to an independent trust and retained a convertible preferred equity interest, which is convertible at any time, and a warrant to purchase FFD's common equity. The warrant is not exercisable until April 2004, except upon the occurrence of specified events, including our conversion of more than half of our preferred equity interest into common equity interests. In connection with our acquisition of Fairfield in April 2001, we, through our Fairfield subsidiary, now own the preferred equity interest, which approximated $59 million as of December 31, 2001, and the warrant to purchase a common equity interest in FFD. The warrant is exercisable in whole or in increments of 25% upon payment in cash or in kind of an amount per percentage of common interest exercised, which is equal to the lower of 80% of the book value per common interest as of April 2, 2001 and 90% of the book value per common interest as of the warrant exercise date. During 2001, we recognized dividend income on our preferred interest of $6 million, which was paid-in-kind on a quarterly basis based on an 18% annual return on our preferred equity interest in FFD. The dividend rate was agreed upon in FFD's amended operating agreement among Fairfield, FFD and the independent trust. Upon the conversion of such preferred equity interests and the exercise of such warrant, we would own approximately 75% of FFD's common equity interests on a fully diluted basis. Additionally, we are now obligated to fulfill Fairfield's purchase commitments with FFD. However, under the development contracts with FFD, we are not obligated to purchase a resort property until construction is completed to the contractual specifications, a certificate of occupancy is delivered and clear title is obtained. Fairfield also leases office space to FFD and provides various services to FFD in exchange for a fee, including general management services, information and technology support and human resources administration. During 2001, we purchased $40 million of timeshare interval inventory and land from FFD and as of December 31, 2001 are obligated to purchase an additional $98 million. FFD is obligated to finance, plan, design and construct vacation ownership units according to Fairfield's specifications and deliver those units according

to an agreed schedule and at agreed purchase prices. The schedule and prices allow for FFD to charge cost plus an applicable mark-up, which was 17.4% in 2001. Such fee arrangement is provided by in the operating agreement between Fairfield and FFD. The purchase price, which includes FFD's fee, is agreed upon by Fairfield and FFD based upon the cost of construction. The delivery date is agreed upon by Fairfield and FFD based upon the time necessary to complete construction and when Fairfield requires the completed inventory for sale and deeding to its customers. Subsequent to December 31, 2001, as is customary in "build to suit" agreements, when we contract with FFD for the development of a property, we will issue a letter of credit for up to 20% of our purchase price for such property. Drawing under all such letters of credit will only be permitted if we fail to meet our obligation under any purchase commitment. While we intend to issue such letters of credit in 2002, no such letters of credit were outstanding at December 31, 2001. We are not obligated or contingently liable for any obligations incurred by FFD.

Trilegiant Corporation. On July 2, 2001, we entered into an agreement with Trilegiant Corporation, a newly-formed company owned by the former management of our Cendant Membership Services and Cendant Incentives subsidiaries, whereby we outsourced our individual membership and loyalty business to Trilegiant. Trilegiant operates membership-based clubs and programs and other incentive-based programs. As part of this agreement, Trilegiant provides fulfillment services (including collecting cash, paying commissions, processing refunds, providing membership services and benefits and maintaining specified service level standards) to members of our individual membership business that existed as of the transaction date in exchange for a servicing fee pursuant to the Third Party Administrator agreement, which is cost plus 10%. During 2001, we paid Trilegiant $106 million in connection with services provided under the Third Party Administrator agreement and Trilegiant collected $212 million of cash on our behalf in connection with membership renewals. Additionally, as of December 31, 2001, Trilegiant owed us $7 million in connection with services provided under the Third Party Administrator agreement.

Additionally, Trilegiant is licensing and/or leasing from us the assets of our individual membership business in order to service these members and also to obtain new members. The assets licensed to Trilegiant include various tradenames, trademarks, logos, service marks and other intellectual property relating to its membership business. Upon expiration of the licensing term (40 years), Trilegiant will have the option to purchase any or all of the intellectual property licenses at their then-fair market values. Real property owned by us was leased to Trilegiant on a monthly basis at rates that approximated our depreciation expense. In connection with the licensing and leasing arrangements, Trilegiant paid us $7 million in 2001 and owed us an additional $2 million as of December 31, 2001.

We continue to collect membership fees from, and are obligated to provide membership benefits to, existing members as of July 2, 2001, including their renewals. Trilegiant collects the membership fees from, and is obligated to provide membership benefits to, those new members who join the membership based clubs and programs and all other incentive programs subsequent to July 2, 2001 and will recognize the related revenue and expenses. Beginning in third quarter 2002 and throughout the remainder of the 40-year term of the licensing agreement, we will recognize as revenue the related royalty income received from Trilegiant for membership fees generated by the new members (initially 5%, increasing to approximately 16% over 10 years). We also licensed various tradenames, trademarks, logos, service marks, and other intellectual property relating to our membership business to Trilegiant for 40 years. Upon expiration of the 40-year term, Trilegiant will have the option to purchase any or all of the intellectual property licenses at their then-fair market values.

In connection with the foregoing arrangements, we advanced approximately $100 million in cash and $33 million of prepaid assets to Trilegiant to support their marketing activities and also made a $20 million convertible preferred stock investment in Trilegiant, which is convertible, at our option, into approximately 20% of Trilegiant's common stock on a fully diluted basis. We accounted for the entire advance to Trilegiant as a prepaid expense at the date of advance. The purpose of the advance was to help Trilegiant fund qualified marketing costs associated with obtaining new members whose revenue would become subject to royalties paid to us. We expense such advance as Trilegiant incurs qualified marketing expenses

pursuant to the terms of the advance. During 2001, we expensed $66 million of the advance. As of December 31, 2001, the remaining balance of this prepaid expense approximated $67 million.

The preferred stock investment is mandatorily redeemable and, therefore, accounted for as an available-for-sale debt security at fair value, convertible at any time at our option and we are entitled to receive a 12% cumulative non-cash dividend annually through July 2006. During third quarter 2001, we wrote-off the entire amount of our

preferred stock investment due to operating losses incurred by Trilegiant and the fact that this entity had relatively thin common equity capitalization since inception.

We also provide Trilegiant with a $35 million revolving line of credit under which advances are at our sole and unilateral discretion. As of December 31, 2001, Trilegiant had not drawn on this line. During August 2001, Trilegiant entered into marketing agreements with a third party, whereby Trilegiant will provide certain marketing services to the third party in exchange for a commission. As part of our royalty arrangement with Trilegiant, we will receive 13% of the commissions paid by the third party to Trilegiant. In connection with these marketing agreements, we provided Trilegiant with a $75 million loan facility bearing interest at a rate of 9% under which we will advance funds to Trilegiant for marketing performed by Trilegiant on behalf of the third party. As of December 31, 2001, the outstanding loan balance under this facility was $24 million. Such amount is accounted for as a note receivable. We evaluate the collectibility of the note at the end of each reporting period. We will collect the receivable as commissions are received by Trilegiant from the third party.

Additionally, we maintain warrants to purchase up to 2.1 million shares of Trilegiant's common stock, which are exercisable, at our option, at an exercise price of $0.01 per share, upon the achievement of certain business valuations ranging from $200 million to $750 million, into a majority ownership interest in Trilegiant. We are not obligated or contingently liable for any debt incurred by Trilegiant.

Trilegiant's Board of Directors is comprised of three directors elected by the Trilegiant management (as the common shareholder) and three directors elected by us (as the sole preferred shareholder).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Goodwill and Other Intangible Assets. On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets" in its entirety. SFAS No. 142 addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This standard eliminates the amortization of goodwill and indefinite lived intangible assets. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. We will be required to assess goodwill and indefinite lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. We have reassessed the useful lives assigned to our intangible assets acquired in transactions consummated prior to July 1, 2001 and the related amortization methodology. Accordingly, we identified those intangible assets that have indefinite lives, adjusted the future amortization periods of certain intangible assets appropriately and changed our amortization methodology where appropriate.

In accordance with SFAS No. 142, we did not amortize goodwill and indefinite lived intangible assets acquired after June 30, 2001. As of January 1, 2002, we discontinued the amortization of all goodwill and indefinite lived intangible assets. Based upon a preliminary assessment, we expect that the increase in net income from the application of the non-amortization provisions of SFAS No. 142 would have approximated $154 million, $76 million and $83 million for 2001, 2000 and 1999, respectively.

As previously described, the initial implementation of this standard will not impact our results of operations during 2002.

Impairment or Disposal of Long-Lived Assets. During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and replaces the accounting and reporting provisions of APB Opinion No. 30, "Reporting Results of Operations—Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual

and Infrequently Occurring Events and Transactions," as it relates to the disposal of a segment of a business. SFAS No. 144 requires the use of a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, by requiring those long-lived assets to be measured at the lower of carrying amount or fair value less cost to sell. The impairment recognition and measurement provisions of SFAS No. 121 were retained for all long-lived assets to be held and used with the exception of goodwill. We adopted this standard on January 1, 2002.

FORWARD-LOOKING STATEMENTS

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

Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "project", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- the impacts of the September 11, 2001 terrorist attacks on New York City and Washington, D.C. on the travel industry in general, and our travel businesses in particular, are not fully known at this time, but are expected to include negative impacts on financial results due to reduced demand for travel in the near term; other attacks, acts of war; or measures taken by governments in response thereto may negatively affect the travel industry, our financial results and could also result in a disruption in our business;
- the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;
- the effects of a decline in travel, due to political instability, adverse economic conditions or otherwise, on our travel related businesses;
- the effects of changes in current interest rates, particularly on our real estate franchise and mortgage businesses;
- the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation;
- our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;
- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;
- failure to reduce quickly our substantial technology costs in response to a reduction in revenue, particularly in our computer reservations and global distribution systems businesses;
- our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster;
- our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisitions of Trendwest Resorts, Inc., NRT Incorporated, Galileo International, Inc. and Cheap Tickets, Inc., the compatibility of the operating systems of the combining

companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;

- our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and to maintain our credit ratings;
- competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry;
- changes in the vehicle manufacturer repurchase arrangements in our Avis car rental business in the event that used vehicle values decrease and
- changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

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

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use various financial instruments, particularly swap contracts, forward delivery commitments and futures and options contracts to manage and reduce the interest rate risk related specifically to our committed mortgage pipeline, mortgage loan inventory, mortgage servicing rights, mortgage-backed securities, debt and certain other interest bearing liabilities. Foreign currency forwards are also used to manage and reduce the foreign currency exchange rate risk associated with our foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated acquisitions.

We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market-making, or other speculative activities in the derivatives markets. More detailed information about these financial instruments is provided in Note 23—Financial Instruments to our Consolidated Financial Statements.

Our principal market exposures are interest and foreign currency rate risks.

- Interest rate movements in one country, as well as relative interest rate movements between countries can materially impact our profitability. Our primary interest rate exposure is to interest rate fluctuations in the United States, specifically long-term U.S. Treasury and mortgage interest rates due to their impact on mortgage-related assets and commitments and also LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We anticipate that such interest rates will remain a primary market exposure for the foreseeable future.

- Our primary foreign currency rate exposure is to exchange rate fluctuations in the British pound sterling. We anticipate that such foreign currency exchange rate risk will remain a primary market exposure for the foreseeable future.

We assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates.

We use a discounted cash flow model in determining the fair values of relocation receivables, timeshare receivables, equity advances on homes, mortgage loans, commitments to fund mortgages, mortgage servicing rights, mortgage-backed securities and our retained interests in securitized assets. The primary assumptions used in these models are prepayment speeds, estimated loss rates, and discount rates. In determining the fair value of mortgage servicing rights and mortgage-backed securities, the models also utilize credit losses and mortgage servicing revenues and expenses as primary assumptions. In addition, for commitments to fund mortgages, the borrower's propensity to close their mortgage loan under the commitment is used as a primary assumption. For mortgage loans, commitments to fund mortgages, forward delivery contracts and options, we rely on prices sourced from Bloomberg in determining the impact of interest rate shifts. We also utilize an option-adjusted spread ("OAS") model to determine the impact of interest rate shifts on mortgage servicing rights and mortgage-backed securities. The primary assumption in an OAS model is the implied market volatility of interest rates and prepayment speeds and the same primary assumptions used in determining fair value.

We use a duration-based model in determining the impact of interest rate shifts on our debt portfolio, certain other interest bearing liabilities and interest rate derivatives portfolios. The primary assumption used in these models is that a 10% increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities and derivatives. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all our currency exposures at December 31, 2001, 2000 and 1999.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis permitted, these "shock tests" are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

We used December 31, 2001, 2000 and 1999 market rates on our instruments to perform the sensitivity analyses separately for each of our market risk exposures—interest and currency rate instruments. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves and exchange rates.

We have determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material.

While these results may be used as benchmarks, they should not be viewed as forecasts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's Annual Proxy Statement under the sections titled "Executive Officers", "Election of Directors", "Executive Officers" and "Compliance with Section 16(a) of the Exchange Act" are incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's Annual Proxy Statement under the section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14. CONTROLS AND PROCEDURES.

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

(b) *Changes in Internal Controls.* Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

ITEM 15(A)(1) FINANCIAL STATEMENTS

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

ITEM 15(A)(3) EXHIBITS

See Exhibit Index commencing on page G-1 hereof.

ITEM 15(B) REPORTS ON FORM 8-K

On October 2, 2001, we filed a current report on Form 8-K to report under Item 5 the issuance of a press release updating our operations, estimating the impact of the September 11, 2001 terrorist attacks on our financial results and to provide an update on our planned acquisitions of Galileo International, Inc. and Cheap Tickets, Inc.

On October 15, 2001, we filed a current report on Form 8-K to report under Item 5 the acquisition of Galileo International, Inc.

On October 18, 2001, we filed a current report on Form 8-K to report under Item 5 third quarter 2001 results.

On October 23, 2001, we filed a current report on Form 8-K to report under Item 5 consolidated free cash flows for the nine months and twelve months ended September 30, 2001 and 2000, respectively.

On December 6, 2001, we filed a current report on Form 8-K to report under Item 5 the sale of $1 billion aggregate principal amount of $3^{7}/_{8}$% convertible senior debentures due 2011.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENDANT CORPORATION

By: /s/ JAMES E. BUCKMAN

James E. Buckman
Vice Chairman and General Counsel
Date: November 4, 2002

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

Signature	Title	Date
/s/ HENRY R. SILVERMAN	Chairman of the Board, President, Chief Executive Officer and Director	November 4, 2002
(Henry R. Silverman)		
/s/ JAMES E. BUCKMAN	Vice Chairman, General Counsel and Director	November 4, 2002
(James E. Buckman)		
/s/ STEPHEN P. HOLMES	Vice Chairman and Director	November 4, 2002
(Stephen P. Holmes)		
/s/ KEVIN M. SHEEHAN	Senior Executive Vice President and Chief Financial Officer	November 4, 2002
(Kevin M. Sheehan)		
/s/ TOBIA IPPOLITO	Executive Vice President and Chief Accounting Officer	November 4, 2002
(Tobia Ippolito)		
/s/ MYRA J. BIBLOWIT	Director	November 4, 2002
(Myra J. Biblowit)		
	Director	November 4, 2002
(The Honorable William S. Cohen)		
/s/ LEONARD S. COLEMAN	Director	November 4, 2002
(Leonard S. Coleman)		
/s/ MARTIN L. EDELMAN	Director	November 4, 2002
(Martin L. Edelman)		
/s/ DR. JOHN C. MALONE	Director	November 4, 2002
(Dr. John C. Malone)		
/s/ CHERYL D. MILLS	Director	November 4, 2002
(Cheryl D. Mills)		

/s/ BRIAN MULRONEY	Director	November 4, 2002
(The Rt. Hon. Brian Mulroney, P.C., L.L.D.)		
/s/ ROBERT E. NEDERLANDER	Director	November 4, 2002
(Robert E. Nederlander)		
	Director	November 4, 2002
(Robert W. Pittman)		

(Sheli Z. Rosenberg)	Director	November 4, 2002
(Robert F. Smith)	Director	November 4, 2002

CERTIFICATIONS

I, Henry R. Silverman, certify that:

1. I have reviewed this annual report on Form 10-K/A of Cendant Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 4, 2002

/s/ HENRY R. SILVERMAN

Chief Executive Officer

I, Kevin M. Sheehan, certify that:

1. I have reviewed this annual report on Form 10-K/A of Cendant Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 4, 2002

/s/ KEVIN M. SHEEHAN

Chief Financial Officer

INDEX TO RESTATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Cendant Corporation

We have audited the accompanying consolidated balance sheets of Cendant Corporation and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2001. 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in 2001, the Company modified the accounting treatment relating to securitization transactions and the accounting for derivative instruments and hedging activities. Also, as discussed in Note 1, in 2000, the Company revised certain revenue recognition policies.

As discussed in Notes 1 and 5 to the consolidated financial statements, in connection with the disposition of the Company's National Car Parks subsidiary ("NCP") in May 2002, the account balances and activities of NCP have been segregated and reported as a discontinued operation for all periods presented.

/s/ Deloitte & Touche
New York, New York
February 7, 2002
(April 1, 2002 as to the subsequent events described in Note 28)
(August 12, 2002 as to the effects of the discontinued
operation described in Notes 1 and 5 and as to the
pro forma effect of the non-amortization of goodwill described in Note 1)

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year Ended December 31,		
	2001	2000	1999
Revenues			
Service fees and membership-related, net	$ 5,434	$ 4,191	$ 4,831
Vehicle-related	3,134	11	758
Other	45	118	166
Net revenues	8,613	4,320	5,755
Expenses			
Operating	2,658	1,176	1,572
Vehicle depreciation, lease charges and interest, net	1,789	—	674
Marketing and reservation	1,114	896	1,009
General and administrative	965	663	706
Non-vehicle depreciation and amortization	477	321	338
Other charges:			
Restructuring and other unusual charges	379	109	117
Acquisition and integration related costs	112	—	—
Mortgage servicing rights impairment	94	—	—
Litigation settlement and related costs, net	86	2	2,915
Non-vehicle interest (net of interest income of $91, $73 and $38)	252	152	201
Total expenses	7,926	3,319	7,532
Gains on dispositions of businesses	443	37	1,142
Losses on dispositions of businesses	(26)	(45)	(33)
Impairment of investments	(441)	—	—
Income (loss) before income taxes, minority interest and equity in Homestore.com	663	993	(668)
Provision (benefit) for income taxes	220	341	(422)
Minority interest, net of tax	24	83	61
Losses related to equity in Homestore.com, net of tax	77	—	—
Income (loss) from continuing operations	342	569	(307)
Income from discontinued operations, net of tax	81	91	78
Gain on disposal of discontinued operations, net of tax	—	—	174
Income (loss) before extraordinary loss and cumulative effect of accounting changes	423	660	(55)
Extraordinary loss, net of tax	—	(2)	—
Income (loss) before cumulative effect of accounting changes	423	658	(55)
Cumulative effect of accounting changes, net of tax	(38)	(56)	—
Net income (loss)	$ 385	$ 602	$ (55)
CD common stock income (loss) per share			
Basic			
Income (loss) from continuing operations	$ 0.37	$ 0.79	$ (0.41)
Net income (loss)	0.42	0.84	(0.07)
Diluted			
Income (loss) from continuing operations	$ 0.36	$ 0.77	$ (0.41)
Net income (loss)	0.41	0.81	(0.07)

See Notes to Consolidated Financial Statements.

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

	December 31,	
	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,942	$ 856

Receivables (net of allowance for doubtful accounts of $104 and $74)	1,313	746
Stockholder litigation settlement trust	1,410	—
Deferred income taxes	697	174
Assets of discontinued operations	1,310	1,401
Other current assets	1,045	756
Total current assets	7,717	3,933
Property and equipment, net	1,394	735
Stockholder litigation settlement trust	—	350
Deferred income taxes	771	1,191
Franchise agreements (net of accumulated amortization of $322 and $264)	1,656	1,462
Goodwill (net of accumulated amortization of $483 and $341)	7,360	2,524
Other intangibles, net	1,210	647
Other noncurrent assets	1,568	1,450
Total assets exclusive of assets under programs	21,676	12,292
Assets under management and mortgage programs:		
Mortgage loans held for sale	1,244	879
Relocation receivables	292	329
Vehicle-related, net	8,073	—
Timeshare receivables	222	—
Mortgage servicing rights, net	2,037	1,653
	11,868	2,861
Total assets	$ 33,544	$ 15,153
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	$ 3,468	$ 1,350
Current portion of long-term debt	401	—
Stockholder litigation settlement	2,850	—
Liabilities of discontinued operations	172	176
Deferred income	900	1,007
Total current liabilities	7,791	2,533
Long-term debt, excluding Upper DECS	5,731	1,948
Upper DECS	863	—
Stockholder litigation settlement	—	2,850
Deferred income	297	411
Other noncurrent liabilities	525	63
Total liabilities exclusive of liabilities under programs	15,207	7,805
Liabilities under management and mortgage programs:		
Debt	9,844	2,040
Deferred income taxes	1,050	476
	10,894	2,516
Mandatorily redeemable preferred interest in a subsidiary	375	375
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	—	1,683
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Preferred stock, $.01 par value—authorized 10 million shares; none issued and outstanding	—	—
CD common stock, $.01 par value—authorized 2 billion shares; issued 1,166,492,626 and 914,655,918 shares	11	9
Move.com common stock, $.01 par value—authorized 500 million shares; issued and outstanding none and 2,181,586 shares; notional issued shares with respect to Cendant Group's retained interest 22,500,000	—	—
Additional paid-in capital	8,676	4,540
Retained earnings	2,412	2,027
Accumulated other comprehensive loss	(264)	(234)
CD treasury stock, at cost—188,784,284 and 178,949,432 shares	(3,767)	(3,568)
Total stockholders' equity	7,068	2,774
Total liabilities and stockholders' equity	$ 33,544	$ 15,153

See Notes to Consolidated Financial Statements.

Cendant Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,

	2001	2000	1999
Operating Activities			
Net income (loss)	$ 385	$ 602	$ (55)
Adjustments to arrive at income (loss) from continuing operations	(43)	(33)	(252)
Income (loss) from continuing operations	342	569	(307)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Non-vehicle depreciation and amortization	477	321	338
Non-cash portion of other charges	298	24	2,869
Gain on dispositions of business	(443)	(37)	(1,142)
Losses on dispositions of business	26	45	33
Impairment of investments	441	—	—
Proceeds from sales of trading securities	110	—	180
Purchases of trading securities	—	—	(147)
Deferred income taxes	394	25	260
Net change in operating assets and liabilities, excluding the impact of acquisitions and dispositions:			
Receivables	10	198	(214)
Income taxes	(177)	319	(702)
Accounts payable and other current liabilities	232	(213)	38
Deferred income	(162)	(79)	(83)
Other, net	(150)	(221)	(181)
Net cash provided by operating activities exclusive of management and mortgage programs	1,398	951	942
Management and mortgage programs:			
Depreciation and amortization	1,659	153	698
Origination of mortgage loans	(40,963)	(24,196)	(25,025)
Proceeds on sale of and payments from mortgage loans held for sale	40,643	24,428	26,328
	1,339	385	2,001
Net cash provided by operating activities	2,737	1,336	2,943
Investing Activities			
Property and equipment additions	(329)	(192)	(239)
Funding of stockholder litigation settlement trust	(1,060)	(350)	—
Proceeds from sales of available-for-sale securities	36	379	741
Purchases of available-for-sale securities	(35)	(441)	(672)
Purchases of non-marketable securities	(101)	(90)	(18)
Net assets acquired (net of cash acquired of $308 in 2001) and acquisition-related payments	(2,757)	(106)	(205)
Net proceeds from dispositions of businesses	109	4	3,509
Other, net	(69)	(24)	8
Net cash provided by (used in) investing activities exclusive of management and mortgage programs	(4,206)	(820)	3,124

Management and mortgage programs:			
Investment in vehicles	(14,906)	—	(2,378)
Payments received on investment in vehicles	13,324	—	1,604
Origination of timeshare receivables	(497)	—	—
Principal collection of timeshare receivables	538	—	—
Equity advances on homes under management	(6,306)	(7,637)	(7,608)
Repayment on advances on homes under management	6,340	8,009	7,688
Net additions to mortgage servicing rights and related hedges	(752)	(778)	(727)
Proceeds from sales of mortgage servicing rights	58	84	156
	(2,201)	(322)	(1,265)
Net cash provided by (used in) investing activities	(6,407)	(1,142)	1,859
Financing Activities			
Proceeds from borrowings	5,608	—	1,719
Principal payments on borrowings	(2,213)	(897)	(2,213)
Issuances of common stock	877	603	127
Repurchases of common stock	(254)	(381)	(2,863)
Proceeds from mandatorily redeemable preferred interest in a subsidiary	—	375	—

Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	—	91	—
Other, net	(153)	—	—
Net cash provided by (used in) financing activities exclusive of management and mortgage programs	3,865	(209)	(3,230)
Management and mortgage programs:			
Proceeds from borrowings	9,460	4,133	5,263
Principal payments on borrowings	(8,798)	(5,320)	(7,838)
Net change in short-term borrowings	116	913	(2,000)
Proceeds received for debt repayment in connection with disposal of fleet businesses	—	—	3,017
	778	(274)	(1,558)
Net cash provided by (used in) financing activities	4,643	(483)	(4,788)
Effect of changes in exchange rates on cash and cash equivalents	(8)	(6)	36
Cash provided by discontinued operations	121	89	79
Net increase (decrease) in cash and cash equivalents	1,086	(206)	129
Cash and cash equivalents, beginning of period	856	1,062	933
Cash and cash equivalents, end of period	$ 1,942	$ 856	$ 1,062
Supplemental Disclosure of Cash Flow Information			
Interest payments	$ 609	$ 263	$ 450
Income tax payments (refunds), net	$ 40	$ (73)	$ (46)

See Notes to Consolidated Financial Statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at January 1, 1999	861	$ 9	$ 3,863	$ 1,480	$ (49)	(27)	$ (467)	$ 4,836
Comprehensive loss:								
Net loss	—	—	—	(55)	—	—	—	
Currency translation adjustment	—	—	—	—	(69)	—	—	
Unrealized gain on available-for-sale securities, net of tax of $22	—	—	—	—	37	—	—	
Reclassification adjustments, net of tax of $13	—	—	—	—	39	—	—	
Total comprehensive loss								(48)
Exercise of stock options	9	—	81	—	—	4	42	123
Tax benefit from exercise of stock options	—	—	52	—	—	—	—	52
Repurchases of CD common stock	—	—	—	—	—	(141)	(2,863)	(2,863)
Modifications of stock option plans due to dispositions of businesses	—	—	83	—	—	—	—	83
Rights issuable	—	—	22	—	—	—	—	22
Other	—	—	1	—	—	—	—	1
Balance at December 31, 1999	870	9	4,102	1,425	(42)	(164)	(3,288)	2,206
Comprehensive income:								
Net income	—	—	—	602	—	—	—	
Currency translation adjustment	—	—	—	—	(107)	—	—	
Unrealized loss on available-for-sale securities, net of tax of ($40)	—	—	—	—	(65)	—	—	
Reclassification adjustments, net of tax of ($12)	—	—	—	—	(20)	—	—	
Total comprehensive income								410
Issuances of CD common stock	28	—	476	—	—	—	—	476
Issuances of Move.com common stock	4	—	93	—	—	—	—	93
Exercise of stock options	17	—	56	—	—	2	26	82
Tax benefit from exercise of stock options	—	—	66	—	—	—	—	66
Repurchases of CD common stock	—	—	—	—	—	(17)	(306)	(306)
Repurchases of Move.com common stock	(2)	—	(100)	—	—	—	—	(100)
Mandatorily redeemable preferred securities issue by subsidiary holding solely senior debentures issued by the Company	—	—	(108)	—	—	—	—	(108)
Rights issuable	—	—	(41)	—	—	—	—	(41)
Other	—	—	(4)	—	—	—	—	(4)
Balance at December 31, 2000	917	$ 9	$ 4,540	$ 2,027	$ (234)	(179)	$ (3,568)	$ 2,774

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	

Balance at January 1, 2001	917	$ 9	$ 4,540	$ 2,027	$ (234)	(179)	$ (3,568)	$ 2,774
Comprehensive income:								
Net income	—	—	—	385	—	—	—	
Currency translation adjustment	—	—	—	—	(65)	—	—	
Unrealized losses on cash flow hedges, net of tax of $22	—	—	—	—	(33)	—	—	
Minimum pension liability adjustment	—	—	—	—	(21)	—	—	
Unrealized gain on available-for-sale securities, net of tax of $21	—	—	—	—	33	—	—	
Reclassification adjustments,net of tax of $29	—	—	—	—	56	—	—	
Total comprehensive income								355
Issuances of CD common stock	108	1	2,342	—	—	—	—	2,343
Exercise of stock options	26	—	237	—	—	2	27	264
Tax benefit from exercise of stock options	—	—	59	—	—	—	—	59
Repurchases of CD common stock	—	—	—	—	—	(12)	(226)	(226)
Repurchases of Move.com common stock	(2)	—	(75)	—	—	—	—	(75)
Present value of forward purchase contract distributions and related costs	—	—	(48)	—	—	—	—	(48)
Modifications to stock options	—	—	25	—	—	—	—	25
Issuance of CD common stock and conversion of stock options for acquisitions	117	1	1,604	—	—	—	—	1,605
Other	—	—	(8)	—	—	—	—	(8)
Balance at December 31, 2001	1,166	$ 11	$ 8,676	$ 2,412	$ (264)	(189)	$ (3,767)	$ 7,068

See Notes to Consolidated Financial Statements.

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

1. Summary of Significant Accounting Policies

Basis of Presentation

Cendant Corporation is a global provider of a wide range of complementary consumer and business services. The Consolidated Financial Statements include the accounts of Cendant Corporation and its subsidiaries (collectively, "the Company"). The Consolidated Financial Statements also include affiliates in which the Company directly or indirectly has a controlling financial interest. In determining whether the Company has a direct or indirect controlling financial interest in affiliates, consideration is given to various factors, including common stock ownership, possession of securities convertible into common stock and the related conversion terms, voting rights, representation on the board of directors, rights or obligations to purchase additional ownership interests as well as the existence of contracts or agreements that provide control features. Generally, when the Company determines that its ownership, direct or indirect, exceeds fifty percent of the outstanding voting shares of an affiliate, the Company will consolidate the affiliate. Furthermore, when the Company determines that it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights, the Company will consolidate the affiliate.

For those affiliates that the Company does not have the ability to control the operating and financial policies thereof, the investments are classified as available-for-sale debt securities or accounted for using the equity or cost method, as appropriate. The Company applies the equity method of accounting when it has the ability to exercise significant influence over operating and financial policies of an investee in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." In determining whether the Company has the ability to exercise significant influence, consideration is given to various factors including the nature and significance of the investment, the capitalization structure of the investee, representation on the board of directors, voting rights, veto rights and other protective and participating rights held by investors and contractual arrangements.

Additionally, the Company applies generally accepted accounting principles and interpretations when evaluating whether it should consolidate securitization entities. Typically, if the Company does not retain both control of the assets transferred to the securitization entities, as well as the risks and rewards of those assets, the Company will not consolidate such entities. In determining whether the securitization entity should be consolidated, the Company considers whether the entity is a qualifying special purpose entity, as defined by SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125."

In presenting the Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

The Company segregates the financial data related to its management and mortgage programs as such activities are autonomous and distinct from the Company's other activities. Assets classified under management and mortgage programs are assets generated in the operations of the Company's car rental, vehicle management, relocation, mortgage services and timeshare development businesses. The Company seeks to offset the interest rate exposures inherent in these assets by matching them with financial liabilities that have similar term and interest rate characteristics. Fees generated from these assets are used, in part, to repay the interest and principal associated with the financial liabilities. Funding for the Company's assets under management and mortgage programs is also provided by both unsecured borrowings and secured financing arrangements, which are classified as liabilities under management and mortgage programs, as well as securitization facilities with special purpose entities. Cash inflows and outflows relating to the generation or acquisition of assets and the

principal debt repayment or financing of such assets are classified as activities of the Company's management and mortgage programs.

On May 22, 2002, the Company sold its car parking facility business, the National Car Parks Subsidiary ("NCP"). In connection with the disposition, the account balances and activities of NCP have been segregated and reported as a discontinued operation for all periods presented (see Note 5—Discontinued Operations).

Cash and Cash Equivalents

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

Investments

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determination at each balance sheet date. The Company's non-marketable preferred stock investments are classified as available-for-sale debt securities or accounted for at cost, as appropriate. All other non-marketable securities are carried at cost. Common stock investments in affiliates over which the Company has the ability to exercise significant influence but not a controlling interest are carried on the equity method of accounting. Available-for-sale securities are carried at current fair value with unrealized gains or losses reported net of taxes as a separate component of stockholders' equity. During 2000 and 1999, the Company reported net realized gains of $32 million and $65 million, respectively, related to its available-for-sale securities. Trading securities are recorded at fair value with unrealized gains and losses reported currently in earnings. During 2001, 2000 and 1999, the Company reported net realized gains of $77 million, $5 million and $8 million, respectively, related to its trading securities.

All of the Company's short-term investments are included in other current assets on the Company's Consolidated Balance Sheets and all long-term investments are included in other noncurrent assets. All realized gains and losses and preferred dividend income are recorded within other revenues in the Consolidated Statements of Operations. Gains and losses on securities sold are based on the specific identification method. Declines in market value that are judged to be "other than temporary" are recorded as a component of net gain (loss) on dispositions of businesses and impairment of investments.

Property and Equipment

Property and equipment are recorded at cost. Depreciation, recorded as a component of non-vehicle depreciation and amortization on the Consolidated Statements of Operations, is computed utilizing the straight-line method over the estimated useful lives of the related assets. Useful lives range from 5 to 50 years for buildings and improvements and 2 to 11 years for furniture, fixtures and equipment. Amortization of leasehold improvements, also recorded as a component of non-vehicle depreciation and amortization, is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter, generally ranging from 2 to 15 years.

Goodwill and Identifiable Intangible Assets

All intangible assets acquired prior to July 1, 2001 and intangible assets with finite lives acquired after June 30, 2001 were amortized on a straight-line basis over their estimated periods to be benefited. Franchise agreements are generally amortized over a period ranging from 12 to 40 years, while all other intangible assets with finite lives are generally amortized over a period ranging from 5 to 40 years. Goodwill resulting from purchase business combinations consummated prior to June 30, 2001 was amortized on a straight-line basis over the estimated periods to be benefited, substantially ranging from 25 to 40 years. For business combinations consummated after June 30, 2001, goodwill and indefinite-lived intangible assets were not amortized during 2001 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Pursuant to SFAS No. 142, as of January 1, 2002, the Company will not amortize any goodwill or indefinite-lived intangible assets. The recoverability of goodwill and intangible assets was evaluated on a separate

basis for each acquisition by comparing the respective carrying value to the current and expected future cash flows, on an undiscounted basis. Pursuant to SFAS No. 142, as of January 1, 2002, the Company will be required to assess goodwill and indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

Asset Impairments

The Company periodically evaluates the recoverability of its long-lived assets, with the exception of goodwill and identifiable intangible assets, by comparing the respective carrying values of the assets 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.

Derivative Instruments

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates, foreign currency exchange rates, prices of mortgage loans held for sale, anticipated mortgage loan closings arising from commitments issued and changes in the fair value of its mortgage servicing rights. As a matter of policy, the Company does not use derivatives for trading or speculative purposes.

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

The Company is also party to certain contracts containing embedded derivatives. As required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," certain embedded derivatives have been bifurcated from their host contracts and are recorded at fair value in the Consolidated Balance Sheet. The total fair value of the Company's embedded derivatives and changes in fair value during 2001 were not material to the Company's financial position or results of operations.

Securitizations

The Company sells a significant portion of its residential mortgage loans, its relocation receivables and its timeshare receivables into securitization entities as part of its financing strategy. The Company retains the servicing rights and, in some instances, subordinated residual interests in the mortgage loans and relocation and timeshare receivables. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. The retained interests are classified as either trading or available-for-sale securities. Gains or losses relating to the assets sold are allocated between such assets and the retained interests based on their relative fair values at the date of transfer. The Company estimates fair value of retained interests based upon the present value of expected future cash flows. The value of these retained interests is subject to the prepayment risks, expected credit losses and interest rate risks of the transferred financial assets.

Revenue Recognition

Franchising. Franchise revenue principally consists of royalties, as well as marketing and reservation fees, which are primarily based on a percentage of franchisee commissions and/or gross revenue.

Royalty, marketing and reservation fees are accrued as the underlying franchisee revenue is earned. Annual rebates given to certain franchisees on royalty fees are recorded as a reduction to revenues and are accrued for in direct proportion to the recognition of the underlying gross franchise revenue. 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.

Mortgage. Loan origination fees, commitment fees paid in connection with the sale of loans and certain direct loan origination costs associated with loans are 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. Fees received for servicing loans are recognized for servicing mortgage loans owned by investors upon receipt and are recorded net of guaranty fees. Costs associated with loan servicing are charged to expense as incurred.

A mortgage servicing right ("MSR") is the right to receive a portion of the interest coupon and fees collected from the mortgagor for performing specified servicing activities. The total cost of loans originated or acquired is allocated between the MSR and the mortgage loan, without the servicing rights, based on relative fair values. 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. MSRs are initially recorded at relative fair value and subsequently amortized over the estimated life of the related loan portfolio in proportion to projected net servicing revenues. Such amortization, which is recorded as a reduction of net servicing revenue in the Consolidated Statements of Operations, was $237 million, $153 million and $118 million during 2001, 2000 and 1999, respectively. 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 carrying amount. Fair value is estimated based on expected cash flows considering market prepayment estimates, historical prepayment rates, portfolio characteristics, interest rates and other economic factors. 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. Temporary impairment is recorded through a valuation allowance in the period of occurrence. During 2001, the Company recorded net aggregate write-downs of $144 million through a valuation allowance (net of qualifying hedging gains). Approximately $50 million of this write-down was related to changes in estimates of interest rates in the ordinary course of business, which were the direct result of the continued lowering of interest rates that occurred during 2001 prior to the September 11th terrorist attacks. These rate reductions caused a decline in the value of the mortgage servicing rights portfolio, hence requiring the write-down. The remaining $94 million of aggregate write- down was directly related to interest rate reductions subsequent to the September 11th terrorist attacks, whereby the Federal Reserve reduced the Federal Funds Rate by 50 basis points twice within a 14-day period following the terrorist attacks and the U.S. Treasury Department announced thereafter the discontinuance of new sales of the 30-year treasury bond. The reductions in the Federal Funds Rate, which occurred between September 17th and December 11th of 2001, resulted in a 50% reduction to such rate which has never occurred over such a short period in the history of the Federal Funds Rate. The series of these actions resulted in a reduction of mortgage rates to a 30-year low during fourth quarter 2001, according to the Freddie Mac Home Loan Index. Such reductions resulted in increases to the Company's forecasted loan prepayment speeds, which negatively impacted the carrying value of the mortgage servicing rights asset, hence requiring a write-down of $94 million.

Relocation. Revenues and related costs associated with the purchase and resale of a transferee's residence are recognized as services are provided. Relocation services revenue is generally recorded net of costs reimbursed by client corporations and interest expense incurred to fund the purchase of a transferee's residence. Such interest expense totaled $1 million, $2 million and $40 million during

2001, 2000 and 1999, respectively. Revenue for other fee-based programs, such as home marketing assistance, household goods moves and destination services, are recognized over the periods in which the services are provided and the related expenses are incurred.

Timeshare Exchange. Timeshare exchange revenue principally consists of exchange fees and subscription revenue. Exchange fees are recognized as revenue when the exchange request has been confirmed to the subscribing members. Subscription revenue represents the fees from subscribing members. As of January 1, 2000, the Company recognized subscription revenue on a straight-line basis over the subscription period during which delivery of publications and other services are provided to the subscribing members. Costs to procure the subscriptions are expensed as incurred. Prior to January 1, 2000, refundable subscription revenue was recognized over the subscription period, except for the portion that was equal to procurement costs, which was recognized upon initiation of a subscription.

Timeshare Sales and Marketing. Vacation ownership interests sold by the Company consist of either undivided fee simple interests or specified fixed week interval ownership in fully furnished vacation units. The Company recognizes sales of vacation ownership interests on a full accrual basis after a binding sales contract has been executed, a 10% minimum down payment has been received, the statutory rescission period has expired and title to the real estate inventory has passed to the Company.

Subsequent to the preliminary construction phase and upon assurance that the property will not revert to a rental property, the Company recognizes revenues using the percentage-of-completion method of accounting as inventory is purchased. The preliminary stage is deemed to be complete when the engineering and design work is complete, the construction contracts have been executed, the site has been cleared, prepared and excavated and the building foundation is complete. The completion percentage is determined by the proportion of real estate inventory and certain sales and marketing costs incurred to total estimated costs. These estimated costs are based upon historical experience and the related contractual terms. The remaining revenue and related costs of sales, including commissions and direct expenses, are deferred and recognized as the remaining costs are incurred. Revenue recognition commences once the statutory recission period has expired and 10% of the contract price has been received. Until a contract for sale qualifies for revenue recognition, all payments received are accounted for as deposits. Commissions and other direct costs are deferred until the sale is recorded. If a contract is cancelled before qualifying as a sale, non-recoverable expenses are charged to the current period and deposits forfeited are credited to income.

Car Rental. Revenue is recognized over the period the vehicle is rented.

Fleet Leasing. The Company leases its vehicles under three standard arrangements: open-end operating leases, closed-end operating leases or open-end finance leases (direct financing leases). Each lease is either classified as an operating lease or a direct financing lease, as appropriate. The lease term under the open-end lease agreement provides for a minimum lease term of twelve months and after the minimum term, the lease may be continued at the lessee's election for successive monthly renewals. For operating leases, lease revenues, which contain a depreciation component, an interest component and a management fee component, are recognized based on the lease term of the vehicle, which encompasses the minimum lease term and the month-to-month renewals. For direct financing leases, lease revenue contains an interest component, which is recognized using an interest method based on the lease term of the vehicle, which encompasses the minimum lease term and the month-to-month renewals. Amounts charged to the lessees for interest are determined in accordance with the pricing supplement to the respective lease agreement and are generally calculated on a floating rate basis and can vary month to month in accordance with changes in the

floating rate index. Amounts charged to lessees for interest may also be based on a fixed rate that would remain constant for the life of the lease. Amounts charged to the lessees for depreciation are based on the straight-line depreciation of the vehicle over its expected lease term. Management fees are recognized on a straight-line basis over the life of the lease. Revenue for other services is recognized when such services are provided to the lessee.

Travel Distribution. Revenues generated from fees charged to airline, car rental, hotel and other travel suppliers for bookings made through the Company's computerized reservation system are recognized at the time the reservation is made for air bookings, at the time of pick-up for car bookings and at the time of check-out for hotel bookings.

Individual Membership. In July 2001, the Company outsourced its individual membership business to Trilegiant Corporation (see Note 25—Related Party Transactions for a detailed description of this transaction). Prior to this transaction, the Company generally recognized membership revenue upon the expiration of the membership period, as memberships are generally cancelable for a full refund of the membership fee during the entire membership period, which is generally one year. Revenues generated from certain memberships, which were subject to a pro rata refund were recognized ratably over the membership period. Subsequent to the outsourcing of the individual membership business, the Company continued to recognize revenue in the same manner for its members that existed as of the transaction date. Royalties pursuant to the outsourcing agreement are calculated based upon Trilegiant revenues, which are recognized on a basis consistent with the Company.

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 share of the excess of premiums paid to insurance carriers less claims experience to date, claims incurred but not reported and carrier management expenses. The Company's share of this excess is accrued based on claims experience to date, including an estimate of claims incurred but not reported.

Vehicle Depreciation, Lease Charges and Interest, net

Vehicles are stated at cost, net of accumulated depreciation. The initial cost of the vehicles is net of incentives and allowances from vehicle manufacturers. Rental vehicles are depreciated on a straight-line basis at rates ranging from 11% to 28% per annum based on their estimated useful lives. Such depreciation rates consider the contracted residual values which are guaranteed to be paid for the vehicles when returned to the manufacturers and are a function of the number of months between the original purchase date of the vehicle and the sale date of the vehicle back to the manufacturers. Leased vehicles are depreciated to their estimated value on a straight-line basis over a term that generally ranges from 3 to 6 years. Gains or losses on the sale of vehicles are reflected as an adjustment to depreciation.

The components of vehicle depreciation, lease charges and interest, net are summarized below:

	2001	1999
Depreciation expense	$ 1,406	$ 580
Losses on sales of vehicles, net	27	4
Interest expense, net[(a)]	329	90
Lease charges	27	—
	$ 1,789	$ 674

(a) Such amounts are net of vehicle interest income of $11 million and $1 million during 2001 and 1999, respectively.

Advertising Expenses

Advertising costs, including direct response advertising related to membership and timeshare sales programs, are generally expensed in the period incurred. Advertising expenses in 2001, 2000 and 1999 were $632 million, $549 million and $582 million, respectively.

Stock-Based Compensation

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, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans to employees.

Changes in Accounting Policies

Business Combinations. On July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations," which prohibits the use of the pooling of interests method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 141 also addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination and requires additional disclosures for material business combinations completed after such date. Upon adoption of SFAS No. 142 on January 1, 2002, intangible assets required to be reclassified to goodwill were not material.

Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets. On January 1, 2001, the Company adopted the provisions of the Emerging Issues Task Force ("EITF") Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets." Prior to the adoption of EITF Issue No. 99-20, the Company accounted for impairment of beneficial interests in securitizations in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and EITF Issue No. 93-18, "Recognition of Impairment for an Investment in a Collateralized Mortgage Obligation Instrument or in a Mortgage-Backed Interest-Only Certificate." EITF Issue No. 99-20 modified the accounting for interest income and impairment of beneficial interests in securitization transactions, whereby beneficial interests determined to have an other-than-temporary impairment are required to be written down to fair value. The adoption of EITF Issue No. 99-20 resulted in the recognition of a non-cash charge of $46 million ($27 million, after tax) during first quarter 2001 to account for the cumulative effect of the accounting change.

Accounting for Derivative Instruments and Hedging Activities. On January 1, 2001, the Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended and interpreted, establishes accounting and reporting standards for derivative

instruments and hedging activities. As required by SFAS No. 133, the Company has recorded all such derivatives at fair value in the Consolidated Balance Sheet. The adoption of SFAS No. 133 resulted in the recognition of a non-cash charge of $16 million ($11 million, after tax) in the Consolidated Statement of Operations on January 1, 2001 to account for the cumulative effect of the accounting change relating to derivatives designated in fair value type hedges prior to adopting SFAS No. 133, to derivatives not designated as hedges and to certain embedded derivatives. As provided for in SFAS No. 133, the Company also reclassified certain financial investments as trading securities at January 1, 2001, which resulted in a pre-tax net benefit of $10 million recorded in other revenues within the Consolidated Statement of Operations.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. On December 31, 2000, the Company adopted the disclosure requirements of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125." On April 1, 2001, the Company adopted the remaining provisions of this standard, as required. SFAS No. 140 revised the criteria for accounting for securitizations, other financial asset transfers and collateral and introduced new disclosures, but otherwise carried forward most of the provisions of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" without amendment. The impact of adopting the remaining provisions of this standard was not material to the Company's financial position or results of operations.

Revenue Recognition. On January 1, 2000, the Company revised its revenue recognition policies regarding the recognition of non-refundable one-time fees and the recognition of pro rata refundable subscription revenue as a result of the adoption of Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." The Company previously recognized non-refundable one-time fees at the time of contract execution and cash receipt. This policy was changed to the recognition of non-refundable one time fees on a straight-line basis over the life of the underlying contracts. The Company previously recognized pro rata refundable subscription revenue equal to procurement costs upon initiation of a subscription period. (See "Revenue Recognition—Timeshare Exchange" for a more detailed description of this revenue recognition policy). This change in

accounting policy resulted in a non-cash charge of approximately $89 million ($56 million, after tax) on January 1, 2000 to account for the cumulative effect of the accounting change.

The impact of adopting these standards was not material to the Company's consolidated results of operations or financial position.

Recently Issued Accounting Pronouncements

Goodwill and Other Intangible Assets. On January 1, 2002, the Company adopted SFAS No. 142 in its entirety. SFAS No. 142 addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This standard eliminates the amortization of goodwill and indefinite-lived intangible assets. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. The Company will be required to assess goodwill and indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The Company has reassessed the useful lives assigned to its intangible assets acquired in transactions consummated prior to July 1, 2001 and the related amortization methodology. Accordingly, the Company identified those intangible assets that have indefinite lives, adjusted the future amortization periods of certain intangible assets appropriately and changed amortization methodologies where appropriate.

The Company reviewed the carrying value of all its goodwill and other intangible assets by comparing such amounts to their fair value and determined that the carrying amounts of such assets did not exceed their respective fair values. Accordingly, the initial implementation of this standard will not result in a charge and, as such, will not impact the Company's results of operations during 2002.

Had the Company applied the non-amortization provisions of SFAS No. 142, net income and per share data for CD common stock would have been as follows:

	Year Ended December 31,		
	2001	2000	1999
Reported net income	$ 385	$ 602	$ (55)
Add back: Goodwill amortization, net of tax	145	67	74
Add back: Trademark amortization, net of tax	9	9	9
Pro forma net income	$ 539	$ 678	$ 28
Net income per share:			
Basic			
Reported net income	$ 0.42	$ 0.84	$ (0.07)
Add back: Goodwill amortization, net of tax	0.17	0.09	0.10
Add back: Trademark amortization, net of tax	0.01	0.01	0.01
Pro forma net income	$ 0.60	$ 0.94	$ 0.04
Diluted			
Reported net income	$ 0.41	$ 0.81	$ (0.07)
Add back: Goodwill amortization, net of tax	0.16	0.09	0.10
Add back: Trademark amortization, net of tax	0.01	0.01	0.01
Pro forma net income	$ 0.58	$ 0.91	$ 0.04

Impairment or Disposal of Long-Lived Assets. During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and replaces the accounting and reporting provisions of APB Opinion No. 30, "Reporting Results of Operations—Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," as it relates to the disposal of a segment of a business. SFAS No. 144 requires the use of a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, by requiring those long-lived assets to be measured at the lower of carrying amount or fair value less cost to sell. The impairment recognition and measurement provisions of SFAS No. 121 were retained for all long-lived assets to be held and used with the exception of goodwill. The Company adopted this standard on January 1, 2002.

2. Earnings Per Share

On March 21, 2000, the Company's stockholders approved a proposal authorizing a new series of common stock to track the performance of the Move.com Group. The Company's existing common stock was reclassified as CD common stock, which reflects the performance of the Company's other businesses and also a retained interest in the Move.com Group (collectively referred to as the "Cendant Group").

Earnings per share ("EPS") for periods after March 31, 2000, the date of the original issuance of Move.com common stock, has been calculated using the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock according to the related earnings participation rights. Under the two-class method, basic EPS for Move.com common stock is calculated by dividing earnings attributable to Move.com common stockholders by the weighted average number of Move.com shares outstanding during the period. Earnings attributable to Move.com common stockholders is calculated as the percentage of the number of shares of Move.com common stock outstanding compared to the number of shares that, if issued, would represent 100% of the equity (and would include the 22,500,000 notional shares of Move.com common stock representing Cendant Group's retained interest in Move.com Group) in the earnings or losses of Move.com Group.

Income (loss) per common share from continuing operations for each class of common stock was computed as follows:

	Year Ended December 31,		
	2001	2000	1999
CD Common Stock			
Income (loss) from continuing operations:			
Cendant Group	$ 87	$ 631	$ (293)
Cendant Group's retained interest in Move.com Group	238	(56)	(14)
Income (loss) from continuing operations for basic EPS	325	575	(307)
Convertible debt interest, net of tax	11	11	—
Adjustment to Cendant Group's retained interest in Move.com Group[(a)]	(3)	—	—
Income (loss) from continuing operations for diluted EPS	$ 333	$ 586	$ (307)
Weighted average shares outstanding:			
Basic	869	724	751
Stock options, warrants and non-vested shares	30	20	—
Convertible debt	18	18	—
Diluted	917	762	751
Income (loss) per share:			
Basic			
Income (loss) from continuing operations	$ 0.37	$ 0.79	$ (0.41)
Income from discontinued operations	0.10	0.13	0.11
Gain on disposal of discontinued operations	—	—	0.23
Cumulative effect of accounting changes	(0.05)	(0.08)	—
Net income (loss)	$ 0.42	$ 0.84	$ (0.07)
Diluted			
Income (loss) from continuing operations	$ 0.36	$ 0.77	$ (0.41)
Income from discontinued operations	0.09	0.12	0.11
Gain on disposal of discontinued operations	—	—	0.23
Cumulative effect of accounting changes	(0.04)	(0.08)	—
Net income (loss)	$ 0.41	$ 0.81	$ (0.07)

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

	Year Ended December 31,	
	2001	2000
Move.com Common Stock		
Income (loss) from continuing operations:		
Move.com Group	$ 255	$ (62)
Less: Cendant Group's retained interest in Move.com Group	238	(56)
Income (loss) from continuing operations for basic EPS	17	(6)
Adjustment to Cendant Group's retained interest in Move.com Group[(a)]	3	—

Income (loss) from continuing operations for diluted EPS	$ 20	$ (6)
Weighted average shares outstanding:		
Basic and Diluted	2	3
Income (loss) per share:		
Basic		
Income (loss) from continuing operations	$ 9.94	$ (1.76)
Cumulative effect of accounting changes	(0.07)	—
Net income (loss)	$ 9.87	$ (1.76)
Diluted		
Income (loss) from continuing operations	$ 9.81	$ (1.76)
Cumulative effect of accounting changes	(0.07)	—
Net income (loss)	$ 9.74	$ (1.76)

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

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

	December 31,		
	2001	2000	1999
CD Common Stock			
Options[(a)]	98	110	183
Warrants[(b)]	2	2	2
Convertible debt	—	—	18
FELINE PRIDES	—	63	41
Upper DECS[(c)]	40	—	—
Move.com Common Stock			
Options[(d)]	—	6	—

(a) The weighted average exercise prices for antidilutive options at December 31, 2001, 2000 and 1999 were $22.59, $22.27 and $15.24, respectively.
(b) The weighted average exercise prices for antidilutive warrants at December 31, 2001, 2000 and 1999 were $21.31, $21.31 and $16.77, respectively.
(c) The appreciation price for antidilutive Upper DECS at December 31, 2001 was $28.42.
(d) The weighted average exercise price for antidilutive options at December 31, 2000 was $18.60.

The Company's contingently convertible debt securities, which provide for the potential issuance of approximately 138 million shares of CD common stock, were not included in the computation of diluted EPS for 2001 as the related contingency provisions were not satisfied during such period (see Note 15—Long-term Debt and Borrowing Arrangements for a detailed discussion of the contingency provisions).

3. Acquisitions

Avis Group Holdings, Inc. On March 1, 2001, the Company acquired all of the outstanding shares of Avis Group Holdings, Inc. ("Avis"), one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions, for approximately $994 million. The allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 937
Fair value of converted options	17
Transaction costs and expenses	40
Total purchase price	994
Book value of Cendant's existing net investment in Avis	409
Cendant's basis in Avis	1,403
Less: Historical value of liabilities assumed in excess of assets acquired	(207)
Less: Fair value adjustments*	(258)
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 1,868

(*) Primarily represents (i) the establishment of $125 million of liabilities associated with pre-acquisition contingencies, (ii) $130 million of fair value adjustments to long-term liabilities, (iii) $65 million of costs associated with exiting activities, (iv) $105 million of fair value adjustments to assets acquired primarily related to the vehicle fleet and investments and (v) $28 million of fair value adjustments to liabilities

assumed primarily associated with contractual obligations; offset, in part, by (i) $110 million of deferred tax liabilities for book-tax basis differences and (ii) $85 million related to the allocation of the purchase price to identifiable intangible assets.

As part of the acquisition, the Company's management formally committed to various strategic initiatives primarily aimed at creating synergies between the cost structures of the Company and Avis. The major area of anticipated cost reductions was the relocation of the Avis corporate headquarters. To complete these initiatives, the Company closed the Avis Corporate headquarters, relocated Avis employees and abandoned assets in connection with such relocation, as well as involuntarily terminated Avis employees, The Company anticipates completing such actions by March 2002. Such initiatives resulted in adjustments of $65 million to the allocation of the purchase price. The recognition of costs associated with these initiatives and the corresponding utilization are summarized by category as follows:

	Costs	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 39	$ (22)	$ —	$ 17
Asset fair value adjustments	19	—	(19)	—
Facility related	7	—	—	7
Total	$ 65	$ (22)	$ (19)	$ 24

At December 31, 2001, the Company had formally communicated the termination of employment to approximately 550 employees and approximately 290 employees had been terminated. The Company anticipates the majority of the remaining personnel related costs will be paid during 2002.

Fairfield Resorts, Inc. On April 2, 2001, the Company acquired all of the outstanding shares of Fairfield Resorts, Inc., formerly Fairfield Communities, Inc. ("Fairfield"), one of the largest vacation ownership companies in the United States, for approximately $760 million in cash, including $20 million of transaction costs and expenses and $46 million related to the conversion of Fairfield employee stock options into CD common stock options. As part of the acquisition, the Company also assumed approximately $146 million of Fairfield debt, $125 million of which has been repaid. This acquisition was not significant on a pro forma basis.

Galileo International, Inc. On October 1, 2001, the Company acquired all of the outstanding shares of Galileo International, Inc. ("Galileo"), a leading provider of electronic global distribution services for the travel industry, for approximately $1.9 billion, including approximately $36 million of estimated transaction costs and expenses and approximately $32 million related to the conversion of Galileo employee stock options into CD common stock options. The Company expects the acquisition to enhance its growth prospects in the global market for travel services due to Galileo's global presence in air travel bookings. Approximately $1.5 billion of the merger consideration was funded through the issuance of approximately 117 million shares of CD common stock, with the remainder being financed from available cash. As part of the acquisition, the Company also assumed approximately $586 million of Galileo debt, $555 million of which has been repaid. The preliminary allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 358
Issuance of CD common stock	1,482
Fair value of converted options	32
Transaction costs and expenses	36
Total purchase price	1,908
Less: Historical value of assets acquired in excess of liabilities assumed	253
Less: Fair value adjustments(*)	(471)
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 2,126

(*) Primarily represents (i) $179 million of deferred tax liabilities for book-tax basis differences and pre-acquisition tax contingencies, (ii) $153 million of costs associated with exiting activities, (iii) $79 million of fair value adjustments to liabilities assumed primarily related to pensions and unfavorable contracts, (iv) $41 million related to the establishment of liabilities associated with pre-acquisition contingencies, (v) $17 million related to the allocation of the purchase price to identifiable intangible assets and (vi) $2 million of fair value adjustments to assets acquired.

As part of the acquisition, the Company's management formally committed to various strategic initiatives primarily aimed at creating synergies between the cost structures of the Company and Galileo, as well as rationalizing the Galileo business. The major areas of anticipated cost reductions were (i) rightsizing the core business functions of Galileo and relocating the corporate and other offices (including the back office support functions and (ii) exiting certain activities and certain acquired businesses, including the sale of assets. To complete these initiatives, the Company (i) involuntarily terminated Galileo employees, (ii) relocated the Galileo corporate headquarters, back office support functions and other offices, (iii) merged numerous offices in Europe to a single European headquarters and (iv) abandoned assets in connection with such relocation, as well as terminated contractual service agreements associated with the activities to be exited. The Company anticipates completing such actions by October 2002. Such initiatives resulted in adjustments of $153 million to the allocation of the purchase price. The recognition of costs associated with these initiatives and the corresponding utilization are summarized by category as follows:

	Costs	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 44	$ (26)	$ —	$ 18
Asset fair value adjustments and contract terminations	93	(10)	(46)	37
Facility related	16	—	—	16

Total	$ 153	$ (36)	$ (46)	$ 71

As of December 31, 2001, the Company had formally communicated the termination of employment to approximately 570 employees and approximately 350 employees had been terminated. The Company anticipates the majority of the remaining personnel related costs will be paid during 2002.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Total current assets	$ 293
Property and equipment, net	330
Intangible assets	444
Goodwill	2,126
Other noncurrent assets	175
Total assets acquired	3,368
Total current liabilities	741
Long-term debt	453
Other noncurrent liabilities	266
Total liabilities assumed	1,460
Net assets acquired	$ 1,908

The intangible assets acquired comprised customer lists of $300 million, which are being amortized over 25 years, and a registered trademark of $125 million, which is not subject to amortization as its useful life is indefinite. The goodwill was assigned to the Company's Travel Distribution segment. The Company expects $162 million of such goodwill to be deductible for tax purposes.

Cheap Tickets, Inc. On October 5, 2001, the Company acquired all of the outstanding common stock of Cheap Tickets, Inc. ("Cheap Tickets"), a leading provider of discount leisure travel products, for approximately $313 million, net of cash acquired (approximately $286 million in cash), including $18 million of estimated transaction costs and expenses and $27 million related to the conversion of Cheap Tickets employee stock options into CD common stock options. This acquisition was not significant on a pro forma basis.

Other. The Company also completed the acquisitions of certain other businesses during 2001, 2000 and 1999 for approximately $241 million, $58 million and $46 million primarily in cash, respectively. These acquisitions were not significant on a pro forma basis.

These acquisitions were accounted for using the purchase method of accounting; accordingly, assets acquired and liabilities assumed were recorded in the Company's Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such date. The excess of the purchase price over the estimated fair value of the underlying assets acquired and liabilities assumed was allocated to goodwill. Goodwill resulting from the acquisitions of Avis and Fairfield was being amortized over 40 years on a straight-line basis until the adoption of SFAS No. 142 on January 1, 2002.

In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions and are subject to revision when appraisals have been finalized. Accordingly, revisions to the allocations, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocations. The results of operations of these businesses have been included in the Company's Consolidated Statements of Operations since their respective dates of acquisition.

Pro forma net revenues, income from continuing operations, net income and the related per share data would have been as follows had the acquisitions of Avis and Galileo occurred on January 1st of each period presented:

	Year Ended December 31,	
	2001	2000
Net revenues	$ 10,520	$ 9,828
Income from continuing operations	560	1,001
Net income	596	1,034
CD common stock income per share:		
Basic		
Income from continuing operations	$ 0.55	$ 1.20
Net income	0.59	1.24
Diluted		
Income from continuing operations	$ 0.53	$ 1.16
Net income	0.57	1.20

These pro forma results do not give effect to any synergies expected to result from the acquisitions of Avis and Galileo and are not necessarily indicative of what actually would have occurred if the acquisitions had been consummated on January 1st of each period, nor are they necessarily indicative of future consolidated results.

The Company is in the process of integrating the operations of its acquired businesses and expects to incur transition costs relating to such integrations. Transition costs may result from integrating operating systems, relocating employees, closing facilities, reducing duplicative efforts and exiting and consolidating certain other activities. These costs will be recorded on the Company's Consolidated Balance Sheet as adjustments to the purchase price or on the Company's Consolidated Statement of Operations as expenses, as appropriate.

4. Dispositions of Businesses and Impairment of Investments

During 2001, 2000 and 1999, the Company recorded net gains (losses) on the dispositions of businesses and impairments of investments of $(24) million, $(8) million and $1.1 billion, respectively. Included within these amounts are the following items:

	2001	2000	1999
Gains on non-strategic businesses			
Move.com and ancillary businesses	$ 436	$ —	$ —
Former Fleet segment	—	35	724
Entertainment Publications, Inc.	—	—	156
North American Outdoor Group	—	—	114
Other	7	2	148
	$ 443	$ 37	$ 1,142
Losses on non-strategic businesses	$ (26)	$ (45)	$ (33)
Impairment of Investments			
Investment in Homestore.com, Inc.	$ (407)	$ —	$ —
Other	(34)	—	—
	$ (441)	$ —	$ —

Move.com and Ancillary Businesses. On February 16, 2001, the Company completed the sale of its real estate Internet portal, move.com, along with certain ancillary businesses to Homestore.com, Inc. ("Homestore") in exchange for approximately 21 million shares (representing a 20.2% ownership

interest) of Homestore common stock, then-valued at $718 million. The operations of these businesses were not material to the Company's financial position, results of operations or cash flows. The Company recorded a gain of $548 million on the sale of these businesses, of which $436 million ($262 million, after tax) was recognized at the time of closing. The Company deferred $112 million of the gain, which represented the portion that was equivalent to its common equity ownership percentage in Homestore at the time of closing. The deferred gain was being recognized into income over five years as a component of equity in Homestore.com within the Consolidated Statement of Operations. During 2001, the Company recognized $35 million of this deferred gain, which is reflected as a component of losses related to equity in Homestore.com, net of tax on the Company's Consolidated Statement of Operations. The difference between the value of the Company's investment in Homestore and the underlying equity in the net assets of Homestore was $431 million, which was also being amortized over five years as a component of equity in Homestore.com within the Consolidated Statement of Operations. Such difference was reduced by $135 million during 2001, of which $67 million represented amortization, which is reflected as a component of losses related to equity in Homestore.com, net of tax on the Company's Consolidated Statement of Operations. The remaining $68 million, which is also reflected as a component of losses related to equity in Homestore.com, net of tax on the Company's Consolidated Statement of Operations, primarily related to (i) the contribution of approximately 1.5 million shares of Homestore common stock to Trip Network, Inc. ("Trip Network"), formerly Travel Portal, Inc. and (ii) the distribution of 1.7 million shares of Homestore common stock to former Move.com common stockholders in exchange for then-outstanding shares of Move.com common stock (see Note 25—Related Party Transactions for a detailed discussion of the Company's relationship with Trip Network).

The Company accounts for its investment in Homestore on the equity method of accounting during the period presented based upon its ability to influence Homestore, as evidenced by its ownership percentage of Homestore common stock, previous representation by Company management on the board of directors of Homestore and the existence of contractual agreements that were entered into as part of the sale of the Company's former Internet real estate portal, move.com. With respect to the Company's ability to influence Homestore due to the existence of the contractual agreements, the Company's initial relationship originated on June 30, 1998 when it and RealSelect, the predecessor to Homestore, entered into a four year listing license agreement, whereby the Company, among other things, licensed to RealSelect the exclusive rights to display the listings of the Century 21, ERA and Coldwell Banker brands on the realtor.com website. The exclusive listing license was extended an additional forty (40) years as part of the October 26, 2000 Master Operating Agreement entered into between the Company and Homestore.

Investment in Homestore.com, Inc. In connection with a protracted decline in the value of Homestore's common stock since July 2001, the Company reviewed its investment in Homestore for other-than-temporary impairment during fourth quarter 2001. After consideration of several indicators, including the extent to which the market value of Homestore had declined, the Company determined that an other-than-temporary impairment had occurred and, as a result, revalued its investment to the Company's estimate of Homestore's fair value. Accordingly, the Company recorded a net impairment charge of $407 million ($244 million, after tax) during fourth quarter 2001 in connection with this revaluation. During fourth quarter 2001, the Company also recorded its proportionate share of Homestore's estimated fourth quarter 2001 losses to the extent that such amount did not reduce the Company's investment in Homestore beyond zero. Such amount is included as a component of losses related to equity in Homestore.com on the Consolidated Statement of Operations. At December 31, 2001, the Company's investment in Homestore was recorded at zero.

Former Fleet Segment. During 1999, the Company sold its fleet business for aggregate consideration of $5.2 billion. Such consideration, in part, consisted of a $1.4 billion note payable to the Company and $360 million of non-voting convertible preferred stock of Avis Fleet Leasing and Management Corporation, a wholly-owned subsidiary of Avis. The consideration also included the assumption of $400 million of debt owed by the fleet business to the Company. Additionally, the Company received consideration of

$3 billion in cash and a $30 million note from Avis to pay off existing asset-backed debt of the fleet business.

The Company realized a gain of $881 million ($866 million, after tax) on the sale of its fleet businesses, of which $715 million ($702 million, after tax) was recognized at the time of closing and $166 million ($164 million, after tax) was deferred at the date of disposition. The realized gain was net of approximately $90 million of transaction costs. The Company deferred the portion of the realized net gain equivalent to its common equity ownership percentage in Avis (18.9%) at the time of closing, which was included in deferred income in the Consolidated Balance Sheet at December 31, 2000. The deferred gain was being recognized into income over 40 years (from the date of sale through March 1, 2001, the date the Company acquired Avis), which was consistent with the period Avis was amortizing the goodwill generated from the transaction. During 2000, the Company recognized $35 million of the deferred gain due to the sale by Avis of its European vehicle management services business in 2000. During 1999, the Company recognized $9 million of the deferred gain due to the sale of a portion of the Company's equity ownership in Avis in 1999. On March 1, 2001, in connection with the Company's acquisition of Avis, the common and preferred stock held by the Company, which approximated $522 million, and the unamortized deferred gain, which approximated $113 million, were accounted for as components of Cendant's net investment in Avis aggregating $409 million (see Note 25—Related Party Transactions).

Entertainment Publications, Inc. During 1999, the Company completed the sale of approximately 85% of its Entertainment Publications, Inc. business unit for cash of $281 million. The Company realized a gain of approximately $156 million ($78 million, after tax) on the sale of this business.

North American Outdoor Group. During 1999, the Company completed the sale North American Outdoor Group for cash of $141 million. The Company realized a gain of approximately $114 million ($69 million, after tax) on the sale of this business.

Impairment of Other Investments. During 2001, the Company reviewed its other investments and determined that other-than-temporary impairments had occurred for certain of these investments and, as a result, recorded impairment charges of $34 million ($21 million, after tax) primarily related to a lodging and an Internet-related investment.

5. Discontinued Operations

As previously discussed in Note 1, on May 22, 2002, the Company sold NCP, a wholly-owned subsidiary within its Vehicle Services segment, for approximately $1.2 billion in cash. In connection with the sale, the Company will recognize a net loss of $256 million during second quarter 2002. NCP operates off-street commercial parking facilities and manages on-street parking and related operations on behalf of town and city administration in England. Pursuant to SFAS No. 144, the account balances and activities of NCP have been segregated and reported as a discontinued operation for all periods presented.

During 1999, the Company completed the sale of Cendant Software Corporation ("CSC"), which was classified as a discontinued operation during 1998, for net cash proceeds of $770 million.

Summarized statement of operations data for the years ended December 31, consisted of:

	NCP			CSC
	2001	2000	1999	1999
Net revenues	$ 337	$ 339	$ 321	$ —
Income from discontinued operations:				
Income before income taxes and minority interest	$ 96	$ 113	$ 94	$ —
Provision for income taxes	15	21	16	—
Minority interest	—	1	—	—
Income from discontinued operations, net of tax	$ 81	$ 91	$ 78	$ —

Gain on disposal of discontinued operations:				
Gain on disposal of discontinued operations	$ —	$ —	$ —	$ 299
Provision for income taxes	—	—	—	125
Gain on disposal of discontinued operations, net of tax	$ —	$ —	$ —	$ 174

Summarized balance sheet data as of December 31, consisted of:

	NCP	
	2001	2000
Assets of discontinued operations:		
Current assets	$ 85	$ 139
Property and equipment	599	610
Goodwill	618	652
Other assets	8	—
Total assets of discontinued operations	$ 1,310	$ 1,401
Liabilities of discontinued operations:		
Current liabilities	$ 69	$ 79
Other liabilities	103	97

Total liabilities of discontinued operations	$ 172	$ 176

6. Franchising and Marketing/Reservation Activities

Franchising revenues received from lodging properties, car rental locations, tax preparation offices and real estate brokerage offices were $787 million, $857 million and $839 million for 2001, 2000 and 1999, respectively. Such amounts include initial franchise fees of $29 million, $30 million and $36 million for 2001, 2000 and 1999, respectively. During 2001, 2000 and 1999, the franchising revenues were net of annual rebates to the Company's real estate brokerages of $55 million, $45 million and $43 million, respectively. Only the Company's real estate brokerages may receive rebates on their royalty payments based upon the amount of commission income earned during a calendar year. Each brand has several rebate schedules currently in effect.

The number of Company-owned and franchised outlets in operation as of December 31, are as follows:

	2001	2000	1999
Lodging properties	6,624	6,456	6,315
Car rental locations	1,714	1,745	1,642
Tax preparation offices	4,013	3,365	2,845
Real estate brokerage offices	12,361	12,169	11,917

The balance at December 31, 2001 for car rental locations includes 867 Company-owned locations as a result of the March 1, 2001 acquisition of Avis. The increases and decreases in the number of outlets in operation for the Company's lodging properties, tax preparation offices and real estate brokerage offices during 2001, 2000 and 1999 were not material.

The Company also receives marketing and reservation fees primarily from its lodging and real estate franchisees, which are calculated based on a specified percentage of gross room revenues or based on a specified percentage of gross closed commissions earned on the sale of real estate, subject to certain minimum and maximum payments. Such fees totaled $222 million, $290 million and $280 million during 2001, 2000 and 1999, respectively, and were included within service fees and membership-related revenues on the Consolidated Statements of Operations. As provided for in the franchise agreements and generally 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.

In connection with ongoing fees the Company receives from its franchises pursuant to the franchise agreements, the Company is required to provide certain services, such as training, marketing and the operation of reservation systems.

7. Other Charges

Restructuring and Other Unusual Charges

2001 Restructuring Charge. As a result of changes in business and consumer behavior following the September 11th terrorist attacks, the Company's management formally committed to various strategic initiatives during fourth quarter 2001, which were generally aimed at aligning cost structures in the Company's underlying businesses in response to anticipated levels of volume. The major areas of cost reductions include call center operations, field locations for car rental operations and back office support functions. To achieve these reductions, the Company will redirect call traffic, consolidate processes, reduce staffing levels and close offices. Accordingly, the Company incurred restructuring charges of $110 million, of which $21 million were non-cash ($40 million, $30 million, $22 million, $8 million, $7 million and $3 million of charges were recorded within Hospitality, Real Estate Services, Corporate and Other, Financial Services, Vehicles Services and Travel Distribution, respectively). The Company anticipates that these initiatives will be completed by the end of fourth quarter 2002. Liabilities associated with these initiatives are classified as a component of accounts payable and other current liabilities. The initial recognition of the charge and the corresponding utilization from inception are summarized by category as follows:

	2001 Restructuring Charge	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 68	$ 11	$ 5	$ 52
Asset impairments and contract terminations	17	3	10	4
Facility related	25	1	—	24
Total	$ 110	$ 15	$ 15	$ 80

Personnel related costs primarily include severance resulting from the rightsizing of certain businesses and corporate functions. As of December 31, 2001, the Company formally communicated the termination of employment to approximately 3,000 employees, representing a wide range of employee groups, and approximately 2,100 employees were terminated. The Company anticipates the majority of the personnel related costs will be paid during first quarter 2002. All other costs were incurred primarily in connection with facility closures and lease obligations resulting from the consolidation of business operations.

2001 Unusual Charges. During 2001, the Company also incurred unusual charges totaling $273 million, of which $76 million were non-cash. Such charges primarily consisted of (i) $95 million related to the funding of an irrevocable contribution to the Real Estate Technology Trust, an independent technology trust responsible for providing technology initiatives for the benefit of the Company's current and future real estate franchisees, (ii) $85 million related to the funding of Trip Network (see Note 25—Related Party Transactions for a detailed description of this charge), (iii) $41 million related to the rationalization of the Avis fleet (reflecting charges related to the reduction in the fleet, representing the difference between the carrying amount of the vehicles and the fair value of the vehicles less costs to sell, as well as corresponding personnel reductions), in response to the September 11th terrorist attacks as a result of anticipated reduction in the volume of business (iv) $8 million related to the abandonment of financial software projects due to the Company's decision to forego their implementation as a

result of anticipated reduction in the volume of business in its rental car, travel distribution and timeshare businesses resulting from the September 11th terrorist attacks and (v) $7 million related to the contribution of $1.5 million in cash and stock in a

publicly traded company valued at $5.5 million (based upon its then-current fair value) to the Cendant Charitable Foundation, which the Company established in September 2000 to serve as a vehicle for making charitable contributions to worthy charitable causes that are of particular interest to the Company's employees, customers and franchisees. The foundation is controlled by its Board of Directors, which as of December 31, 2001, was comprised of eight persons, all of whom are either the Company's employees or employees of the Company's affiliates. Although the Company may make contributions to the foundation from time to time, the Company is under no obligation or otherwise committed to do so. The Real Estate Technology Trust noted above is governed by trustees, none of whom are employees or affiliates of the Company. Furthermore, as of December 31, 2001, the Company had made cumulative contributions totaling $120 million but has no on-going requirement to fund this independent trust.

2000 Restructuring Charge. During first quarter 2000, the Company incurred restructuring charges of $60 million in connection with various strategic initiatives (such liability was reduced by $4 million during 2001 as a result of a change in the original estimate of costs to be incurred). These initiatives were generally aimed at improving the overall level of organizational efficiency, consolidating and rationalizing existing processes, and reducing cost structures in the Company's underlying businesses. These initiatives primarily affected the Company's Hospitality and Financial Services segments and were completed by the end of first quarter 2001. Liabilities associated with these initiatives were classified as a component of accounts payable and other current liabilities as of December 31, 2000. The initial recognition of the charge and the corresponding utilization from inception are summarized by category as follows:

	2000 Restructuring Charge	Cash Payments	Other Reductions	Balance at December 31, 2000	Cash Payments	Other Reductions	Balance at December 31, 2001
Personnel related	$ 25	$ 18	$ 1	$ 6	$ 4	$ 2	$ —
Asset impairments and contract terminations	26	1	25	—	—	—	—
Facility related	9	2	1	6	4	2	—
Total	$ 60	$ 21	$ 27	$ 12	$ 8	$ 4	$ —

Personnel related costs primarily included severance resulting from the consolidation of business operations and certain corporate functions. The Company formally communicated the termination of employment to approximately 970 employees, representing a wide range of employee groups, all of whom were terminated by March 31, 2001. Asset impairments of $25 million and contract terminations of $1 million were incurred in connection with the exit of the Company's timeshare software development business. Facility related costs consisted of facility closures and lease obligations also resulting from the consolidation of business operations.

2000 Unusual Charges. During 2000, the Company also incurred unusual charges totaling $49 million. Such charges primarily included (i) $21 million of costs to fund an irrevocable contribution to the Hospitality Technology Trust, an independent technology trust responsible for completing the transition of the Company's lodging franchisees to a common property management system, (ii) $11 million of executive termination costs, (iii) $7 million of costs primarily related to the abandonment of certain computer system applications, (iv) $3 million of costs related to stock option contract modifications and (v) $3 million of costs for the postponement of the initial public offering of Move.com common stock. The Hospitality Technology Trust noted above has trustees that do not include any of the Company's employees or affiliates. Furthermore, the Company has no on-going requirement to fund this independent trust.

1999 Unusual Charges. During 1999, the Company incurred unusual charges totaling $117 million. Such charges primarily represented (i) $85 million incurred in connection with the creation of Netmarket Group, Inc. ("NGI"), a company that was created to pursue the development and

expansion of interactive businesses, which is contingently repayable to the Company only if certain financial targets related to NGI are achieved, (ii) $23 million primarily related to an irrevocable contribution to the Hospitality Technology Trust, an independent technology trust responsible for completing the transition of the Company's lodging franchisees to a common property management system and (iii) $7 million primarily related to the termination of a proposed acquisition.

Acquisition and Integration Related Costs

During 2001, the Company incurred acquisition and integration charges totaling $112 million. Such charges primarily represented (i) $78 million in connection with the outsourcing of the Company's data operations, including Galileo's global distribution system and desktop support and other related services to a third party provider, (ii) $23 million in connection with the integration of the Company's existing travel agency businesses with Galileo's computerized reservations system and (iii) $4 million of severance costs in connection with the rationalization of duplicative functions.

Mortgage Servicing Rights Impairment

As previously discussed in Note 1—Summary of Significant Accounting Policies, during fourth quarter 2001, the Company determined that an impairment of its mortgage servicing rights portfolio had occurred due to unprecedented interest rate reductions subsequent to the September 11th terrorist attacks that the Company deemed not to be in the ordinary course of business. Accordingly, the Company recorded an impairment charge of $94 million.

Litigation Settlements and Related Costs

During 2001, 2000 and 1999, the Company recorded charges of $100 million, $43 million and $21 million, respectively, for litigation settlement and related costs in connection with previously discovered accounting irregularities in the former business units of CUC and resulting investigations into such matters.

During 2001 and 2000, the Company recorded non-cash credits of $14 million and $41 million, respectively, to reflect adjustments to the PRIDES class action litigation settlement charge recorded by the Company in 1998. Such adjustments represented a reduction in the number of Rights to be issued in connection with

the settlement (see Note 18—Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary Holding Solely Senior Debentures Issued by the Company for a detailed discussion regarding the settlement).

During 1999, the Company incurred charges of approximately $2.89 billion in connection with the agreement to settle its principal common stockholder class action lawsuit (see Note 14—Stockholder Litigation Settlement for a detailed discussion regarding this settlement).

8. Income Taxes

The income tax provision (benefit) consists of:

	Year Ended December 31,		
	2001	2000	1999
Current			
Federal	$ 48	$ 81	$ 306
State	21	19	9
Foreign	43	30	35
	112	130	350
Deferred			
Federal	113	220	(748)
State	(5)	(9)	(24)
Foreign	—	—	—
	108	211	(772)
Provision (benefit) for income taxes	$ 220	$ 341	$ (422)

Pre-tax income (loss) for domestic and foreign operations consisted of the following:

	Year Ended December 31,		
	2001	2000	1999
Domestic	$ 529	$ 896	$ (793)
Foreign	134	97	125
Pre-tax income (loss)	$ 663	$ 993	$ (668)

Deferred income tax assets and liabilities are comprised of:

	December 31,	
	2001	2000
Current deferred income tax assets		
Stockholder litigation settlement	$ 536	$ —
Unrealized loss on marketable securities	47	46
Accrued liabilities and deferred income	215	200
Provision for doubtful accounts	47	25
Acquisition and integration related liabilities	22	21
Current deferred income tax assets	867	292
Current deferred income tax liabilities		
Insurance retention refund	20	20
Franchise acquisition costs	17	12
Prepaid expense	106	83
Other	27	3
Current deferred income tax liabilities	170	118
Current net deferred income tax asset	$ 697	$ 174

	December 31,	
	2001	2000

Noncurrent deferred income tax assets		
Stockholder litigation settlement	$ —	$ 922
Net operating loss carryforwards	873	616
State net operating loss carryforwards	349	193
Capital loss carryforward	112	—
Acquisition and integration related liabilities	141	19
Accrued liabilities and deferred income	132	48
Other	52	23
Valuation allowance[(a)]	(378)	(161)
Noncurrent deferred income tax assets	1,281	1,660
Noncurrent deferred income tax liabilities		
Depreciation and amortization	510	450
Other	—	19
Noncurrent deferred income tax liabilities	510	469
Noncurrent net deferred income tax asset	$ 771	$ 1,191

(a) The valuation allowance of $378 million at December 31, 2001 relates to deferred tax assets for state net operating loss carryforwards and capital loss carryforwards of $273 million and $105 million, respectively. The valuation allowance will be reduced when and if the Company determines that the deferred income tax assets are likely to be realized.

	December 31,	
	2001	**2000**
Management and mortgage program deferred income tax assets		
Depreciation	$ —	$ 13
Other	—	4
Management and mortgage program deferred income tax assets	—	17
Management and mortgage program deferred income tax liabilities		
Unamortized mortgage servicing rights	472	473
Depreciation and amortization	529	—
Accrued liabilities	49	20
Management and mortgage program deferred income tax liabilities	1,050	493
Net deferred income tax liability under management and mortgage programs	$ 1,050	$ 476

As of December 31, 2001, the Company had federal net operating loss carryforwards of approximately $2.5 billion, which primarily expire in 2018 and 2020. Additionally, the Company has alternative minimum tax credit carryforwards of $67 million.

No provision has been made for U.S. federal deferred income taxes on approximately $316 million of accumulated and undistributed earnings of foreign subsidiaries at December 31, 2001 since it is the present intention of management to reinvest the undistributed earnings indefinitely in those foreign operations. In addition, the determination of the amount of unrecognized U.S. federal deferred income tax liability for unremitted earnings is not practicable.

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

	Year Ended December 31,		
	2001	**2000**	**1999**
Federal statutory rate	35.0%	35.0%	(35.0)%
State and local income taxes, net of federal tax benefits	1.4	0.7	(1.5)
Amortization of non-deductible goodwill	4.4	1.7	2.4
Taxes on foreign operations at rates different than U.S. federal statutory rates	(0.4)	0.4	(2.1)
Taxes on repatriated and accumulated foreign income, net of tax credits	(3.2)	—	—
Changes in valuation reserve	(2.3)	—	—
Nontaxable gain on disposal	—	(1.5)	(26.6)
Other	(1.7)	(2.0)	(0.4)
	33.2%	34.3%	(63.2)%

9. Property and Equipment, net

Property and equipment, net consisted of:

	December 31,	
	2001	2000
Land	$ 54	$ 24
Building and leasehold improvements	391	224
Furniture, fixtures and equipment	1,663	994
	2,108	1,242
Less: accumulated depreciation and amortization	(714)	(507)
	$ 1,394	$ 735

10. Other intangible Assets

Other intangible assets consisted of:

	December 31, 2001	
	2001	2000
Trademarks	$ 773	$ 564
Customer lists	552	173
Other	103	61
	1,428	798
Less: accumulated amortization	(218)	(151)
	$ 1,210	$ 647

11. Mortgage Loans Held for Sale and Mortgage Servicing Rights

Upon the closing of a residential mortgage loan or shortly thereafter, the Company will securitize the majority of its mortgage loan originations. Mortgage loans held for sale represent mortgage loans originated by the Company and held pending sale to permanent investors. The Company sells mortgage 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. At December 31, 2001 and 2000, the Company serviced approximately $99 billion and $82 billion, respectively, of mortgage loans sold to the secondary market, of which $154 million and $138 million, respectively, were sold with recourse. The Company believes adequate allowances are maintained to cover any potential losses on such loans sold with recourse.

Capitalized MSRs consisted of:

	2001	2000	1999
Balance, January 1	$ 1,653	$ 1,084	$ 636
Additions to MSRs, net	860	767	698
Amortization	(237)	(153)	(118)
Net hedge activity	(57)	12	29
Sales	(38)	(57)	(161)
Balance, December 31	2,181	1,653	1,084
Valuation Allowance			
Balance, January 1	—	—	—
Additions	(144)	(2)	(5)
Reductions	—	2	5
Balance, December 31	(144)	—	—
Mortgage Servicing Rights, net	$ 2,037	$ 1,653	$ 1,084

12. Vehicle-related

At December 31, 2001, the Company's investment in vehicles comprised the following:

	Car Rental	Fleet Leasing
Rental vehicles	$ 3,733	$ —
Vehicles under open-end operating leases	—	4,121
Vehicles under closed-end operating leases	—	106
Vehicles held for rental/leasing	3,733	4,227
Other	63	43

	3,796	4,270
Less: accumulated depreciation	(367)	(879)
	$ 3,429	$ 3,391

During 2001, depreciation expense for car rental vehicles and fleet leasing vehicles was $551 million and $879 million, respectively.

At December 31, 2001, future minimum lease payments to be received on the Company's open-end and closed-end operating leases are as follows:

Year	Amount
2002	$ 1,132
2003	950
2004	672
2005	352
2006	133
Thereafter	152
	$ 3,391

The Company sells interests in operating leases and the underlying vehicles to two independent Canadian third parties. The Company repurchases the leased vehicles and leases such vehicles under direct financing leases to the Canadian third parties. The Canadian third parties retain the lease rights and prepay all the lease payments except for an agreed upon residual amount, which is typically 0% to 8% of the total lease payments. The residual amounts represent the Company's only exposure in connection with these transactions. At December 31, 2001, the balance of outstanding lease receivables which were sold to the Canadian third parties was $341 million. The total outstanding prepaid rent and the Company's subordinated residual interest under these leasing arrangements were $320 million and $21 million, respectively, as of December 31, 2001. The Company recognized $108 million of revenues related to these leases during 2001.

13. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	December 31,	
	2001	2000
Accounts payable	$ 984	$ 222
Acquisition and integration related	448	114
Restructuring and other unusual	115	14
Accrued payroll and related	418	248
Income taxes payable	261	158
Other	1,242	594
	$ 3,468	$ 1,350

14. Stockholder Litigation Settlement

On August 14, 2000, the U.S. District Court approved the Company's agreement (the "Settlement Agreement") to settle the principal securities class action pending against the Company, which was brought on behalf of purchasers of all Cendant and CUC publicly traded securities, other than Feline PRIDES, between May 1995 and August 1998. Under the Settlement Agreement, the Company agreed to pay the class members approximately $2.85 billion in cash. On August 28, 2001, the United States Court of Appeals for the Third Circuit approved the $2.85 billion settlement, overruled all objections to the settlement, approved a plan of allocation for the settlement proceeds and awarded attorneys' fees and expenses to the plaintiffs. As of December 31, 2001, the Company deposited cash totaling $1.41 billion to a trust established for the benefit of the plaintiffs in this lawsuit. The Company will be required to fund the remaining balance of the liability in mid-July 2002.

15. Long-term Debt and Borrowing Arrangements

Based upon the Company's intent and ability to refinance its zero coupon convertible debentures (see terms described below) on a long-term basis, the balance of $1.0 billion at December 31, 2001, which has a current redemption date, has been reclassified to long-term debt on the Company's Consolidated Balance Sheet as of December 31, 2001. The Company has the ability to refinance such debt with borrowings under its revolving credit facilities (see below for capacity and availability terms).

Long-term debt consisted of:

	December 31,	
	2001	2000
3% convertible subordinated notes	$ 390	$ 548
$7\frac{3}{4}$% notes	1,150	1,149

6.875% notes	850	—
11% senior subordinated notes	584	—
$3^{7}/_{8}$% convertible senior debentures	1,200	—
Zero coupon senior convertible contingent notes	920	—
Zero coupon convertible debentures	1,000	—
Term loan facility	—	250
Other	38	1
	6,132	1,948
Less: current portion	401	—
Long-term debt, excluding Upper DECS	5,731	1,948
Upper DECS	863	—
	$ 6,594	$ 1,948

3% Convertible Subordinated Notes

During 1997, the Company issued $550 million aggregate principal amount of 3% convertible subordinated notes due in February 2002. During 2001, the Company redeemed $160 million of these notes. The remaining amount was redeemed in February 2002.

$7^{3}/_{4}$% Notes

During 1998, the Company issued $1.15 billion of senior notes due December 2003. The interest rate on these notes is subject to an upward adjustment of 150 basis points in the event that the credit ratings assigned to the Company by nationally recognized credit rating agencies are downgraded below investment grade. Such 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 through the date of redemption. These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

6.875% Notes

During 2001, the Company issued $850 million aggregate principal amount of 6.875% notes for net proceeds of $843 million due in August 2006. The interest rate on these notes is subject to an upward adjustment of 150 basis points in the event that the credit ratings assigned to the Company by nationally recognized credit rating agencies are downgraded below investment grade. These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

11% Senior Subordinated Notes

In connection with the acquisition of Avis in March 2001, the Company assumed $500 million of 11% senior subordinated notes due in May 2009, which was recorded at fair value. These notes are subordinated in the right of payment to all existing and future senior indebtedness of Avis and are unconditionally guaranteed on a senior subordinated basis by certain of Avis' domestic subsidiaries. The notes are redeemable at the Company's option at the appropriate redemption prices plus accrued interest through the redemption date either (i) in part prior to May 1, 2002 upon the occurrence of specific events or (ii) at any time, in whole or in part, after May 1, 2004.

$3^{7}/_{8}$% Convertible Senior Debentures

During 2001, the Company issued $3^{7}/_{8}$% convertible senior notes for gross proceeds of $1.2 billion. The notes mature in November 2011. The Company may be required to pay additional interest on these notes commencing in November 2004 if the average of the sales prices of its CD common stock is less than or equal to 45% of the accreted conversion price of the debentures for any 20 of the 30 trading days during the applicable measurement period. Thereafter, the interest rate will be adjusted upward for the subsequent six-month period to the rate at which a hypothetical issue of the Company's senior, non-convertible, fixed-rate, callable debt securities would trade, at that time, at par, provided that the reset rate shall not exceed 10% per year. The accreted conversion price of the debentures would increase (ratably with the accreted value of the debentures) if an upward interest adjustment occurs. The applicable measurement period for determining whether an upward interest adjustment will occur ends five business days prior to each May 30 and November 30 after November 27, 2004. In the event of an upward interest adjustment, no more than 0.25% per year, incrementally, will be paid in cash; the remaining additional interest will accrue and be paid at maturity. Through December 31, 2001, there was no upward interest adjustment to the notes. This upward interest adjustment is considered an embedded derivative under SFAS No. 133. The embedded derivative had a de minimus value at the time of issuance and at December 31, 2001.

Each $1,000 principal amount may be converted into 41.58 shares of CD common stock. These notes may be converted prior to maturity (i) during each three-month period following issuance of the notes if the closing sale price of CD common stock exceeds 120%, declining ratably to 110% in November 2011, of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the notes have been called for redemption; or (iii) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is subject to change as a result of any upward interest adjustment as it is calculated as 100% of the principal amount of the notes, plus accrued and unpaid cash interest divided by the number of shares of CD common stock issuable for each note, or 41.58. At December 31, 2001, the accreted conversion price was $24.05. The Company concluded that it was not required to separately account for the conversion feature.

The notes are not redeemable by the Company prior to November 27, 2004, but will be redeemable thereafter at the issue price plus accrued interest, if any. In addition, holders of the notes may require the Company to repurchase the notes on November 27, 2004 and 2008 at the issue price plus accrued interest, if any. In such circumstance, the Company, at its option, may pay the repurchase price in cash, shares of its CD common stock, or any combination thereof.

These debentures are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future senior unsecured indebtedness.

Zero Coupon Senior Convertible Contingent Notes

During 2001, the Company issued approximately $1.5 billion aggregate principal amount at maturity of zero coupon senior convertible contingent notes for aggregate gross proceeds of approximately $900 million. The notes mature in February 2021 and were issued at a discount resulting in a yield-to-maturity of 2.5%. During 2001, the Company had amortized $20 million of this discount, which is included as a component of net non-vehicle interest expense on the Consolidated Statement of Operations.

The Company will not make periodic payments of interest on the notes, but may be required to make nominal interest payments commencing in February 2004 if the average market price of the zero coupon senior convertible contingent notes equals 120% or more of the sum of the issue price of $608.41 and accrued original issue discount for the notes during the applicable measurement period, then the Company will make contingent interest payments on the notes. The contingent interest payments for any six-month period will equal (a) the lesser of (i) 2% of the Company's estimated borrowing rate, at that time, for senior, non-convertible, fixed-rate indebtedness of the Company with a maturity date comparable to these notes and (ii) 0.25% times (b) the sum of the issue price of $608.41 and accrued original issue discount for the notes as of the day immediately preceding the relevant six-month period. The applicable measurement period for determining whether contingent interest payments will be made is the five trading days ending on the second trading day preceding each February 13 and August 13, commencing February 13, 2004.

Each $1,000 principal amount may be converted into 33.4 shares of CD common stock. These notes may be converted prior to maturity (i) during each three-month period following issuance of the notes if the closing sales price of the Company's CD common stock exceeds 110% of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the notes have been called for redemption; (iii) if Moody's Investors Service and Standard & Poor's Corporation no longer have investment-grade ratings assigned to the notes; or (iv) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is calculated as the issue price of $608.41 plus accrued original discount divided by the number of shares of CD common stock issuable for each note, or 33.4. At December 31, 2001, the accreted conversion price was $18.62. The Company concluded that it was not required to separately account for the conversion feature.

The notes are not redeemable by the Company prior to February 13, 2004, but will be redeemable thereafter at the issue price of $608.41 per note plus accrued original discount through the redemption date. In addition, holders of the notes may require the Company to repurchase the notes on February 13, 2004 for $655.49 per note, February 13, 2009 for $742.20 per note or February 13, 2014 for $840.37 per note. In such circumstance, the Company, at its option, may pay the repurchase price in cash, shares of its CD common stock, or any combination thereof.

These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured and unsubordinated indebtedness.

Zero Coupon Convertible Debentures

During 2001, the Company issued $1.0 billion aggregate principal amount at maturity of zero-coupon zero-yield senior convertible notes for gross proceeds of approximately $1.0 billion. The notes mature in May 2021. The interest on these debentures will be 0% through May 2004. The Company may be required to pay interest on these debentures commencing in May 2004 if the average of the sales prices of its CD common stock is less than or equal to 60% of the accreted conversion price of the debentures for any 20 of the 30 trading days during the applicable measurement period, then the interest rate will be adjusted to 7% per year. The applicable measurement period for determining whether contingent interest payments will be made ends five business days prior to each May 4 and

November 4, commencing May 4, 2004. In the event of an upward interest adjustment, 0.25% per year will be paid in cash; the remaining additional interest will accrue and be paid at maturity. This upward interest adjustment is considered an embedded derivative under SFAS No. 133. The embedded derivative had a de minimus value at the time of issuance and at December 31, 2001. Through December 31, 2001, there was no upward interest adjustment to the debentures.

Each $1,000 principal amount may be converted into 39.08 shares of CD common stock. These debentures may be converted prior to maturity (i) during each three-month period following issuance of the debentures if the closing sale price of the CD common stock exceeds 110% of the accreted conversion price per share for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period; (ii) if the debentures trade at less than 95% of the value of the shares into which the debentures are convertible; (iii) if the debentures have been called for redemption; (iv) if Moody's Investors Service and Standard & Poor's Corporation no longer have investment-grade rating assigned to the notes; or (v) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. The conversion threshold at maturity is 110% of the accreted conversion price per share. The accreted conversion price is subject to change as a result of any upward interest adjustment as it is calculated as the principal amount of the notes, plus accrued and unpaid cash interest (which will only result from an upward adjustment to the interest) divided by the number of shares of CD common stock issued for each note, or 39.08. At December 31, 2001, the accreted conversion price was $25.59. The Company concluded that it was not required to separately account for the conversion feature.

The notes are not redeemable by the Company prior to May 4, 2004, but will be redeemable thereafter at the issue price plus accrued interest, if any. In addition, holders of the notes may require the Company to repurchase the notes on May 4, 2002, 2004, 2006, 2008, 2011 and 2016 at the issue price plus accrued interest, if any. In such circumstance, the Company may, at its option, pay the repurchase price in cash, shares of our CD common stock, or any combination thereof.

These debentures are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future senior unsecured indebtedness.

Upper DECS

During 2001, the Company issued approximately 17 million Upper DECS, each consisting of both a senior note and a forward purchase contract, aggregating $863 million principal amount. The senior note is owned by the holder but is pledged to the Company as collateral for the forward purchase contract. Holders can only sell the senior note if they pledge a treasury security or cash to replace the senior note as collateral. The senior note initially bears interest at an annual rate of 6.75%, which may be reset based upon a successful remarketing in either May or August 2004. The senior note has a term of five years and represents senior unsecured debt, which ranks equally in right of payment with all the Company's existing and future unsecured and unsubordinated debt and ranks senior to any future subordinated indebtedness.

The forward purchase contract component of each Upper DECS security requires the holder to purchase $50 of CD common stock in August 2004. The price at which Upper DECS holders will be required to purchase CD common stock will be the average closing price of CD common stock during the twenty consecutive trading days ending on the third trading day immediately preceding August 17, 2004, but no less than $21.53 and no more than $28.42. The minimum and maximum number of shares to be issued under the forward purchase contracts are 30.3 million to 40.1 million, respectively. Prior to August 2004, holders of the Upper DECS may settle their purchase obligations by delivering cash payment of $50 per purchase contract. For each purchase contract settled, the holders would receive 1.7593 of CD common stock (or approximately 30.3 million shares), regardless of the market price on that date, plus the senior notes released from collateral. The forward purchase contracts also require quarterly cash distributions to each holder at an annual rate of 1.00% through August 2004 (the date the forward purchase contracts are required to be settled). The discounted expected future cash flows

recorded by the Company associated with these distributions approximated $26 million and is included as a component of stockholders' equity on the Company's Consolidated Balance Sheet.

Credit Facilities

As of December 31, 2001, the Company maintained $2.9 billion of revolving credit facilities. During 2001, the Company converted its then-existing $650 million term loan into a revolving credit facility and increased such facility by $500 million to establish a $1.15 billion committed revolving credit facility. Subsequent to the conversion, the Company repaid the original $650 million term loan from available cash which then increased its capacity under this facility to the maximum amount. The converted facility matures in February 2004 and now contains the committed capacity to issue up to $300 million in letters of credit. The remaining $1.75 billion of the Company's revolving credit facilities represents a three-year competitive advance maturing in August 2003. Under the terms of this facility, in August 2002, the revolving line will be reduced by $500 million to $1.25 billion. The facility contains the committed capacity to issue up to $1.75 billion in letters of credit, which can be used as part of the collateral required to be posted under the Settlement Agreement. Letters of credit of $865 million and $1.71 billion were utilized for this purpose and were outstanding at December 31, 2001 and 2000, respectively. Additionally, letters of credit of $328 million used for general corporate purposes were outstanding under these facilities at December 31, 2001. Borrowings under these facilities bear interest at LIBOR plus a margin of 60 to 82.5 basis points. The Company is required to pay a per annum facility fee of 15 to 17.5 basis points under these facilities and a per annum utilization fee of 12.5 to 25 basis points if usage under these facilities exceeds 33% of aggregate commitments. The interest rates and facility fees are subject to change based upon credit ratings assigned to the Company by nationally recognized debt rating agencies. At December 31, 2001, the Company had $1.7 billion of availability under these facilities.

Certain of these debt instruments and credit facilities contain restrictive covenants, including restrictions on indebtedness of material subsidiaries, mergers, limitations on liens, liquidations and sale and leaseback transactions, and also require the maintenance of certain financial ratios. At December 31, 2001, the Company was in compliance with all restrictive and financial covenants.

Debt Maturities

As of December 31, 2001, aggregate maturities of debt, including Upper DECS, are as follows:

Year	Amount
2002	$ 401
2003	1,150
2004[(a)]	863
2005	—
2006	850
Thereafter	3,731
	$ 6,995

(a) Represents Upper DECS, which will be settled in shares of CD common stock.

16. Liabilities Under Management and Mortgage Programs and Borrowing Arrangements

Borrowings to fund assets under management and mortgage programs, which are not classified based on contractual maturities since such debt corresponds directly with assets under management and mortgage programs, consisted of:

	December 31,	
	2001	2000
Secured Borrowings:		
Term notes	$ 6,237	$ —
Short-term borrowings	582	292
Commercial paper	120	—
Other	295	—
Unsecured Borrowings:		
Medium-term notes	679	117
Short-term borrowings	983	—
Commercial paper	917	1,556
Other	31	75

$	9,844	$ 2,040

Secured Borrowings

Secured borrowings primarily represent asset-backed funding arrangements whereby the Company or its wholly-owned and consolidated special purpose entities issue debt or enter into loans supported by the cash flows derived from specific pools of assets classified as assets under management and mortgage programs. These borrowings are primarily issued under the Company's AESOP Funding or Greyhound Funding programs. AESOP Funding is a domestic financing program that provides for the issuance of up to $4.45 billion of variable rate notes to support the Company's car rental operations. Greyhound Funding is also a domestic financing program that provides for the issuance of up to $3.19 billion of variable rate notes, preferred membership interests and term notes to support the Company's fleet leasing operations. Under both programs, the debt issued is collateralized by vehicles owned by either the Company's car rental subsidiary or fleet leasing subsidiary. In the AESOP Funding program, the vehicles financed are generally covered by agreements where manufacturers guarantee a specified repurchase price for the vehicles. However, the program will allow funding for 25% of vehicles not covered by such agreements. The titles to all the vehicles supporting these facilities is held in bankruptcy remote trusts and the Company acts as a servicer of all the vehicles. For the Greyhound Funding facility, the bankruptcy remote trust also acts as lessor under both operating and financing lease agreements. At December 31, 2001, the Company had $3.5 billion of term notes outstanding under the AESOP funding program. At December 31, 2001, the Company had $2.9 billion of outstanding debt under the Greyhound Funding program, of which $2.6 billion and $295 million were included as components of secured term notes and other secured borrowings, respectively, in the above table. All debt issued under these programs is classified as liabilities under management and mortgage programs on the Company's Consolidated Balance Sheet. During 2001, the weighted average interest rate on all secured notes was approximately 3%.

Secured short-term borrowings primarily consist of financing arrangements to sell mortgage loans under a repurchase agreement, which is renewable on an annual basis at the discretion of the lender. Such loans are collateralized by underlying mortgage loans held in safekeeping by the custodian to the agreement. The total commitment under this agreement is $500 million. Mortgage loans financed under this agreement at December 31, 2001 and 2000 totaled $500 million and $292 million, respectively, and are included in mortgage loans held for sale in the Consolidated Balance Sheets. During 2001 and 2000, the approximate weighted average interest rates on all short-term secured borrowings were 5.0% and 6.1%, respectively.

Secured commercial paper matures within 270 days and is supported by rental vehicles owned by the Company's car rental subsidiary. During 2001, the weighted average interest rate on the Company's outstanding commercial paper was approximately 2.0%.

Unsecured Borrowings

As of December 31, 2001, unsecured medium-term notes primarily bear interest at a rate of $8^{1}/_{8}$% per annum. Such interest rate is generally subject to incremental upward adjustments of 50 basis points in the event that the credit ratings assigned to PHH by nationally recognized credit rating agencies are downgraded to a level below PHH's ratings as of December 31, 2001. In the event that the credit ratings are downgraded below investment grade, the interest rate is subject to an upward adjustment not to exceed 300 basis points. During 2001 and 2000, the weighted average interest rates on these notes were approximately 8% and 6.8%, respectively. Unsecured short-term borrowings primarily represent borrowings under revolving credit facilities, as described below. During 2001, the weighted average interest rate on these borrowings was approximately 4.5%. Unsecured commercial paper generally matures within 270 days and is fully supported by the committed revolving credit agreements described below. During 2001 and 2000, the weighted average interest rates on the Company's unsecured outstanding commercial paper were 4.8% and 6.7%, respectively.

Credit Facilities

As of December 31, 2001, the Company, through its PHH subsidiary, maintained $1.875 billion of committed and unsecured credit facilities. The facilities comprise two $750 million revolving credit facilities maturing in February 2002 and February 2005, a $100 million revolving credit facility maturing in December 2002 and $275 million of other revolving credit facilities maturing in November 2002. During 2001, borrowings under these facilities bore interest at LIBOR plus a margin of approximately 40 basis points. The Company was also required to pay a per annum facility fee of approximately 12.5 basis points under these facilities. The interest rates and facility fees are subject to change based upon credit ratings assigned to PHH by nationally recognized debt rating agencies.The Company is also required to pay a per annum utilization fee of approximately 25 basis points if usage under these facilities exceeds 25% of aggregate commitments. At December 31, 2001, the Company had outstanding borrowings of $750 million under its $750 million facility maturing in 2005. At December 31, 2001, the Company had $1.1 billion of availability under these facilities.

Certain of these debt instruments and credit facilities contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and indebtedness of material subsidiaries, mergers, limitations on liens, liquidations, and sale and leaseback transactions, and also require the maintenance of certain financial ratios. At December 31, 2001, the Company was in compliance with all restrictive and financial covenants.

Other Securitization Facilities

The Company also sells mortgage loans, relocation receivables and timeshare receivables in securitizations to special purpose entities under revolving sales agreement in exchange for cash.

Timeshare Receivables. The Company sells timeshare receivables in securitizations to bankruptcy remote qualifying special purpose entities. The maximum funding capacity under these securitization facilities is $500 million. These facilities are non-recourse to the Company. However, the Company retains a subordinated residual interest and the related servicing rights and obligations in the transferred timeshare receivables. At December 31, 2001, the Company was servicing approximately $492 million of timeshare receivables transferred under these agreements, which generally expire in July 2003.

Mortgage Loans. The company customarily sells all mortgage loans it originates into the secondary market, primarily to government-sponsored entities. These mortgage loans are placed into the secondary market either by the Company or through an unaffiliated bankruptcy remote special purpose entity. The maximum funding capacity through the special purpose entity is $3.2 billion. The loans sold to the secondary market are generally non-recourse to the Company and to PHH. However, the Company generally retains the servicing rights on the mortgage loans sold. At December 31, 2001, the Company was servicing $96.3 billion of mortgage loans sold to the secondary market and $2.5 billion sold to the special purpose entity. As of December 31, 2000, the Company was servicing $81.2 billion of mortgage loans sold to the secondary market and $1.0 billion sold to the special purpose entity. Additionally, on September 5, 2001, a wholly-

owned special purpose subsidiary of PHH filed a registration statement with the Securities and Exchange Commission to enhance the Company's ability to securitize mortgages loans.

Relocation Receivables. The Company sells relocation receivables in securitizations to a bankruptcy remote qualifying special purpose entity. The maximum funding capacity under this securitization facility is $650 million. This facility is non-recourse to the Company and to PHH. However, the Company retains a subordinated residual interest and the related servicing rights and obligations in the relocation receivables. At December 31, 2001 and 2000, the Company was servicing approximately $620 million and $591 million, respectively, of relocation receivables transferred under this agreement, which expires in March 2007.

Debt Maturities

As of December 31, 2001, aggregate maturities of debt under management and mortgage programs are as follows:

Year	Amount
2002	$ 3,462
2003	1,140
2004	840
2005	1,123
2006	710
Thereafter	2,569
	$ 9,844

17. Mandatorily Redeemable Preferred Interest in a Subsidiary

During 2000, a limited liability corporation formed by the Company through the contribution of certain trademarks issued a senior preferred equity interest to an independent third party in exchange for $375 million in cash. Such amount is classified as a mandatorily redeemable preferred interest in a subsidiary in the Company's Consolidated Balance Sheets. The senior preferred equity interest is mandatorily redeemable by the holder in 2015 and may not be redeemed by the Company prior to March 2005, except upon the occurrence of specified circumstances. The Company is required to pay distributions on the senior preferred equity interest based on the three-month LIBOR plus a margin of 1.77%, which are reflected as minority interest in the Consolidated Statements of Operations. In the event of a default or other specified events, including a downgrade of the Company's credit ratings below investment grade, holders of the senior preferred interest have certain remedies and liquidation preferences, including the right to demand payment by the Company. The subsidiary is subject to restrictive covenants, including restrictions on the issuance of senior capital securities, mergers, distributions on the common interest and limitations on debt incurred, and also requires the maintenance of certain financial ratios. At December 31, 2001, the Company was in compliance with all restrictive and financial covenants.

18. Mandatorily Redeemable Trust Preferred Securities Issued by Subsidiary Holding Solely Senior Debentures Issued by the Company

At January 1, 2000, the Company had 30 million PRIDES outstanding. During 2000, the Company issued 4 million additional PRIDES with a face value of $50 per additional PRIDES in exchange for approximately $91 million in cash proceeds. Upon the issuance of the additional PRIDES, the Company recorded a reduction to stockholders' equity of $108 million, representing the total future contract adjustment payments to be made.

During 2001, the Company offered to sell 15 million special PRIDES at a price in cash equal to 105% of their theoretical value, or $20.56 per special PRIDES. Pursuant to such offer, the Company issued 104,890 special PRIDES for proceeds of approximately $2 million, which were immediately converted into 241,624 shares of CD common stock. Subsequently, the Company settled the purchase contracts underlying all PRIDES. Accordingly, during 2001, the Company issued approximately 61 million shares of its CD common stock in satisfaction of its obligation to deliver common stock to beneficial owners of all PRIDES and received, in exchange, the trust preferred securities forming a part of the PRIDES.

Preferred stock dividends of $14 million ($9 million, after tax), $106 million ($66 million, after tax) and $96 million ($60 million, after tax) were recorded during 2001, 2000 and 1999, respectively, and are presented as minority interest, net of tax, in the Consolidated Statements of Operations.

19. Commitments and Contingencies

The Company is committed to making rental payments under noncancelable operating leases covering various facilities and equipment. Future minimum lease payments required under noncancelable operating leases as of December 31, 2001 are as follows:

Year	Amount
2002	$ 275
2003	219
2004	167
2005	122
2006	94
Thereafter	436
	$ 1,313

Commitments under capital leases are not significant.

During 2001, 2000 and 1999, the Company incurred total rental expense of $331 million, $102 million and $104 million, respectively, inclusive of contingent rental expense of $56 million in 2001, principally based on car rental volume.

The Company maintains certain agreements with airports that allow the Company to conduct its car rental operations on-site. Such agreements require the Company to guarantee a minimum amount of fees to be paid to the airports regardless of the amount of revenue generated by the on-site car rental operations. Such fees are recorded by the Company as a component of total rental expense. During 2002, the Company is required to pay a minimum amount of $152 million under these agreements.

The Company leases certain office buildings on an annual basis from an unaffiliated finance company which holds the title to the property. At the end of each annual renewal period, the Company has the option to either purchase the property under a fixed price purchase option of approximately $80 million or sell the office buildings, on behalf of the lessor, to an unrelated third party. If the office buildings are sold and the proceeds from the sale are less than the amount of the fixed price purchase option, the Company is required to make a payment to the lessor for any deficiency, up to a maximum payment of approximately $68 million. During 2001, the Company recorded $4 million of rent expense in connection with this lease.

The Company maintains agreements with certain vehicle manufacturers, whereby the Company is required to purchase approximately $930 million of vehicles from these manufacturers during 2002. Under the terms of these agreements, which expire in 2004, the Company is required to purchase a certain number of vehicles principally from General Motors Corporation ("GM") and maintain at least 51% of its domestic fleet in GM vehicles.

The Company may be required to purchase $98 million of timeshare inventory from an affiliated entity during 2002 (see Note 25—Related Party Transactions for a detailed description of this relationship).

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

The Company is involved in litigation asserting claims associated with the accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation (see Note 14—Stockholder Litigation Settlement). The Company does not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given reporting period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

The Company is involved in pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

20. Stockholders' Equity

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	Currency Translation Adjustments	Unrealized Losses on Cash Flow Hedges	Minimum Pension Liability Adjustment	Unrealized Gains (Losses) on Available-for-sale Securities	Accumulated Other Comprehensive Loss
Balance, January 1, 1999	$ (49)	$ —	$ —	$ —	$ (49)
Current period change	(9)			16	7
Balance, December 31, 1999	(58)	—	—	16	(42)
Current period change	(107)			(85)	(192)
Balance, December 31, 2000	(165)	—	—	(69)	(234)
Current period change	(65)	(33)	(21)	89	(30)
Balance, December 31, 2001	$ (230)	$ (33)	$ (21)	$ 20	$ (264)

The currency translation adjustments exclude income taxes related to indefinite investments in foreign subsidiaries.

Common Stock Transactions

In addition to the issuance of approximately 117 million shares of CD common stock in connection with the acquisition of Galileo and approximately 61 million shares of CD common stock to settle the purchase contracts underlying the PRIDES, the Company also issued 46 million shares of its CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million during 2001. During 2000, Liberty Media Corporation ("Liberty Media") invested a total of $450 million in cash to purchase 24.4 million shares of CD common stock. Additionally, Liberty Media's Chairman purchased one million shares of CD common stock for approximately $17 million in cash during 2000. Liberty Media's Chairman is also a director of the Company.

The Company is authorized to repurchase $2.8 billion of CD common stock under its common share repurchase program. During 2001, 2000 and 1999, the Company repurchased $226 million (12.3 million shares), $306 million (17.5 million shares) and $1.75 billion (90.4 million shares), respectively, of CD common stock under the program. As of December 31, 2001, the Company had approximately $262 million remaining availability for repurchases under its board-authorized common share repurchase program.

During 2000, the Company issued approximately 3.7 million shares of Move.com common stock in exchange for $49 million in cash and a common stock investment then-valued at approximately $40 million. The Company subsequently repurchased 1.6 million of these shares during 2000 for $75 million in cash and a $25 million preferred stock investment. During 2001, the Company repurchased all the remaining outstanding shares of Move.com common stock for $29 million in cash and the transfer of 1.7 million shares of Homestore common stock then-valued at $46 million.

21. Stock Plans

Under its existing stock plans, the Company may grant stock options, stock appreciation rights and restricted shares to its employees, including directors and officers of the Company and its affiliates. Options granted under these plans generally have a ten-year term with vesting periods ranging from 20% to 50% per year. The Company generally grants employee stock options at then-current market rates. The Company is authorized to grant up to 347 million shares of its common stock under these plans. At December 31, 2001 and 2000, approximately 63 million and 53 million shares, respectively, were available for future grants under the terms of these plans.

The annual activity of the Company's stock option plans consisted of:

	CD common stock					
	2001		2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at beginning of year	187	$ 16.90	183	$ 15.24	178	$ 14.64
Granted						
Equal to fair market value	75	11.33	37	19.33	30	18.09
Greater than fair market value	—	—	—	—	1	16.04
Exercised	(28)	9.19	(19)	4.26	(13)	9.30
Canceled	(16)	18.46	(14)	18.93	(13)	19.91
Balance at end of year	218	$ 15.82	187	$ 16.90	183	$ 15.24

	Move.com common stock					
	2001		2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at beginning of year	6	$ 18.59	2	$ 11.59	—	$ —
Granted						
Less than fair market value	—	—	1	15.40	1	10.00
Equal to fair market value	—	—	3	24.21	1	13.16
Canceled	(6)	18.59	—	—	—	—
Balance at end of year	—	$ —	6	$ 18.59	2	$ 11.59

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of December 31, 2001:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.01 to $10.00	82	6.2	$ 8.91	44	$ 8.44
$10.01 to $20.00	78	6.6	15.89	43	16.53
$20.01 to $30.00	40	5.8	22.51	29	22.75
$30.01 to $40.00	18	5.6	31.95	17	31.92
	218	6.2	$ 15.82	133	$ 17.14

The weighted-average grant-date fair value of CD common stock options granted during 2001, 2000 and 1999 were $5.27, $9.99 and $11.36, respectively. The weighted-average grant-date fair value of Move.com common stock options granted during 2000 and 1999 were $24.37 and $7.28, respectively.

Had the Company elected to recognize and measure compensation expense for its stock option grants to employees based on the calculated fair value at the grant dates, consistent with the method prescribed by SFAS No. 123, net income (loss) and per share data would have been as follows:

	2001		2000		1999	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss)	$ 385	$ 167	$ 602	$ 502	$ (55)	$ (213)
Basic net income (loss) per share	0.42	0.17	0.84	0.70	(0.07)	(0.28)
Diluted net income (loss) per share	0.41	0.16	0.81	0.68	(0.07)	(0.28)

The fair values of the Company's stock options are estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted in 2001, 2000 and 1999:

	CD common stock	Move.com common stock

	2001	2000	1999	2000	1999
Dividend yield	—	—	—	—	—
Expected volatility	50.0%	55.0%	60.0%	—	—
Risk-free interest rate	4.4%	5.0%	6.4%	5.2%	6.4%
Expected holding period (years)	4.5	4.7	6.2	8.5	6.2

22. Employee Benefit Plans

The Company sponsors several defined contribution pension plans that provide certain eligible employees of the Company an opportunity to accumulate funds for retirement. The Company matches the contributions of participating employees on the basis specified in the plans. The

Company's cost for contributions to these plans was $68 million, $29 million and $31 million during 2001, 2000 and 1999, respectively.

The Company maintains domestic non-contributory defined benefit pension plans covering certain eligible employees. Additionally, the Company sponsors contributory defined benefit pension plans in certain foreign 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 plans were $366 million and $110 million at December 31, 2001 and 2000, respectively. The fair value of the plan assets was $270 million and $101 million at December 31, 2001 and 2000, respectively. The net pension cost and recorded liability were not material to the accompanying Consolidated Financial Statements.

23. Financial Instruments

Consistent with its risk management policies, the Company manages foreign currency and interest rate risks using derivative instruments.

Foreign Currency Risk

The Company uses foreign currency forward contracts to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated acquisitions. The Company primarily hedges its foreign currency exposure to the British pound, Canadian dollar and Euro. The majority of forward contracts utilized by the Company do not qualify for hedge accounting treatment under SFAS No. 133. The fluctuations in the value of these forward contracts do, however, effectively offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. Forward contracts that are used to hedge certain forecasted royalty receipts and forecasted disbursements up to 12 months are designated and do qualify as cash flow hedges. The impact of these forward contracts was not material to the Company's results of operations or financial position at December 31, 2001.

Interest Rate Risk

The Company's mortgage-related assets, its retained interests in certain qualifying special purpose entities and the debt used to finance much of the Company's operations are exposed to interest rate fluctuations. The Company uses various hedging strategies and derivative financial instruments to create a desired mix of fixed and floating rate assets and liabilities and to protect recognized assets from unexpected changes in fair value that could affect reported earnings. Derivative instruments currently used in managing the Company's interest rate risks include swaps, forward delivery commitments and instruments with option features. A combination of fair value hedges, cash flow hedges and financial instruments that do not qualify for hedge accounting treatment under SFAS No. 133 are used to manage the Company's portfolio of interest rate sensitive assets and liabilities.

The Company uses fair value hedges to manage its mortgage servicing rights, mortgage loans held for sale and certain fixed rate debt. During 2001, the net impact of these fair value hedges was a gain of $3 million. These gains are included in net revenues within the Consolidated Statement of Operations and consist of losses of $57 million to reflect the ineffective portion of these fair value hedges and gains of $60 million resulting from the component of the derivatives fair value excluded from the determination of effectiveness. The derivatives used to manage the Company's fixed rate debt were perfectly effective and had no net impact on the Company's results of operations except to create the accrual of interest at variable rates.

The Company uses cash flow hedges to manage the interest expense incurred on its floating rate debt and on a portion of its principal common stockholder litigation settlement liability. During 2001, the

amount of gains or losses reclassified from other comprehensive income to earnings, resulting from ineffectiveness or from excluding a component of the derivatives gain or loss from the effectiveness calculation, was not material to the Company's results of operations.

Credit Risk and Exposure

The Company is exposed to risk in the event of nonperformance by counterparties. The Company manages such risk by periodically evaluating the financial position and creditworthiness of counterparties and spreading its positions among multiple counterparties. The Company presently does not anticipate nonperformance by any of the counterparties and no material loss would be expected from such nonperformance. However, in the event of nonperformance, changes in fair value of the hedging instruments would be reflected in the Consolidated Statements of Operations during the period in which the nonperformance occurred. There were no significant concentrations of credit risk with any individual counterparties or groups of counterparties at December 31, 2001 and 2000. Concentrations of credit risk associated with trade receivables are considered minimal due to the Company's diverse customer base. Bad debts have been minimal. The Company does not normally require collateral or other security to support credit sales.

Fair Value

The carrying amounts of cash and cash equivalents, restricted cash, available-for-sale debt securities, accounts receivable, relocation receivables, accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate.

The carrying amounts and estimated fair values of all financial instruments at December 31, are as follows:

	2001		2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 1,942	$ 1,942	$ 856	$ 856
Restricted cash	212	212	89	89
Available-for-sale debt securities	515	515	787	787
Preferred stock investments	92	92	55	55
Debt				
Current portion of long-term debt	401	401	—	—
Long-term debt, excluding Upper DECS	5,731	5,929	1,948	1,883
Upper DECS	863	836	—	—
Mandatorily redeemable preferred interest in a subsidiary	375	375	375	375
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	—	—	1,683	623
Derivatives				
Foreign exchange forwards	1	1	1	1
Interest rate swaps	(64)	(64)	—	—
Assets under management and mortgage programs				
Mortgage loans held for sale	1,244	1,244	879	909
Timeshare contract receivables	150	150	—	—
Mortgage servicing rights	2,037	2,174	1,653	1,724
Available-for-sale debt securities	136	136	131	131
Trading securities	105	105	—	—
Restricted cash	861	861	—	—
***Derivatives*[(a)]**				
Commitments to fund mortgages	7	7	—	24
Forward delivery commitments	22	22	(6)	(29)
Commitments to complete securitizations	—	—	(2)	17
Option contracts	78	78	73	127
Constant maturity treasury floors	26	26	18	177
Swap contracts	—	—	—	15
Liabilities under management and mortgage programs				
Debt	9,844	9,790	2,040	2,040
Derivatives				
Interest rate swaps	(69)	(69)	—	—
Foreign exchange forwards	(2)	(2)	(1)	(1)

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

24. Transfers and Servicing of Financial Assets

The Company securitizes, sells and services interests in residential mortgage loans, relocation receivables and timeshare receivables. Upon the securitization of such assets, the Company may retain servicing rights and subordinated residual interests, all of which are considered retained interests in the securitized assets (see Note 1—Summary of Significant Accounting Policies for a more detailed description of securitizations).

Key economic assumptions used during 2001 to measure the fair value of the Company's retained interests at the time of securitization were as follows:

	Mortgage Loans			
	Mortgage-Backed Securities	MSR	Relocation Receivables	Timeshare Receivables
Prepayment speed	7–43%	9–42%	—%	13–21%
Weighted average life (in years)	2.9–7.2	2.5–9.1	0.1–0.2	7.1–7.4
Discount rate	5–26%	6–16%	3.37%	12–17%
Anticipated credit losses	—	—	—	8–12%

Key economic assumptions used in subsequently measuring the fair value of the Company's retained interests at December 31, 2001 and the effect on the fair value of those interests from adverse changes in those assumptions are as follows:

	Mortgage Loans			
	Mortgage Backed Securities	MSR[a]	Relocation Receivables	Timeshare Receivables
Fair value of retained interests	$ 131	$ 2,074	$ 136	$ 105
Weighted average life (in years)	3.9	7.6	0.1–0.2	7.1–7.4
Prepayment speed (annual rate)	8–80%	8–40%	—%	13–21%
Impact of 10% adverse change	$ (4)	$ (86)	$ —	$ (2)
Impact of 20% adverse change	(7)	(166)	—	(3)
Discount rate (annual rate)	2–26%	9.80%	3.37%	12–17%
Impact of 10% adverse change	$ (5)	$ (71)	$ —	$ (3)
Impact of 20% adverse change	(8)	(138)	—	(5)
Weighted average yield to maturity	—%	—%	5.48%	3.06–6.75%
Impact of 10% adverse change	$ —	$ —	$ (1)	$ (1)
Impact of 20% adverse change	—	—	(1)	(2)
Anticipated credit losses (annual rate)	—%	—%	—%	8–12%
Impact of 10% adverse change	$ —	$ —	$ —	$ (3)
Impact of 20% adverse change	—	—	—	(6)

(a) Excludes fair value of MSR hedge position of $100 million.

These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption is calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities. Further, this analysis does not assume any impact resulting from management's intervention to mitigate these variations.

The Company receives annual servicing fees of approximately 47 basis points of the outstanding balance of mortgage loans sold. The Company receives annual servicing fees of approximately 75 basis points and 75 to 100 basis points on the outstanding balance of relocation and timeshare receivables transferred, respectively. During 2001, the Company recognized pre-tax gains on the securitization of relocation and timeshare receivables of $1 million and $8 million, respectively. Additionally, during 2001, the Company recognized pre-tax gains of $483 million on $36 billion of mortgage loans sold into the secondary market, substantially all of which were sold without recourse. The sale of mortgage loans into the secondary market is customary practice in the mortgage industry.

The following table summarizes cash flow activity between securitization trusts and the Company during 2001:

	Mortgage Loans	Relocation Receivables	Timeshare Receivables
Proceeds from new securitizations	$ 35,776	$ 1,964	$ 259
Proceeds from collections reinvested in securitizations	—	1,984	—
Servicing fees received	352	5	4
Other cash flows received (paid) on retained interests[a]	31	(6)	16
Purchases of delinquent or foreclosed loans	(228)	—	(16)
Servicing advances	(498)	—	—
Repayment of servicing advances	495	—	—
Cash received upon release of reserve account	—	3	2
Purchases of defective contracts	—	—	(23)

(a) Represents cash flows received on retained interests other than servicing fees.

The following table presents information about delinquencies and components of securitized and other managed assets as of and for the year ended December 31, 2001:

	Total Principal Amount	Principal Amount 60 Days or More Past Due[a]	Net Credit Losses	Average Principal Balance
Residential mortgage loans[b]	$ 266	$ 25	$ —	$ 251
Relocation receivables	873	34	2	868
Timeshare receivables	667	5	22	646
Total securitized and other managed assets	$ 1,806	$ 64	$ 24	$ 1,765
Comprised of:				
Assets securitized[c]	$ 1,378	$ 35	$ 1	$ 1,280
Assets held for sale or securitization	175	4	22	213
Assets held in portfolio	253	25	1	272

$ 1,806	$ 64	$ 24	$ 1,765

(a) Amounts are based on total securitized and other managed assets at December 31, 2001.
(b) Excludes securitized mortgage loans that the Company continues to service but as to which it has no other continuing involvement.
(c) Represents the principal amounts of the assets. All retained interests in securitized assets have been excluded from the table.

25. Related Party Transactions

The Company has certain relationships with affiliated entities principally to support its business model of growing earnings and cash flow with minimal asset risk. Following is a description of these relationships, including the Company's investments in such entities. The Company does not have the ability to control the operating and financial policies of these entities. Accordingly, these investments are classified as available-for-sale debt securities or accounted for using the equity method or at cost, as appropriate. Certain of the Company's officers may serve on the Board of Directors of these entities, but in no instances do they constitute a majority of the Board.

NRT Incorporated

NRT Incorporated ("NRT") is a joint venture between the Company and Apollo Management, L.P. ("Apollo") that acquires independent real estate brokerages, converts them to one of the Company's real estate brands and operates the brand under a 50-year franchise agreement with the Company. The original business purpose of this relationship was to permit the Company to maintain and expand its original business purpose as a franchisor in the lodging and residential real estate brokerage industries

without directly competing with its existing franchisees. This structure permitted the Company to receive a royalty stream on NRT's revenues consistent with other franchisees and to receive a market rate return on the preferred investment. Upon NRT's formation, the Company committed to participate in acquisitions made by NRT by acquiring intangible assets and, in some cases, mortgage operations of the real estate brokerage firms acquired by NRT thereby funding a substantial portion of the purchase price of these acquisitions. For such acquisitions (where the Company is funding a substantial portion of the purchase price), NRT must obtain the Company's approval to consummate the transaction. The Company's total commitment to participate in acquisitions made by NRT was $1.5 billion and as of December 31, 2001, the Company had satisfied $854 million of this commitment thereby reducing its commitment to participate in future NRT acquisitions to $592 million ($500 million of which the Company is not obligated to fund prior to February 2004). Upon satisfying any portion of this commitment, the Company records the intangible assets it has acquired on its Consolidated Balance Sheet. Therefore, as of December 31, 2001 and 2000, franchise agreements of $854 million and $607 million, respectively, are recorded on the Company's Consolidated Balance Sheet in connection with its commitment to participate in acquisitions made by NRT. Except for the term and the lack of a royalty rebate provision, these franchise agreements are similar to those of the Company's other real estate franchisees. NRT pays royalty and advertising fees to the Company in connection with these franchise agreements based on the real estate commissions earned by NRT, which are recorded by the Company in its Consolidated Statements of Operations and approximated $220 million, $198 million and $172 million during 2001, 2000 and 1999, respectively. Additionally, during 2001, the Company received $16 million of other fees from NRT, which included a fee paid in connection with the termination of a franchise agreement under which NRT operated our Century 21 real estate brand.

Other intangible assets resulting from the acquisition of mortgage operations through NRT approximated $29 million and $25 million as of December 31, 2001 and 2000, respectively, and are recorded in the Company's Consolidated Balance Sheets. Such mortgage operations were immediately integrated into the Company's existing mortgage operations. The Company also receives real estate referral fees from NRT in connection with clients referred to NRT by the Company's relocation business. These fees are based on a standard real estate brokerage agreement, in which the franchisor receives approximately 40% of the commission. During 2001, 2000 and 1999, such fees were approximately $37 million, $25 million and $15 million, respectively, and are recorded by the Company in its Consolidated Statements of Operations. These fees are also paid to the Company by all other real estate brokerages (both affiliates and non-affiliates) who receive referrals from the Company's relocation business. In February 1999, the Company advanced $35 million to NRT for services to be provided related to the identification of potential acquisition candidates, the negotiation of agreements and other services in connection with future brokerage acquisitions by NRT. As NRT makes acquisitions, the Company capitalizes a proportionate share of this advance, which is then amortized over the term of the franchise agreement. As of December 31, 2001, the remaining balance of this advance was $12 million. Such amount is refundable in the event that services are not provided and therefore is accounted for as a prepaid asset until services are rendered by NRT.

Apollo's original investment in NRT consisted of a $20 million investment in NRT's common stock and a $54 million investment in NRT's preferred stock, which was subsequently redeemed in 1999. As of December 31, 2001, the Company owned all of NRT's preferred stock, which was non-voting. This ownership entitles the Company to preferred dividends at 5% to 9% of its investment, which the Company negotiated with NRT and Apollo. The Company's initial preferred stock investment in NRT was $182 million. During 2001 and 2000, the Company acquired additional non-convertible preferred stock in the amounts of $99 million and $50 million, respectively. NRT's preferred stock is mandatorily redeemable and, therefore, is classified as an available-for-sale debt security and accounted for at fair value. Because the preferred stock of NRT is not publicly traded, the Company estimated fair value by reference to indices of publicly traded securities that had similar credit and maturity characteristics to those of NRT. Additionally, the Company considered NRT's financial ratios relative to those of broader public indices; NRT's borrowing rate on its senior debt adjusted to factor in additional basis points for subordinate/preferred funding based on spreads indicated in the

marketplace; and finally also considered NRT's projected EBITDA for the subsequent 12-month period.

During 2001 and 2000, the Company recognized $27 million and $17 million, respectively, of dividend income, which increased the basis of the underlying preferred stock investment. During 1999, the Company recognized $16 million of dividend income, of which $8 million increased the basis of the underlying preferred stock and $8 million was received in cash. The Company sold $1 million (922 shares) and $2 million (1,647 shares) of its convertible preferred interest to NRT and recognized a gain of $10 million and $20 million during 2000 and 1999, respectively. At December 31, 2001 and 2000, the Company's investment in NRT's preferred stock was $384 million and $258 million, respectively. The Company has the option, upon the occurrence of certain events, to convert $21 million of its preferred stock investment into no more than 50% of NRT's common stock. As of December 31, 2001, none of the events that would have caused the preferred stock to be currently convertible had occurred and there was no common management between the Company, Apollo and NRT.

The Company also has the option to purchase all of NRT's common stock from Apollo for $20 million. This option is not exercisable until August 11, 2002 and is conditional upon NRT's payment of $166 million to Apollo. The Company may exercise the option prior to August 11, 2002 if it satisfies NRT's obligation. If NRT is unable to make the $166 million payment to Apollo, the Company would be required to make the payment on behalf of NRT and would receive additional NRT preferred stock in exchange. NRT has ten seats on its board of directors, four of which were under the Company's control as of December 31, 2001. In addition, without the consent of both Cendant and Apollo, NRT cannot make capital expenditures over $500,000; approve its business plan; engage in any affiliate transactions; acquire a brokerage for more than $2 million; appoint or terminate an officer; amend the by-laws, charter or material agreements; incur debt over $500,000; issue or redeem equity; sell assets or combine with any business; file a registration statement; settle any litigation or pay a dividend.

Trip Network, Inc.

During March 2001, the Company funded the creation of Trip Network, Inc. ("Trip Network"), formerly Travel Portal, Inc., with a contribution of assets valued at approximately $20 million in exchange for all of the common and preferred stock of Trip Network. The Company unilaterally transferred all of the common shares of Trip Network to the Hospitality Technology Trust, an independent technology trust that is controlled by three independent trustees who are not officers, directors or employees of Cendant or relatives of officers, directors or employees of Cendant. The trust was established in 1997 for purposes of enhancing and promoting the use of advanced technology for the Company's lodging brands, its beneficiaries, including providing financial and technology support services and investing in Internet related activities for the benefit of its beneficiaries. The hotel franchise chains have agreed, to link their brand and property Web sites to Trip.com, for among other reasons because of their beneficial interest in the trust. The hotel franchise chains are not required to contribute to Trip Network in order for the franchisee's brand and property to be included on Trip Network's Web site. Trip Network earns a commission on all hotel rooms sold on its Web site, including those sold by the Company's hotel franchise chains, at market rates ranging from 8 to 10%. Management believes that the enhanced functionality for the brand and property Web pages to be provided by Trip.com links will help build customer loyalty and avoid the problem of viewers leaving the brand and property Web sites for the sites of competitors. Additionally, management believes that the aggregate links of all franchisee properties creates critical mass and web-traffic for Trip Network, further enhancing its ability to be successful. If Trip Network is successful, then management believes the common shares will likely appreciate in value and upon a liquidation of shares, will provide the trust with further resources to pursue its stated objectives. Further, as Trip Network provides travel services to both the Company's franchisees as well as non-franchisees, the Company's contribution of the Trip Network common stock to the Hospitality Technology Trust supported to maintain and

further expand its business model as a franchisor whereby the Company was not directly involved in a business which would compete with its franchisees.

The Company's preferred stock investment, which is convertible into approximately 80% of Trip Network's common stock on a fully diluted basis, is non-voting and accounted for using the cost method. The preferred stock investment is not convertible prior to March 31, 2003, except upon a change of control of Trip Network. Subsequently, the Company contributed $85 million, including $45 million in cash and 1.5 million shares of Homestore common stock, then-valued at $34 million, to Trip Network to pursue the development of an online travel business for the benefit of certain of its current and future franchisees. Since the advance is repayable to the Company only if the development results in the achievement of certain financial results, such amount was expensed by the Company during 2001 and is included as a component of restructuring and other unusual charges in the Consolidated Statement of Operations. The Company also received warrants to purchase up to 28,250 shares of Trip Network's common stock, which are exercisable upon the achievement of certain financial results beginning on March 31, 2003 or upon a change of control of Trip Network at an exercise price of $0.01 per share. This arrangement is consistent with the Company's strategy of creating a single platform to research and develop internet related products within an integrated business plan. Since the Company does not have the in-house expertise to manage and develop Internet Web sites, the Company outsourced the management of its Internet assets to Trip Network through the existing arangement.

During October 2001, the Company entered into two separate lease and licensing agreements with Trip Network, whereby, Trip Network was granted a license to operate the online businesses of Trip.com, Inc. and Cheap Tickets (both wholly-owned subsidiaries of the Company) and a lease or sublease, as applicable, to all the assets of these companies necessary to operate such businesses. The Trip.com license agreement has a one-year term and is renewable at Trip Network's option for 40 additional one-year periods. The Cheaptickets.com license agreement has a 40-year term. Under these agreements, the Company receives a license fee of 3% of revenues generated by Trip.com and Cheaptickets.com during the term of the agreements. The Company proposed this royalty rate based upon market rate analysis of similar licensing type agreements. During 2001, the revenue recorded by the Company in connection with this agreement was not material. Also during October 2001, the Company entered into a travel services agreement with Trip Network, whereby the Company provides Trip Network with call center services, processes and supports Trip Network's booking and fulfillment of travel transactions and provides travel-related products and services to maintain and develop relationships, discounts and favorable commissions with travel vendors. For these services, the Company receives a fee of cost plus an applicable mark-up, which was determined based upon the examination of travel agency industry profit margins. During 2001, the revenue recorded by the Company in connection with these services was not material. Additionally, during October 2001, the Company entered into a 40-year global distribution services subscriber agreement with Trip Network, whereby the Company provides all global distribution services for Trip Network. Pursuant to such agreement, the Company, through its Galileo subsidiary, receives payments from airlines, car rental agencies and hoteliers each time Trip Network books a reservation using the Galileo global distribution system. During 2001, the revenue recorded by the Company in connection with this agreement was not material. As it is normal and customary for a global distribution system provider to pay incentive fees to a travel agency, the Company prepaid Trip Network $40 million as compensation for booking segments through Galileo. Accordingly, on the date of commitment, the Company recorded an asset of approximately $40 million for prepaid incentive fees, which is being amortized over 40 years, and a related credit in accounts payable and other current liabilities as the cash had not yet been disbursed by the Company. The Company will disburse the cash in January 2002. Such amount was mutually agreed to and represented the projected discounted amount of incentive fees that the Company expected to pay Trip Network over the term of the 40-year licensing agreement. The Company benefited from such prepayment by receiving a discount on the lump sum payment of incentive fees upon consummation of the contract rather than paying a portion of the incentive fee in advance and a portion of the incentive fee as segments are booked. Amortization of the asset is

calculated in direct proportion to the expected cash flow benefits. During 2001, amortization recorded by the Company relating to this prepaid asset was not material.

The Company also received warrants to purchase up to 46,000 shares of Trip Network common stock, which are exercisable, at the Company's option, at a price of $0.01 per share, upon the achievement of certain financial results beginning in October 2003 or upon a change of control of Trip Network. The royalty rate and warrants were negotiated with and approved by Trip Network's board of directors. The Company is not obligated or contingently liable for any debt incurred by Trip Network.

FFD Development Company, LLC

Prior to the Company's acquisition of Fairfield in April 2001, Fairfield contributed approximately $60 million of timeshare inventory and $4 million of cash to FFD Development Company LLC. ("FFD"), a company created by Fairfield to acquire real estate for construction of vacation ownership units, which are sold to Fairfield upon completion. Fairfield previously operated its own property acquisition, planning, design and construction function. This function was transferred to FFD immediately prior to the Company's acquistion of Fairfield. Former Fairfield employees who were responsible for the timeshare property development became employed by FFD as part of the spin-off. Given the extensive knowledge of Fairfield's standards and specifications as it related to the procurement of property and planning and construction of the timeshares, the Company continues to rely on the relationship between Fairfield and FFD.

In exchange for the contribution of timeshare inventory and cash, Fairfield received all of the common and preferred equity interests of FFD. Fairfield then contributed all the common equity interest to an independent trust and retained a convertible preferred equity interest, which is convertible at any time, and a warrant to purchase FFD's common equity. The warrant is not exercisable until April 2004, except upon the occurrence of specified events, including the Company's conversion of more than half of its preferred equity interests into common equity interests. In connection with the Company's acquisition of Fairfield in April 2001, the Company, through its Fairfield subsidiary, now owns the preferred equity interest and the warrant to purchase a common equity interest in FFD. The Company's preferred equity interest, which approximated $59 million at December 31, 2001, is accounted for using the cost method. The warrant is exercisable in whole or in increments of 25% upon payment in cash or in kind of an amount per percentage of common interest exercised, which is equal to the lower of 80% of the book value per common interest as of April 2, 2001 and 90% of the book value per common interest as of the warrant exercise date. During 2001, the Company recognized dividend income on its preferred interest of $6 million, which was paid-in-kind on a quarterly basis based upon an 18% annual return on its preferred equity interest in FFD. The dividend rate was agreed upon in FFD's amended operating agreement among Fairfield, FFD and the independent trust. Upon the conversion of such preferred equity interests, the Company would own the majority of FFD's common equity interest. Upon conversion of the preferred equity interests and the exercise of such warrant, the Company would own approximately 75% of FFD's common equity interests on a fully diluted basis. Pursuant to the operating agreement, Fairfield has the right to appoint three persons to the six person board of managers of FFD and the remaining three members are appointed by the FFD Trust. The Company is also now obligated to fulfill Fairfield's purchase commitments with FFD. However, under the development contracts with FFD, the Company is not obligated to purchase a resort property from FFD until construction is completed to the contractual specifications, a certificate of occupancy is delivered and clear title is obtained. Fairfield also leases office space to FFD and provides various services to FFD in exchange for a fee, including general management services, information and technology support and human resources administration. During 2001, the Company purchased $40 million of timeshare interval inventory and land from FFD and as of December 31, 2001, is obligated to purchase an additional $98 million. FFD is obligated to finance, plan, design and construct vacation ownership units according to Fairfields's specifications and deliver those units according to an agreed schedule at agreed purchase prices. The schedule and prices allow for FFD to charge cost plus an applicable mark-up which was 17.4% in 2001. Such fee

arrangement is provided by in the operating agreement between Fairfield and FFD. Subsequent to December 31, 2001, as is customary in "build to suit" agreements, when the Company contracts with FFD for the development of a property, the Company will issue a letter of credit for up to 20% of its purchase price for such property. Drawing under all such letters of credit will only be permitted if the Company fails to meet its obligation under any purchase commitment. The Company is not obligated or contingently liable for any debt incurred by FFD.

Trilegiant Corporation

On July 2, 2001, the former management of the Company's Cendant Membership Services and Cendant Incentives subsidiaries, purchased 100% of the common stock of a newly-created company, Trilegiant Corporation ("Trilegiant"), for $2.7 million in cash. Trilegiant operates membership-based clubs and programs and other incentive-based programs through an outsourcing arrangement between Trilegiant and the Company on July 2, 2001, whereby the Company outsourced its individual membership and loyalty businesses to Trilegiant. As discussed below, the Company owns Trilegiant's preferred stock. As part of this agreement, Trilegiant provides fulfillment services (including collecting cash, paying commissions, processing refunds, providing membership services and benefits and maintaining specified service level standards) to members of the Company's individual membership business that existed as of the transaction date in exchange for a servicing fee pursuant to the Third Party Administrator agreement, which is cost plus 10%. During 2001, the Company paid Trilegiant $106 million in connection with services provided under the Third Party Administrator agreement and Trilegiant collected $212 million of cash on the Company's behalf in connection with membership renewals. Additionally, as of December 31, 2001, Trilegiant owed the Company $7 million in connection with services provided under the Third Party Administrator agreement.

Additionally, Trilegiant is licensing and/or leasing from the Company the assets of the Company's individual membership business in order to service these members and also to obtain new members. The assets licensed to Trilegiant include various tradenames, trademarks, logos, service marks, and other intellectual property relating to its membership business. Upon expiration of the licensing term (40 years), Trilegiant will have the option to purchase any or all of the intellectual property licenses at their then-fair market values. Real property owned by the Company was leased to Trilegiant on a monthly basis at rates that approximated the Company's depreciation expense. In connection with the licensing and leasing arrangements. Trilegiant paid the Company $7 million in 2001 and owed the Company an additional $2 million as of December 31, 2001.

The Company continues to collect membership fees from, and is obligated to provide membership benefits to, existing members as of July 2, 2001, including their renewals. Trilegiant collects the membership fees from, and is obligated to provide membership benefits to, those new members who join the membership based clubs and programs and all other incentive programs subsequent to July 2, 2001 and will recognize the related revenue and expenses. Beginning in third quarter 2002 and throughout the remainder of the 40-year term of the licensing agreement, the Company will recognize as revenue the royalty income received from Trilegiant for membership fees generated by the new members (initially 5%, increasing to approximately 16% over 10 years).

In connection with the foregoing arrangements, the Company advanced approximately $100 million in cash and $33 million of prepaid assets to Trilegiant to support their marketing activities and also made a $20 million convertible preferred stock investment in Trilegiant, which is convertible as of December 31, 2001, at the Company's option, into approximately 20% of Trilegiant's common stock on a fully diluted basis. The Company accounted for the entire advance to Trilegiant as a prepaid expense at the date of advance. The purpose of the advance was to help Trilegiant fund qualified marketing costs associated with obtaining new members whose revenue would become subject to royalties paid to the Company. The Company expenses such advance as Trilegiant incurs qualified marketing expenses pursuant to the terms of the advance. During 2001, the Company expensed $66 million of the advance. As of December 31, 2001, the remaining balance of this prepaid expense approximated $67 million and was classified as a component of other non-current assets on the Company's Consolidated Balance Sheet.

The Company's preferred stock investment is mandatorily redeemable and, therefore, classified as an available-for-sale debt security and accounted for at fair value. The preferred stock investment is convertible at any time at the Company's option and the Company is entitled to receive a 12% cumulative non-cash dividend annually through July 2006. Such preferred stock entitled the Company to vote its stock on an as-converted basis in proportion to its ownership percentage (27%) with the holders of the common stock on all matters. During third quarter 2001, the Company wrote off the entire amount of its preferred stock

investment due to operating losses incurred by Trilegiant and the fact that this entity had relatively thin common equity capitalization since inception. Such amount is included as a component of operating expenses in the Company's Consolidated Statement of Operations.

The Company also provides Trilegiant with a $35 million revolving line of credit under which advances are at the sole and unilateral discretion of the Company. As of December 31, 2001, Trilegiant had not drawn on this line. During August 2001, Trilegiant entered into marketing agreements with a third party, whereby Trilegiant agreed to provide certain marketing services to the third party in exchange for a commission. As part of its royalty arrangement with Trilegiant, the Company will receive 13% of the commissions paid by the third party to Trilegiant. In connection with these marketing agreements, the Company provided Trilegiant with a $75 million loan facility bearing interest at a rate of 9% under which the Company will advance funds to Trilegiant for marketing performed by Trilegiant on behalf of the third party. As of December 31, 2001, the outstanding loan balance under this facility was $24 million. Such amount is accounted for as a note receivable and included in other non-current assets on the Company's Consolidated Balance Sheet. The Company evaluates the collectibility of the note at the end of each reporting period. The Company will collect the receivable as commissions are received by Trilegiant from the third party.

Additionally, the Company maintains warrants to purchase up to 2.1 million shares of Trilegiant's common stock, which are exercisable, at the Company's option, at an exercise price of $0.01 per share, upon the achievement of certain business valuations ranging from $200 million to $750 million, into a majority ownership interest in Trilegiant. As of December 31, 2001, none of the business valuations that would have caused the warrants to be currently exercisable had been achieved. The Company is not obligated or contingently liable for any debt incurred by Trilegiant.

Trilegiant's Board of Directors is comprised of three directors elected by the Trilegiant management (as the common shareholders) and three directors elected by the Company (as the sole preferred shareholder).

Avis Group Holdings, Inc.

Prior to the Company's acquisition of Avis on March 1, 2001, the Company maintained both a common and preferred equity interest in Avis and licensed its Avis® trademark to Avis pursuant to a license agreement. Under such agreement, the Company received royalty fees of $16 million, $103 million and $102 million during 2001, 2000 and 1999, respectively, which are recorded in the Company's Consolidated Statements of Operations.

The Company recorded equity in earnings of $5 million, $17 million and $18 million during 2001, 2000 and 1999, respectively, in connection with its common equity ownership. Such amounts are included as a component of other revenue in the Consolidated Statements of Operations. The Company's common stock investment in Avis, which approximated $128 million, and the Company's preferred equity interest, which approximated $394 million, were included as components of Cendant's net investment in Avis upon consummation of the acquisition.

Tax Services of America, Inc.

Tax Services of America, Inc. ("TSA") was formed as a joint venture between the Company and two of its Jackson Hewitt franchisees for the purpose of acquiring independent tax practices and converting them into Jackson Hewitt franchisees. In 1999, the Company initially funded TSA with 80 stores and $5 million in cash in exchange for a non-voting preferred stock investment. Simultaneously with the Company's contribution to TSA, the Company's joint venture partners contributed a total of 40 stores

to TSA in exchange for shares of common stock of TSA. As of December 31, 2001, the Company's preferred stock investment of $37 million was accounted for using the cost method.

Homestore.com, Inc.

The Company's relationship with Homestore is primarily limited to its equity ownership interest. The Company has a number of commercial agreements with Homestore, which are not material to the Company. In connection with the write-down during 2001, this investment is recorded at zero as of December 31, 2001 (see Note 4—Dispositions of Businesses and Impairment of Investments).

Entertainment Publications, Inc.

The Company retains approximately 15% of the common equity ownership in Entertainment Publications, Inc., the remaining common equity of which was sold by the Company in 1999. As of December 31, 2001, the Company's investment of $2 million was accounted for using the equity method. The Company has no other commitments relating to this investment.

Summarized Financial Data

Summarized below is the financial data of the Company's related party transactions:

Income Statement Data

	Year Ended December 31,		
	2001	2000	1999
Revenues	$ 368	$ 511	$ 458
Expenses			
Operating	221	—	—
Marketing and reservation	3	1	—
Non-program related depreciation and amortization	18	14	11
Restructuring and other unusual charges	85	—	—

Balance Sheet Data

	December 31,	
	2001	2000
Receivables, net	$ 50	$ 66

Other current assets	100	17
Franchise agreements, net	802	576
Other intangibles, net	29	25
Other non-current assets*	486	298
Deferred income—long-term	$ 2	$ —

* Represents preferred stock investments.

Cash Flow Data

	Year Ended December 31,		
	2001	2000	1999
Purchases of non-marketable securities	$ (98)	$ (73)	$ (5)
Net assets acquired	(1,020)	(76)	(93)

26. Segment Information

In connection with significant acquisitions and dispositions of businesses completed during 2001, the Company realigned the operations and management of certain of its businesses. Accordingly, the Company's segment reporting structure now encompasses the following five reportable segments: Real Estate Services, Hospitality, Travel Distribution, Vehicle Services and Financial Services. The periods presented herein have been reclassified to reflect this change in the Company's segment reporting structure.

Management evaluates each segment's performance based upon earnings before non-vehicle interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, adjusted to exclude certain items which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific ("Adjusted EBITDA"). Management believes such discussions are the most informative representation of how management evaluates performance. However, the Company's presentation of Adjusted EBITDA may not be comparable with similar measures used by other companies.

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

Real Estate Services

The Real Estate Services segment franchises the Company's three real estate brands, provides home buyers with mortgages and facilitates employee relocations. 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. Mortgage services includes the origination, sale and servicing of residential mortgage loans. 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 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. 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), purchasing of a transferee's home, certain home management services, assistance in locating a new home for the transferee at the transferee's destination, consulting services and other related services. The transferee's 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 the home based on their ownership equity of the appraised home value. 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.

Hospitality

The Hospitality segment franchises the Company's nine lodging brands, facilitates the sale and exchange of vacation ownership intervals and facilitates the leasing of vacation properties in Europe. As a franchiser of guest lodging facilities, the Company licenses the independent owners and operators of hotels 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 to allow owners of weekly timeshare intervals to trade their owned weeks with other subscribers. As an owner of vacation resort properties and inventory, the Company markets and sells vacation ownership interests, operates vacation ownership resorts and provides consumer financing to individuals purchasing vacation ownership interests.

Travel Distribution

The Travel Distribution segment provides global distribution and travel agency services. The Company provides scheduling, fare and other information to global travel agencies, Internet travel sites, corporations and individuals to assist them with the placement of airline, car rental and hotel

reservations. Such services are provided through the use of a computerized reservation system. The Company also provides airline, car rental, hotel and other companies travel reservation and fulfillment services to members of its timeshare exchange programs and members of certain of Trilegiant's programs. Further, the Company provides hotels, car rental businesses and tour/leisure travel operators, including Internet travel companies, with access to reservation systems and processing.

Vehicle Services

The Vehicle Services segment operates and franchises the Avis car rental brand and provides fleet management and fuel card services. The Company owns and operates the Avis car rental franchise system and franchises vehicle rentals to business and leisure travelers. The Company also provides fleet and fuel card related products and services to corporate clients and government agencies. These services included management and leasing of vehicles, fuel card payment and reporting 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 where the customer bears substantially all of the vehicle's residual value risk. In limited circumstances, the Company leases vehicles under closed-end leases where the Company bears all of the vehicle's residual value risk.

Financial Services

The Financial Services segment provides insurance-based products, franchises tax preparation services and provides a variety of membership programs. The Company affiliates with business partners, such as leading financial institutions and retailers, to offer membership as an enhancement to their credit card customers. The Company also markets and administers insurance products, primarily accidental death and dismemberment insurance and term life insurance, and 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 franchises tax preparation services through its Jackson Hewitt brand name. The Company, through its relationship with Trilegiant Corporation, also provides consumers with a variety of membership programs offering discounted products and services in such areas as retail shopping, auto, dining, home improvement and credit information.

Year Ended December 31, 2001

	Real Estate Services	Hospitality[a]	Travel Distribution	Vehicle Services
Net revenues[b]	$ 1,859	$ 1,522	$ 437	$ 3,322
Adjusted EBITDA	939	513	108	290
Non-vehicle depreciation and amortization	116	119	26	102
Segment assets exclusive of assets under programs[c]	3,826	2,957	3,854	4,260
Assets under management and mortgage programs	3,573	222	—	8,073
Capital expenditures	41	70	22	74

	Financial Services	Corporate and Other[d]	Total
Net revenues[b]	$ 1,402	$ 71	$ 8,613
Adjusted EBITDA	310	(73)	2,087
Non-vehicle depreciation and amortization	73	41	477
Segment assets exclusive of assets under programs[c]	1,611	3,858	20,366
Assets under management and mortgage programs	—	—	11,868
Capital expenditures	64	58	329

Year Ended December 31, 2000

	Real Estate Services	Hospitality[a]	Travel Distribution	Vehicle Services
Net revenues[b]	$ 1,461	$ 918	$ 99	$ 230
Adjusted EBITDA	752	385	10	169
Non-vehicle depreciation and amortization	103	80	2	21
Segment assets exclusive of assets under programs[c]	3,262	1,906	22	1,292
Assets under management and mortgage programs	2,861	—	—	—
Capital expenditures	39	38	1	1

	Financial Services	Corporate and Other[d]	Total
Net revenues[b]	$ 1,380	$ 232	$ 4,320
Adjusted EBITDA	373	(104)	1,585
Non-vehicle depreciation and amortization	59	56	321
Segment assets exclusive of assets under programs[c]	1,525	2,884	10,891
Assets under management and mortgage programs	—	—	2,861
Capital expenditures	74	39	192

Year Ended December 31, 1999

	Real Estate Services	Hospitality[a]	Travel Distribution	Vehicle Services
Net revenues[b]	$ 1,383	$ 920	$ 91	$ 1,109
Adjusted EBITDA	727	420	7	246
Non-vehicle depreciation and amortization	95	76	2	36
Segment assets exclusive of assets under programs[c]	3,225	1,908	21	1,305
Assets under management and mortgage programs	2,726	—	—	—
Capital expenditures	69	51	1	24

	Financial Services	Corporate and Other	Total
Net revenues[b]	$ 1,518	$ 734	$ 5,755
Adjusted EBITDA	305	89	1,794
Non-vehicle depreciation and amortization	58	71	338
Segment assets exclusive of assets under programs[c]	1,415	3,344	11,218
Assets under management and mortgage programs	—	—	2,726

Capital expenditures	47	47	239

(a) Net revenues and Adjusted EBITDA include the equity in earnings from the Company's investment in Avis of $5 million, $17 million and $18 million in 2001, 2000 and 1999, respectively. Net revenues and Adjusted EBITDA for 1999 include a pre-tax gain of $11 million and $18 million, respectively, as a result of the sale of a portion of the Company's equity interest. Segment assets include such equity method investment in the amount of $132 million and $118 million at December 31, 2000 and 1999, respectively.
(b) Inter-segment net revenues were not significant to the net revenues of any one segment.
(c) Excludes assets of discontinued operations.
(d) Includes the Company's equity investment of $2 million and $1 million in Entertainment Publication, Inc. at December 31, 2001 and 2000, respectively.

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

	Year Ended December 31,		
	2001	2000	1999
Adjusted EBITDA	$ 2,087	$ 1,585	$ 1,794
Non-vehicle depreciation and amortization	(477)	(321)	(338)
Other charges:			
Restructuring and other unusual charges	(379)	(109)	(117)
Acquisition and integration related costs	(112)	—	—
Mortgage servicing rights impairment	(94)	—	—
Litigation settlement and related costs	(86)	(2)	(2,915)
Non-vehicle interest, net	(252)	(152)	(201)
Gains on dispositions of businesses	443	37	1,142
Losses on dispositions of businesses	(26)	(45)	(33)
Impairment of investments	(441)	(—)	—
Income (loss) before income taxes, minority interest and equity in Homestore.com	$ 663	$ 993	$ (668)

The geographic segment information provided below is classified based on the geographic location of the Company's subsidiaries.

	United States	United Kingdom	All Other Countries	Total
2001				
Net revenues	$ 7,842	$ 240	$ 531	$ 8,613
Total assets[a]	28,386	831	3,017	32,234
Net property and equipment	1,269	38	87	1,394
2000				
Net revenues	$ 3,955	$ 161	$ 204	$ 4,320
Total assets[a]	13,026	604	122	13,752
Net property and equipment	672	27	36	735
1999				
Net revenues	$ 4,916	$ 548	$ 291	$ 5,755
Total assets[a]	11,722	2,010	212	13,944
Net property and equipment	590	98	34	722

(a) Excludes assets of discontinued operations.

27. Selected Quarterly Financial Data—(unaudited)

Provided below is selected unaudited quarterly financial data for 2001 and 2000. The underlying diluted per share information is calculated from the weighted average common and common stock equivalents outstanding during each quarter, which may fluctuate based on quarterly income levels, market prices and share repurchases. Therefore, the sum of the quarters' per share information may not equal the total year amounts presented on the Consolidated Statements of Operations.

	2001			
	First[a]	Second[b]	Third[c]	Fourth[d]
Net revenues	$ 1,411	$ 2,319	$ 2,389	$ 2,494
Adjusted EBITDA	$ 418	$ 556	$ 570	$ 543
Income (loss) from continuing operations	$ 261	$ 220	$ 186	$ (326)
Income from discontinued operations, net of tax	16	22	24	19
Cumulative effect of accounting changes, net of tax	(38)	—	—	—
Net income (loss)	$ 239	$ 242	$ 210	$ (307)

CD common stock per share information:

Basic				
Income (loss) from continuing operations	$ 0.30	$ 0.26	$ 0.22	$ (0.33)
Net income (loss)	$ 0.28	$ 0.29	$ 0.25	$ (0.31)
Weighted average shares	790	851	857	978
Diluted				
Income (loss) from continuing operations	$ 0.28	$ 0.25	$ 0.21	$ (0.33)
Net income (loss)	$ 0.26	$ 0.27	$ 0.23	$ (0.31)
Weighted average shares	830	905	912	978
CD common stock market prices:				
High	$ 14.76	$ 20.37	$ 21.53	$ 19.81
Low	$ 9.625	$ 13.89	$ 11.03	$ 12.04

	2001			
	First[a]	Second[b]	Third[c]	Fourth[d]
Move.com common stock per share information:				
Basic				
Income (loss) from continuing operations	$ 10.41	$ (0.63)		
Net income (loss)	$ 10.34	$ (0.63)		
Weighted average shares	2	1		
Diluted				
Income (loss) from continuing operations	$ 10.13	$ (0.63)		
Net income (loss)	$ 10.07	$ (0.63)		
Weighted average shares	3	1		

(a) Includes a net gain of $435 million ($261 million, after tax or $0.28 per diluted share) related to the dispositions of businesses and a non-cash credit of $14 million ($9 million, after tax or $0.01 per diluted share) in connection with an adjustment to the PRIDES settlement. Such amounts were partially offset by charges of (i) $95 million ($62 million, after tax or $0.07 per diluted share) to fund an irrevocable contribution to an independent technology trust, (ii) $85 million ($56 million, after tax or $0.07 per diluted share) incurred in connection with the creation of Travel Portal, Inc., (iii) $25 million ($15 million, after tax or $0.02 per diluted share) for litigation settlement and related costs, (iv) $7 million ($5 million, after tax or $0.01 per diluted share) related to a non-cash contribution to the Cendant Charitable Foundation and (v) $8 million ($5 million, after tax or $0.01 per diluted share) related to the acquisition and integration of Avis Group.

(b) Includes $9 million ($5 million, after tax or $0.01 per diluted share) of litigation settlement and related costs.

(c) Includes charges of $77 million ($50 million, after tax or $0.05 per diluted share) related to the September 11th terrorist attacks and $9 million ($6 million, after tax or $0.01 per diluted share) of litigation settlement and related costs.

(d) Includes charges of (i) $116 million ($73 million, after tax or $0.07 per diluted share) in connection with restructuring and other initiatives undertaken as a result of the September 11th terrorist attacks, (ii) $104 million ($65 million, after tax or $0.07 per diluted share) related to the acquisition and integration of Galileo International, Inc. and Cheap Tickets, Inc., (iii) $94 million ($55 million, after tax or $0.06 per diluted share) related to the impairment of the Company's mortgage servicing rights portfolio, (iv) $58 million ($37 million, after tax or $0.04 per diluted share) for litigation settlement and related costs, (v) $441 million ($265 million, after tax or $0.27 per diluted share) related to impairment of certain of the Company's investments and (vi) losses of $18 million ($20 million, after tax or $0.02 per diluted share) related to the dispositions of non-strategic businesses.

	2000			
	First[a]	Second[b]	Third[c]	Fourth[d]
Net revenues	$ 1,041	$ 1,063	$ 1,145	$ 1,071
Adjusted EBITDA	375	380	457	373
Income from continuing operations	102	162	193	113
Income from discontinued operations, net of tax	25	13	21	32
Extraordinary loss, net of tax	(2)	—	—	—
Cumulative effect of accounting changes, net of tax	(56)	—	—	—
Net income	$ 69	$ 175	$ 214	$ 145
CD common stock per share information:				
Basic				
Income from continuing operations	$ 0.14	$ 0.23	$ 0.27	$ 0.16
Net income	$ 0.10	$ 0.25	$ 0.30	$ 0.20
Weighted average shares	717	722	725	731
Diluted				
Income from continuing operations	$ 0.14	$ 0.22	$ 0.26	$ 0.15
Net income	$ 0.09	$ 0.24	$ 0.29	$ 0.20
Weighted average shares	769	762	759	757
CD common stock market prices:				
High	$ $24\frac{5}{16}$	$ $18\frac{3}{4}$	$ $14\frac{7}{8}$	$ $12\frac{9}{16}$
Low	$ $16\frac{3}{16}$	$ $12\frac{5}{32}$	$ $10\frac{5}{8}$	$ $8\frac{1}{2}$
Move.com common stock per share information:				
Basic and Diluted				
Loss from continuing operations		$ (0.67)	$ (0.55)	$ (0.54)
Net loss		$ (0.67)	$ (0.55)	$ (0.54)
Weighted average shares		4	4	3

(a) Includes (i) restructuring and other unusual charges of $106 million ($70 million, after tax or $0.09 per diluted share) in connection with various strategic initiatives, (ii) losses of $13 million ($9 million, after tax or $0.01 per diluted share) related to the disposition of businesses and (iii) $3 million ($2 million, after tax) of litigation settlement and related costs. Such amounts were partially offset by a non-cash credit of $41 million ($26 million, after tax or $0.03 per diluted share) in connection with an adjustment to the PRIDES settlement.

(b) Includes $5 million ($3 million, after tax) of litigation settlement and related costs, which was partially offset by $4 million ($2 million, after tax) of gains related to the dispositions of businesses.

(c) Includes (i) losses of $32 million ($20 million, after tax or $0.03 per diluted share) related to the dispositions of businesses, (ii) $27 million ($16 million, after tax or $0.02 per diluted share) of litigation settlement and related costs and (iii) charges of $3 million ($2 million, after tax) related to the postponement of the initial public offering of Move.com common stock. Such amounts were partially offset by a gain of $35 million ($35 million, after tax or $0.05 per diluted share) resulting from the recognition of a portion of the Company's previously recorded deferred gain from the sale of its fleet businesses.

(d) Includes $8 million ($5 million, after tax or $0.01 per diluted share) of litigation settlement and related costs.

28. Subsequent Events

On January 18, 2002, the Company acquired all the common stock of TSA for approximately $4 million in cash. TSA was the largest franchisee within the Jackson Hewitt franchise system. Accordingly, TSA will be included in the Company's consolidated results of operations and financial position beginning in the first quarter of 2002.

On February 11, 2002, the Company acquired all of the outstanding common stock of Equivest Finance, Inc. ("Equivest") for approximately $98 million in cash. Equivest is a timeshare vacation services company that develops, markets and sells vacation services and vacation ownership interests to consumers.

On February 15, 2002, the Company redeemed the remaining $390 million of its 3% convertible subordinated notes.

On February 21, 2002, PHH entered into a $750 million committed revolving credit facility maturing in February 2004. This facility replaces PHH's $750 million revolving credit facility, which matured on February 21, 2002. Borrowings under this facility bear interest at LIBOR plus a margin of 62.5 basis points. All other terms of this facility are similar to the terms of PHH's $750 million revolving credit facility maturing in February 2005.

On March 1, 2002, the Company entered into a venture with Marriott International, Inc. ("Marriott") whereby the Company contributed its domestic Days Inn trademark and an amended license agreement relating to such trademark and Marriott contributed the Ramada trademark and the master license agreement relating to such trademark. The Company received a 50.0001% interest in the venture and Marriott received 49.9999% interest in the venture. Pursuant to the terms of the venture, the Company and Marriott will share income from the venture on a substantially equal basis. The Company currently expects the venture to redeem Marriott's interest for approximately $200 million, the projected fair market value, in March 2004. The Company expects to loan the venture such amount in March 2004 to enable the venture to meet its obligations to Marriott. Upon redemption, the Company will own 100% of the venture. Under the terms of the venture agreement, the Company controls the venture and, therefore, will consolidate the venture into its results of operations, financial position and cash flows beginning on March 1, 2002. The venture has no third party liabilities.

On April 1, 2002, the Company announced that it had entered into agreements to acquire all of the outstanding common stock of Trendwest Resorts, Inc. ("Trendwest") through a tax-free exchange of the Company's CD common stock. Trendwest markets, sells and finances vacation ownership interests. As part of the planned acquisition, the Company will assume $89 million of Trendwest debt, which it intends to repay. The number of shares of CD common stock to be paid to Trendwest stockholders will fluctuate between 55.4 million and 48.3 million shares, within a collar of $16.15 to $18.50 per share of CD common stock. The first step of the transaction, the purchase of more than 90% of the outstanding shares from certain Trendwest stockholders, is expected to close in May 2002, subject to customary regulatory approvals and the satisfaction of closing conditions. The purchase of the remaining 10% of the outstanding Trendwest shares will close upon the effectiveness of a registration statement relating to the issuance of CD common stock to such Trendwest stockholders. Management believes that this acquisition will provide the Company with significant geographic diversification and global presence in the timeshare industry.

* * * *

29. Subsequent Events (unaudited)

Acquisitions

On April 17, 2002, the Company acquired all of the outstanding common stock of NRT, the largest residential real estate brokerage firm in the United States, for $230 million (including $3 million of estimated transaction costs and expenses and $11 million related to the conversion of NRT employee stock appreciation rights to CD common stock options). The acquisition consideration was funded through an exchange of 11.5 million shares of CD common stock then-vlaued at $216 million, which included approximately 1.5 million shares of CD common stock then-valued at $30 million, in exchange for existing NRT options. As part of the acquisition, the Company also assumed approximately $320 million of NRT debt, which was subsequently repaid. Prior to the acquisition NRT operated as a joint venture between the Company and Apollo Management, L.P. that acquired independent real estate brokerages, converted them to one of the Company's real estate brands and operated them under the brand pursuant to two 50-year franchise agreements with the Company. Management believes that NRT as a wholly-owned subsidiary of the Company will be a more efficient acquisition vehicle and achieve greater financial and operational synergies.

On April 30, 2002, the Company acquired approximately 90% of the outstanding common stock of Trendwest Resorts, Inc. ("Trendwest") for $849 million (including $20 million of estimated transaction costs and expenses and $25 million related to the conversion of Trendwest employee stock options into CD common stock options). The acquisition consideration was funded through a tax-free exchange of 42.6 million shares of CD common stock then-valued at $804 million. As part of the acquisition, the Company assumed $89 million of Trendwest debt, which was subsequently repaid. The Company purchased the remaining 10% of the outstanding Trendwest shares through a short form merger on June 3, 2002 for approximately $87 million, which was funded through a tax-free exchange of 4.8 million shares of CD common stock then-valued at $87 million. The minority interset recorded in connection with Trendwest's results of operations between April 30, 2002 and June 3, 2002 was not material. Trendwest markets, sells and finances vacation ownership interests. Management believes that this acquisition will provide the Company with significant geographic diversification and global presence in the timeshare industry.

On August 22, 2002, the Company announced that it had entered into a definitive agreement to acquire substantially all of the assets of Budget Group, Inc. ("Budget"), a general car and truck rental company in the United States, for approximately $110 million in cash plus transaction costs and expenses. As part of the acquisition, the Company will assume certain contracts and trade payables, as well as refinance approximately $2.6 billion in Budget asset-backed vehicle related debt. The acquisition is subject to certain conditions, including bankruptcy court and regulatory approval outside the United States. The acquisition has received clearance under U.S. antitrust regulations. Subject to the satisfaction of the closing conditions, the Company currently expects to complete the acquisition during the fourth qaurter of 2002.

Debt Redemptions/Repurchases

From May through October 2002, the Company redeemed approximately $184 million of its 7 3/4% notes for approximately $188 million in cash.

From May through August 12, 2002, the Company redeemed approximately $517 million in accreted value of its zero coupon senior convertible contingent notes, with a face value of approximately $821 million for approximately $548 million in cash.

From August through October 2002, the Company redeemed approximately $27 million of its 11% senior subordinated notes for approximately $28 million in cash.

During October 2002, the Company repurchased $35 million of its zero coupon convertible debentures with a face value of $35 million for approximately $34 million in cash.

Debt Issuances and Amendments

On May 3, 2002, PHH issued $443 million of unsecured term notes with maturities ranging from May 2005 through May 2012. Such notes bear interest at a blended rate of 7.64%.

During May 2002, the Company issued $464 million of unsecured medium-term notes at its PHH subsidiary with maturities ranging from May 2005 through May 2012.

From June through October 2002, PHH issued $268 million of unsecured term notes with maturities ranging from June 2005 to June 2017.

On July 25, 2002, the Company issued $750 million of rental car asset-backed notes under its AESOP Funding Program.

On May 2, 2002, the Company amended certain terms of its zero coupon convertible debentures. In connection with these amendments, the Company will make cash interest payments of 3% per annum beginning May 5, 2002 and continuing through May 4, 2003 to the holders of the debentures on a semi-annual basis and the holders were granted an additional option to put the debentures to the Company on May 4, 2003. On May 4, 2002, holders had the right to require the Company to redeem

their debentures. On such date, virtually all holders declined to exercise this put option and retained their debentures.

Revolving Credit Facilities

On May 3, 2002, PHH terminated $250 million of its revolving credit facilities, which were scheduled to mature in November 2002.

Share Repurchases

From January through October 2002, the Company repurchased $245 million (16.1 million shares) of CD common stock under its common stock repurchase program.

On October 16, 2002, the Company's Board of Directors authorized the repurchase of an additional $200 million of the Company's common stock under its common share repurchase program authorization.

Stockholder Litigation

On May 24, 2002, the Company funded the remaining balance of its stockholder litigation settlement liability with a cash payment of $1.2 billion.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q/A for the quarterly period ended March 31, 2000 dated July 28, 2000).
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q/A for the quarterly period ended March 31, 2000 dated July 28, 2000).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
4.2	Indenture between the Company and The Bank of Nova Scotia Trust Company of New York, as Trustee dated February 24, 1998.*
4.3	Form of 7 3/4% Global Note (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 1998).
4.4	Form of 6.875% Note due 2006 (Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-4 filed on November 2, 2001).
4.5	Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.0 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000).
4.6	Supplemental Indenture No. 1 dated November 6, 2000 to the Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated December 12, 2000).
4.7(a)	Supplemental Indenture No. 2 dated January 30, 2001 to the Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, N.A., as Trustee (pursuant to which the 8 1/8% Notes were issued) (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report on Form 8-K dated February 8, 2001).
4.7(b)	Supplemental Indenture No. 3 dated as of May 30, 2002 to the Senior Debt Securities Indenture dated November 6, 2000 between PHH Corporation and Bank One Trust Company, as Trustee (Incorporated by reference to Exhibit 4.1 to PHH Corporation's Current Report Form 8-K dated June 4, 2002).
4.7(c)	Form of the 8 1/8% Notes due 2003 of PHH Corporation (Incorporated by reference to Exhibit 4.4 to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).
4.8	Indenture dated February 13, 2001 between the Company and The Bank of New York, as Trustee (pursuant to which Zero Coupon Senior Convertible Contingent Debt Securities (the "CODES") due 2021 were issued) (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 20, 2001).

4.9	Supplemental Indenture No. 1 dated June 13, 2001 to the Indenture dated February 13, 2001 between Cendant Corporation and The Bank of New York, as Trustee (pursuant to which the CODES due 2021 were issued) (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 13, 2001).
4.10	Form of Zero Coupon Senior Convertible Contingent Debt Securities due 2021 (included in Exhibit 4.8).
4.11	Resale Registration Rights Agreement between Cendant Corporation and Goldman, Sachs & Co. dated as of May 4, 2001 (Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 filed on July 20, 2001).

4.12	Purchase Agreement (including as Exhibit A the form of the Warrant for the Purchase of Shares of Common Stock), dated December 15, 1999, between Cendant Corporation and Liberty Media Corporation (Incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 1998 filed on February 4, 2000).
4.13	Resale Registration Rights Agreement dated as of February 13, 2001 between the Company and Lehman Brothers Inc. (Incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
4.14(a)	Indenture dated May 4, 2001 between the Company and The Bank of New York, as Trustee (pursuant to which the Zero Coupon Convertible Debentures due 2021 were issued) (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 10, 2001).
4.14(b)	First Supplemental Indenture, dated as of May 1, 2002, to the Indenture dated as of May 4, 2001 between Cendant Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated May 1, 2002).
4.15	Form of 11% Senior Subordinated Notes due 2009 of Avis Group Holdings. (Included in Exhibit 4.20(a)).
4.16	Fourth Supplemental Indenture, dated as of July 27, 2001, to the Indenture dated February 24, 1998, between Cendant Corporation and The Bank of Nova Scotia Trust Company of New York, as trustee (pursuant to which the Senior Notes (making up a portion of the Upper Decs) were issued) (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 1, 2001).
4.17	Indenture dated as of November 27, 2001 between Cendant Corporation and the Bank of Nova Scotia Trust Company of New York, as trustee (pursuant to which the $3^{7}/_{8}$% Convertible Senior Debentures Due 2011 were issued) (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed December 6, 2001).
4.18	Form of $3^{7}/_{8}$% Convertible Senior Debenture due 2011 (included in Exhibit 4.17).
4.19	Registration Rights Agreement dated as of November 27, 2001 between Cendant Corporation and J. P. Morgan Securities (relating to the $3^{7}/_{8}$% Convertible Senior Debentures Due 2011) (Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 filed on February 25, 2002).
4.20(a)	Indenture, dated as of June 30, 1999, among Avis Group Holdings, Inc., the Subsidiary Guarantors and the Bank of New York (Incorporated by reference to Avis Group Holdings, Inc.'s Registration Statement on Form S-4 filed August 31, 1999).
4.20(b)	Supplemental Indenture dated as of April 2, 2001 to the Indenture dated June 30, 1999, among Avis Group Holdings, Inc., the Subsidiary Guarantors and The Bank of New York, as trustee (pursuant to which the 11% Senior Subordinated Notes due 2009 were issued) (Incorporated by reference to Avis Group Holdings, Inc.'s current report on form 8-K filed on April 13, 2001).
4.21	Forward Purchase Contract Agreement, dated as of July 27, 2001, between Cendant Corporation and Bank One Trust Company, National Association, as Forward Purchase Contract Agent (relating to the Upper Decs) (Incorporated in reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on August 1, 2001).
4.22	Form of Upper Decs Certificate (included in Exhibit 4.21).
4.23	Form of Stripped Upper Decs Certificate (included in Exhibit 4.21).
4.24	Form of Senior Notes (included in Exhibit 4.16).

4.25	Pledge Agreement, dated as of July 27, 2001, among Cendant Corporation, The Chase Manhattan Bank, as Collateral Agent, and Bank One Trust Company, National Association, as Forward Purchase Contract Agent (relating to the Upper Decs) (Incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed on August 1, 2001).
4.26	Exchange and Registration Rights Agreement, dated August 13, 2001, between Cendant Corporation and J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital Inc., Credit Lyonnais Securities (USA) Inc., The Royal Bank of Scotland Plc, Scotia Capital (USA) Inc., The Williams Capital Group, L.P. and Tokyo-Mitsubishi International Plc (relating to the 6.875% Notes Due 2006) (Incorporated by reference to Exhibit 4.3 the Company's Registration Statement on Form S-4 filed on November 2, 2001).
4.27	PHH Corporation $443 million Note Purchase Agreement dated as of May 3, 2002 (incorporated by reference to Exhibit 4.1 of PHH Corporation's Form 10-Q dated August 14, 2002).
10.1(a)	Agreement with Henry R. Silverman, dated June 30, 1996 and as amended through December 17, 1997 (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997).
10.1(b)	Amendment to Agreement with Henry R. Silverman, dated December 31, 1998 (Incorporated by reference to Exhibit 10.1(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.1(c)	Amendment to Agreement with Henry R. Silverman, dated August 2, 1999 (Incorporated by reference to Exhibit 10.1(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
10.1(d)	Amendment to Agreement with Henry R. Silverman, dated May 15, 2000 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2000).
10.2(a)	Agreement with Stephen P. Holmes, dated September 12, 1997 (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997).
10.2(b)	Amendment to Agreement with Stephen P. Holmes, dated January 11, 1999 (Incorporated by reference to Exhibit 10.2(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.2(c)	Amendment to Agreement with Stephen P. Holmes dated January 3, 2001.*
10.3(a)	Agreement with James E. Buckman, dated September 12, 1997 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997).
10.3(b)	Amendment to Agreement with James E. Buckman, dated January 11, 1999 (Incorporated by reference to Exhibit 10.4(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.3(c)	Amendment to Agreement with James E. Buckman, dated January 3, 2001.*
10.4	Employment Agreement with Richard A. Smith, dated June 2, 2001.*
10.5	Second Amended and Restated Employment Agreement with John W. Chidsey, dated January 2, 2002.*
10.6	Agreement with Samuel L. Katz, amended and restated June 5, 2000 (Incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.6(a)	Consulting Agreement with Martin L. Edelman, dated March 21, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2001, dated May 11, 2001).

10.6(b)	Employment Agreement with Kevin M. Sheehan, dated March 1, 2001 (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on From 10-Q for the period ended March 31, 2001, dated May 11, 2001.)
10.7(a)	1987 Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.16 to the Company's Form 10-Q for the period ended October 31, 1996).
10.7(b)	Amendment to 1987 Stock Option Plan dated January 3, 2001 (Incorporated by reference to Exhibit 10.7(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.8	1990 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996).
10.9	1992 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996).
10.10	1994 Directors Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1996).
10.11(a)	1997 Stock Option Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 1997).
10.11(b)	Amendment to 1997 Stock Option Plan dated January 3, 2001 (Incorporated by reference to Exhibit 10.11(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.12(a)	1997 Stock Incentive Plan (Incorporated by reference to Appendix E to the Joint Proxy Statement/ Prospectus included as part of the Company's Registration Statement on Form S-4, Registration No. 333-34517 dated August 28, 1997).
10.12(b)	Amendment to 1997 Stock Incentive Plan dated March 27, 2000 (Incorporated by reference to Exhibit 10.12(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.12(c)	Amendment to 1997 Stock Incentive Plan dated March 28, 2000 (Incorporated by reference to Exhibit 10.12(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.12(d)	Amendment to 1997 Stock Incentive Plan dated January 3, 2001 (Incorporated by reference to Exhibit 10.12(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.13(a)	HFS Incorporated's Amended and Restated 1993 Stock Option Plan (Incorporated by reference to Exhibit 4.1 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 33-83956).
10.13(b)	First Amendment to the Amended and Restated 1993 Stock Option Plan dated May 5, 1995 (Incorporated by reference to Exhibit 4.1 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 33-094756).
10.13(c)	Second Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996 (Incorporated by reference to Exhibit 10.21(b) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995).
10.13(d)	Third Amendment to the Amended and Restated 1993 Stock Option Plan dated January 22, 1996 (Incorporated by reference to Exhibit 10.21(c) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995).
10.13(e)	Fourth Amendment to the Amended and Restated 1993 Stock Option Plan dated May 20, 1996 (Incorporated by reference to Exhibit 4.5 to HFS Incorporated's Registration Statement on Form S-8, Registration No. 333-06733).
10.13(f)	Fifth Amendment to the Amended and Restated 1993 Stock Option Plan dated July 24, 1996 (Incorporated by reference to Exhibit 10.21(e) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995).

10.13(g)	Sixth Amendment to the Amended and Restated 1993 Stock Option Plan dated September 24, 1996 (Incorporated by reference to Exhibit 10.21(e) to HFS Incorporated's Annual Report on Form 10-K for the year ended December 31, 1995).
10.13(h)	Seventh Amendment to the Amended and Restated 1993 Stock Option Plan dated as of April 30, 1997 (Incorporated by reference to Exhibit 10.17(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
10.13(i)	Eighth Amendment to the Amended and Restated 1993 Stock Option Plan dated as of May 27, 1997 (Incorporated by reference to Exhibit 10.17(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.14	HFS Incorporated's 1992 Incentive Stock Option Plan and Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.6 to HFS Incorporated's Registration Statement on Form S-1, Registration No. 33-51422).
10.15	1992 Employee Stock Plan (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-45183, dated January 29, 1998).
10.16	Deferred Compensation Plan (Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.17	Cendant Corporation Move.com Group 1999 Stock Option Plan (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.18	$1,150,000,000 Amended and Restated Credit Agreement dated as of October 5, 2001 among Cendant Corporation, the lenders referred to therein and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 15, 2001).
10.19(a)	$1,750,000,000 Three Year Competitive Advance and Revolving Credit Agreement dated as of August 29, 2000 among the Company, the lenders parties thereto, and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.23(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.19(b)	Amendment to the Three Year Competitive Advance and Revolving Credit Agreement, dated as of February 22, 2001, among the Company, the lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.23(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).
10.19(c)	Second Amendment dated October 5, 2001 to the Three Year Competitive Advance and Revolving Credit Agreement, dated as of August 29, 2000, among the Company, the lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent.*
10.20	Two-Year Competitive Advance and Revolving Credit Agreement dated March 4, 1997, as amended and restated through February 21, 2002, among PHH Corporation, the lenders parties thereto, and The Chase Manhattan Bank, as Administrative Agent. (Incorporated by reference to PHH Corporation's Current Report on Form 8-K filed on February 21, 2002).
10.21(a)	Five-year Competitive Advance and Revolving Credit Agreement dated March 4, 1997 as amended and restated through February 28, 2000, among PHH Corporation, the Lenders and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.24(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
10.21(b)	Amendment to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of February 22, 2001, among PHH Corporation, the financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.25(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, dated March 29, 2001).

10.21(c)	Amendment to the Five Year Competitive Advance and Revolving Credit Agreement, dated as of February 21, 2002, among PHH Corporation, the financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to PHH Corporation's

Annual Report on Form 10-K for the year ended December 31, 2001).

10.22 Agreement and Plan of Merger by and among Cendant Corporation, PHH Corporation, Avis Acquisition Corp. and Avis Group Holdings, Inc., dated as of November 11, 2000 (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000 filed on November 14, 2000).

10.23 The Company's 1999 Non-Employee Directors Deferred Compensation Plan (Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999).

10.24 Agreement and Plan of Merger, dated as of June 15, 2001 among the Company, Galaxy Acquisition Corp. and Galileo International, Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated June 15, 2001).

10.25 Remarketing Agreement, dated as of July 27, 2001, among Cendant Corporation, Bank One Trust Company, National Association as Forward Purchase Contract Agent, and Salomon Smith Barney Inc., as Remarketing Agent (relating to the Upper Decs) (Incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed on August 1, 2001).

10.26 Agreement and Plan of Merger by and among Cendant Corporation, Diamondhead Corporation and CheapTickets, Inc. dated August 13, 2001 (Incorporated by reference to Exhibit 99(D)(6) of the Company's Schedule TO filed on August 24, 2001).

10.27 Agreement and Plan of Merger by and among Cendant Corporation, Grand Slam Acquisition Corp. and Fairfield Communities, Inc. dated as of November 1, 2000 (Incorporated by Reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000 filed November 14, 2000).

10.28 Outsourcing Agreement by and among Cendant Corporation, Cendant Membership Services Holdings Subsidiary, Inc., Cendant Membership Services, Inc. and Trilegiant Corporation dated as of July 2, 2001 (Incorporated by reference to the Company's Current Report on Form 8-K filed on July 10, 2001).

10.29 Series 1997-2 Supplement, dated as of July 30, 1997, between AESOP Funding II L.L.C. and The Bank of New York, as Trustee, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II and the Bank of New York. (Incorporated by reference to Avis Group Holdings Inc.'s Registration Statement on Form S-1/A filed on August 11, 1997).

10.30 Amendment No.1, dated as of November 19, 1999, to the Series 1997-2 Supplement, between AESOP Funding II L.L.C. and The Bank of New York, as Trustee, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II and the Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.31 Amendment No.2, dated as of June 21, 2001, to the Series 1997-2 Supplement, between AESOP Funding II L.L.C. and The Bank of New York, as Trustee, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II and the Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.32 Loan Agreement, dated as of July 30, 1997, between AESOP Leasing Corp. II, as borrower, AESOP Leasing Corp., as permitted nominee of the borrower, and AESOP Funding II L.L.C., as lender. (Incorporated by reference to Avis Group Holdings Inc.'s Registration Statement on Form S-1/A filed on August 11, 1997).

10.33 Master Motor Vehicle Finance Lease Agreement, dated as of July 30, 1997, by and among AESOP Leasing L.P., as lessor, Avis Rent A Car System, Inc., as lessee, individually and as the administrator, and Avis Rent A Car, Inc., as guarantor. (Incorporated by reference to Avis Group Holdings Inc.'s Registration Statement on Form S-1/A filed on August 11, 1997).

10.34 Master Motor Vehicle Operating Lease Agreement, dated as of July 30, 1997, by and among AESOP Leasing Corp. II, as lessor, Avis Rent A Car System, Inc., individually and as the administrator, certain Eligible Rental Car Companies, as lessees, and the Avis Rent A Car, Inc., as guarantor. (Incorporated by reference to Avis Group Holdings Inc.'s Registration Statement on Form S-1/A filed on August 11, 1997).

10.35 Supplemental Indenture No. 1, dated as of July 31, 1998, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and the Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998 dated March 29, 1999).

10.36 Amendment No. 1, dated as of July 31, 1998, to Loan Agreement, dated as of July 30, 1997 between AESOP Leasing L.P., as borrower, and AESOP Funding II L.L.C., as lender. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998 dated March 29, 1999).

10.37 Amended and Restated Loan Agreement, dated as of September 15, 1998, among AESOP Leasing L.P., as borrower, PV Holding Corp., as a permitted nominee of the borrower, Quartz Fleet Management, Inc., as a permitted nominee of the borrower, and AESOP Funding II L.L.C., as lender. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998 dated March 29, 1999).

10.38 Amended and Restated Master Motor Vehicle Operating Lease Agreement, dated as of September 15, 1998, among AESOP Leasing L.P., as lessor, Avis Rent A Car System, Inc., individually and as Administrator, certain Eligible Rental Car Companies, as lessees, and Avis Rent A Car, Inc., as guarantor. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998 dated March 29, 1999).

10.39 Supplemental Indenture No. 2, dated as of September 15, 1998, to Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and the Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998 dated March 29, 1999).

10.40 Amended and Restated Administration Agreement, dated as of September 15, 1998, AESOP Funding II L.L.C., AESOP Leasing L.P., AESOP Leasing Corp. II, Avis Rent A Car System, Inc., as Administrator and The Bank of New York, as Trustee. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.41 The Amended and Restated Series 1997-1 Supplement, dated as of June 29, 2001, between AESOP Funding II L.L.C. and The Bank of New York, as trustee, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.42 The Amended and Restated Series 1998-1 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 1998-1 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.43 The Amended and Restated Series 1999-1 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 1999-1 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.44 The Amended and Restated Series 2000-1 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2000-1 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.45 The Amended and Restated Series 2000-2 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New

York, as trustee and Series 2000-2 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.46 The Amended and Restated Series 2000-3 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2000-3 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.47 The Amended and Restated Series 2000-4 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2000-4 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.48 The Amended and Restated Series 2001-1 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2001-1 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.49 The Amended and Restated Series 2001-2 Supplement, dated as of June, 2001, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2001-2 agent, to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AESOP Funding II L.L.C., as issuer, and The Bank of New York. (Incorporated by reference to Avis Group Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001).

10.50 Base Indenture dated as of June 30, 1999 between Greyhound Funding LLC and The Chase Manhattan Bank, as Indenture Trustee. (Incorporated by reference to Greyhound Funding LLC's Amendment to its Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 19, 2001) (File No. 333-40708).

10.51 Supplemental Indenture No. 1 dated as of October 28, 1999 between Greyhound Funding LLC and The Chase Manhattan Bank to the Base Indenture dated as of June 30, 1999. (Incorporated by reference to Greyhound Funding LLC's Amendment to its Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 19, 2001) (File No. 333-40708).

10.52 Series 2001-1 Indenture Supplement between Greyhound Funding LLC and The Chase Manhattan Bank, as Indenture Trustee, dated as of October 25, 2001 (Incorporated by reference to Greyhound Funding LLC's Annual Report on Form 10-K for the year ended December 31, 2001).

10.53 Form of Notes (included in Exhibit 10.55).

10.54 Series 1999-2 Indenture Supplement between Greyhound Funding LLC and The Chase Manhattan Bank, as Indenture Trustee, dated as of October 28, 1999. (Incorporated by reference to Greyhound Funding LLC's Annual Report on Form 10-K for the year ended December 31, 2001).

10.55 Series 1999-3 Indenture Supplement among Greyhound Funding LLC, PHH Vehicle Management Services, LLC, as Administrator, certain CP Conduit Purchasers, certain APA Banks, certain Funding Agents and The Chase Manhattan Bank, as Administrative Agent and Indenture Trustee, dated as of October 28, 1999. (Incorporated by reference to Greyhound Funding LLC's Annual Report on Form 10-K for the year ended December 31, 2001).

10.56 Second Amended and Restated Mortgage Loan Purchase and Servicing Agreement, dated as of October 31, 2000 among the Bishop's Gate Residential Mortgage Trust, Cendant Mortgage Corporation, Cendant Mortgage Corporation, as Servicer and PHH Corporation. (Incorporated by reference to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

10.57 Purchase Agreement dated as of April 25, 2000 by and between Cendant Mobility Services Corporation and Cendant Mobility Financial Corporation. (Incorporated by reference to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

10.58 Receivables Purchase Agreement dated as of April 25, 2000 by and between Cendant Mobility Financial Corporation and Apple Ridge Services Corporation. (Incorporated by reference to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

10.59 Transfer and Servicing Agreement dated as of April 25, 2000 by and between Apple Ridge Services Corporation, Cendant Mobility Financial Corporation, Apple Ridge Funding LLC and Bank One, National Association. (Incorporated by reference to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

10.60 Master Indenture among Apple Ridge Funding LLC, Bank One, National Association and The Bank Of New York dated as of April 25, 2000. (Incorporated by reference to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

10.61 Master Indenture and Servicing Agreement dated as of August 29, 2002 by and among Sierra Receivables Funding Company, LLC, as Issuer, Fairfield Acceptance Corporation-Nevada, as Master Servicer and Wachovia Bank, National Association, as Trustee and as Collateral Agent.

10.62 Series 2002-1 Supplement to Master Indenture and Servicing Agreement dated as of August 29, 2002 among Sierra Receivables Funding Company, LLC, as Issuer, Fairfield Acceptance Corporation-Nevada, as Master Servicer and Wachovia Bank, National Association, as Trustee and as Collateral Agent.

10.63 Master Loan Purchase Agreement dated as of August 29, 2002 among Fairfield Acceptance Corporation-Nevada, as Seller, Fairfield Resorts, Inc., as Co-Originator, Fairfield Myrtle Beach, Inc., as Co-Originator, each VB Subsidiary referred to therein, each VB Partnership referred to therein and Sierra Deposit Company, LLC, as Purchaser.

10.64 Series 2002-1 Supplement dated as of August 29, 2002 to Master Loan Purchase Agreement dated as of August 29, 2002 among Fairfield Acceptance Corporation-Nevada, as Seller, Fairfield Resorts, Inc., as Co-Originator, Fairfield Myrtle Beach, Inc., as Co-Originator, each VB Subsidiary referred to therein, each VB Partnership referred to therein and Sierra Deposit Company, LLC, as Purchaser.

10.65 Master Loan Purchase Agreement dated as of August 29, 2002 between Trendwest Resorts, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.

10.66 Series 2002-1 Supplement dated as of August 29, 2002 to Master Loan Purchase Agreement dated as of August 29, 2002 between Trendwest Resorts, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.

10.67 Master Loan Purchase Agreement dated as of August 29, 2002 between EFI Development Funding, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.

10.68 Series 2002-1 Supplement dated as of August 29, 2002 to Master Loan Purchase Agreement dated as of August 29, 2002 between EFI Development Funding, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.

10.69 Master Pool Purchase Agreement dated as of August 29, 2002 between Sierra Deposit Company, LLC, as Depositor and Sierra Receivables Funding Company, LLC, as Issuer.

10.70 Series 2002-1 Supplement dated as of August 29, 2002 to Master Pool Purchase Agreement dated as of August 29, 2002 between Sierra Deposit Company, LLC, as Depositor and Sierra Receivables Funding Company, LLC, as Issuer.

10.71 Asset and Stock Purchase Agreement by and among Budget Group, Inc. and certain of its Subsidiaries, Cendant Corporation and Cherokee Acquisition Corporation dated as of August 22, 2002.

10.72 First Amendment to Asset and Stock Purchase Agreement by and among Budget Group, Inc. and certain of its Subsidiaries, Cendant Corporation and Cherokee Acquisition Corporation dated as of September 10, 2002.

10.73	Amended and Extended Employment Agreement dated as of July 1, 2002 by and between Cendant Corporation and Henry R. Silverman.
10.74	Series 2002-2 Supplement dated as of September 12, 2002 to the Amended and Restated Base Indenture dated as of July 30, 1997 among Aesop Funding II, L.L.C., Avis Rent A Car System, Inc., JPMorgan Chase Bank, Certain CP Conduit Purchasers, Certain Funding Agents, Certain APA Banks and The Bank of New York, as Trustee (incorporated by reference to Avis Group Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges*
21	Subsidiaries of Registrant*
23	Consent of Deloitte & Touche LLP
99.1	Pro Forma Financial Information for the year ended December 31, 2001.*
99.2	Press Release issued by Cendant Corporation on August 14, 2002, announcing the certification by Cendant executives of Cendant's financial statements (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002).
99.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously filed on Form 10-K of the Company filed on April 1, 2002.

QuickLinks

EXHIBIT 10.61

EXECUTION COPY

MASTER INDENTURE AND SERVICING AGREEMENT

Dated as of August 29, 2002

by and among

SIERRA RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

and

FAIRFIELD ACCEPTANCE CORPORATION - NEVADA,
as Master Servicer

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

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EXHIBITS

SCHEDULES

1. Schedule of Trustee's fees.

MASTER INDENTURE AND SERVICING AGREEMENT

THIS MASTER INDENTURE AND SERVICING AGREEMENT dated as of August 29, 2002 is by and between SIERRA RECEIVABLES FUNDING COMPANY, LLC, a limited liability company organized under the laws of the State of Delaware as issuer, FAIRFIELD ACCEPTANCE CORPORATION-NEVADA, a Delaware corporation, as master servicer, WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and as collateral agent. This Agreement may be supplemented and amended from time to time in accordance with Article XIII. If a conflict exists between the terms and provisions of this Agreement and any Series Supplement, the terms and provisions of the Series Supplement shall be controlling with respect to the related Series.

RECITALS

The Issuer has duly authorized the execution and delivery of this Agreement to provide for issuances from time to time of its loan-backed notes to be issued in one or more series as provided in this Agreement and the Series Supplements.

In connection with one or more Series of Notes issued under this Agreement and a Series Supplement, the Issuer may enter into agreements with other entities that will provide credit enhancement or other protection and benefits for the Holders of a Series of Notes or a Class of such Series of Notes and the Issuer will incur obligations under the terms of such agreement. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders of the respective Series and, to the extent and as provided for in the relevant Series Supplements, the Series Enhancers.

The Issuer is entering into this Agreement, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. All things necessary have been done to make the Notes, when executed by the Issuer and authenticated and delivered by the Trustee hereunder and under the Series Supplements and duly issued by the Issuer, the valid obligations of the Issuer, and to make this Agreement a valid agreement of the Issuer, enforceable in accordance with their and its terms. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders and, to the extent and as provided for in the relevant Series Supplement, the Series Enhancers.

NOW THEREFORE, in consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other parties and for the benefit of the Noteholders and, to the extent and as provided for in the relevant Series Supplements, the Series Enhancers.

ARTICLE I

DEFINITIONS

Section 1.1 DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ACCOUNT" shall mean any Collection Account and any other Series Account.

"ADDITION DATE" shall mean, with respect to any Series, each date subsequent to the Closing Date for that Series on which a security interest is granted in Loans to secure the Notes of that Series.

"ADMINISTRATIVE SERVICES AGREEMENT" shall mean either the Depositor

Administrative Services Agreement dated as of August 29, 2002 by and between the Depositor and the Administrator or the Issuer Administrative Services Agreement dated as of August 29, 2002 by and between the Issuer and the Administrator, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms of the respective agreements.

"ADMINISTRATOR" shall mean, with respect to the Administrative Services Agreements, FAC, as administrator with respect to the Depositor and the Issuer, respectively, or any other entity which becomes the Administrator under the terms of the respective Administrative Services Agreements.

"AFFILIATE" shall mean, when used with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person, and "control" means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" shall have meanings correlative to the foregoing.

"AGENT MEMBERS" shall mean members of, or participants in Euroclear or Clearstream.

"AGGREGATE PRINCIPAL AMOUNT" shall mean, as of any day of calculation, an amount equal to the sum of the principal amount outstanding for all Series of Notes or, if used with respect to a Series, an amount equal to the sum of the principal amount outstanding for that Series of Notes.

"AGREEMENT" shall mean this Master Indenture and Servicing Agreement as the same may be amended, supplemented, restated or otherwise modified from time to time.

"AMORTIZATION EVENT" shall have, with respect to any Series, the meaning assigned to that term in the applicable Series Supplement.

"AUTHENTICATION AGENT" shall mean a Person designated by the Trustee to authenticate Notes on behalf of the Trustee.

"AUTHORIZED OFFICER" shall mean, with respect to the Issuer, any officer who is authorized to act for the Issuer in matters relating to the Issuer, and with respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian or authenticating agent, a Responsible Officer. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"BANKRUPTCY CODE" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"BEARER NOTES" shall have the meaning set forth in Section 2.1.

"BENEFIT PLAN" shall mean any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Issuer, any eligible Originator, any eligible Seller or any ERISA Affiliate of the Issuer is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"BOOK-ENTRY NOTES" shall mean security entitlements to the Notes, ownership and transfers of which shall be made through book entries by a Clearing Agency or a Foreign Clearing Agency, as described in Section 2.11.

"BUSINESS DAY" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York, New York, Las Vegas, Nevada, Chicago, Illinois, Charlotte, North Carolina, or the city in which the Corporate Trust Office of the Trustee is located, are authorized or obligated by law or executive order to be closed.

"CENDANT" shall mean Cendant Corporation or any successor thereof.

"CLASS" shall mean, with respect to any Series, any one of the classes of Notes of that Series.

"CLEARING AGENCY" shall mean an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARING AGENCY PARTICIPANT" shall mean a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"CLEARSTREAM" shall mean Clearstream Banking, societe anonyme, a professional depository incorporated under the laws of Luxembourg, and its successors.

"CLOSING DATE" shall mean, with respect to any Series, the closing date specified in the related Series Supplement.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"COLLATERAL" shall mean the Series Collateral for any one or more Series.

"COLLATERAL AGENCY AGREEMENT" shall mean the Collateral Agency Agreement dated as of January 15, 1998 by and between Fleet National Bank as predecessor Collateral Agent, Fleet Securities, Inc. as deal agent and the secured parties named therein, as amended by the First Amendment to Collateral Agency Agreement dated as of July 31, 1998, as further amended by the Second Amendment to Collateral Agreement dated as of July 25, 2000, as further amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, and as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002 by and among the Collateral Agent, the Trustee and other secured parties, as such Collateral Agency Agreement may be amended, supplemented or otherwise modified from time to time in accordance therewith.

"COLLATERAL AGENT" shall mean Wachovia Bank, National Association in its capacity as collateral agent under this Agreement, the Series Supplements and the Collateral Agency Agreement or any successor collateral agent appointed under the Collateral Agency Agreement.

"COLLECTION ACCOUNT" shall mean with respect to any Series the account described in Section 7.1 hereof and established in the respective Series Supplement for the deposit of Collections related to that Series.

"COLLECTIONS," with respect to any Pledged Loan, shall have the meaning assigned thereto in the applicable Purchase Agreement.

"CORPORATE TRUST OFFICE" shall mean the office of the Trustee at which at any particular time its corporate trust business is administered, which office at the date of the execution of this Agreement is located at 401 South Tryon Street, NC-1179, 12th Floor, Charlotte, NC 28288-1179, Attention: Structured Finance Trust Services, Sierra Receivables Funding Company, LLC Series 2002-1.

"COUPONS" shall have the meaning set forth in Section 2.1.

"CREDIT CARD ACCOUNT" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit to a Major Credit Card.

"CREDIT STANDARDS AND COLLECTION POLICIES" shall mean the Credit Standards and Collection Policies of FAC and FRI, EFI, Trendwest or any other Seller, as attached to the applicable Purchase Agreement and as amended from time to time in accordance with the applicable Purchase Agreement and the restrictions of Section 4.2(c).

"CUSTODIAL AGREEMENT" shall mean each of (i) the custodial agreement dated as of August 29, 2002 by and between the Issuer, EFI, Trendwest, Wachovia National Bank, as Custodian, the Trustee and the Collateral Agent and (ii) the Fourth Amended and Restated Custodial Agreement dated as of August 29, 2002 by and among Wells Fargo Bank Nevada, N.A. (successor by merger to First Security Trust Company of Nevada) as Custodian, the Collateral Agent, the Trustee, the Issuer and other parties named therein, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with the terms hereof.

"CUSTODIAN" shall mean, at any time, the custodian under the applicable Custodial Agreement.

"CUSTOMARY PRACTICES" shall, with respect to the servicing and administration of any Pledged Loans, have the meaning assigned to that term in the Purchase Agreement under which such Loan was transferred from the Seller to the Depositor.

"CUT-OFF DATE" shall mean, with respect to the Pledged Loans for any Series, the date stated as the Cut-Off Date in the related Series Supplement.

"DEBT" of any Person shall mean (a) indebtedness of such Person for borrowed money, (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) obligations of such Person to pay the deferred purchase price of property or services, (d) obligations of such Person as lessee under leases which have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (e) obligations secured by any lien, security interest or other charge upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (f) obligations of such Person under direct or indirect guaranties in respect of, and obligations

(contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above, and (g) liabilities in respect of unfunded vested benefits under Benefit Plans covered by Title IV of ERISA.

"DEBTOR RELIEF LAWS" shall mean the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"DEFINITIVE NOTES" shall have the meaning set forth in Section 2.11.

"DEPOSITOR" shall mean Sierra Deposit Company, LLC, a Delaware limited liability company, as depositor under the Pool Purchase Agreement.

"DEPOSITORY AGREEMENT" shall mean, if applicable with respect to any Series or Class of Book-Entry Notes, the agreement among the Issuer, the Trustee and a Clearing Agency or, if applicable, the Foreign Clearing Agency.

"DETERMINATION DATE" shall mean, with respect to any Payment Date, the second Business Day preceding such Payment Date or any other date designated as the Determination Date for a Series under the applicable Series Supplement.

"DUE PERIOD" shall mean, for any Payment Date, the immediately preceding calendar month or any other period designated as the Due Period for a Series under the applicable Series Supplement.

"EFI" shall mean EFI Development Funding, Inc., a wholly-owned indirect subsidiary of Cendant, and its successors and assigns.

"ELIGIBLE INSTITUTION" shall mean any depository institution the short term unsecured senior indebtedness of which is rated at least "F-l" by Fitch, "A-l" by S&P or "P-l" by Moody's,

and the long term unsecured indebtedness rating of which is rated at least "A" by Fitch, "A" by S&P or "A-2" by Moody's.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(n) of the Code) as such Person, any corporation described in clause (i) or any trade or business described in clause (ii).

"ERISA LIABILITIES" shall have the meaning set forth in Section 4.2(g).

"EUROCLEAR OPERATOR" shall mean Euroclear Bank S.A./N.V., as operator of the Euroclear System, and its successor and assigns in such capacity.

"EUROCLEAR PARTICIPANTS" shall mean the participants of the Euroclear System, for which the Euroclear System holds securities.

"EVENT OF DEFAULT" shall mean, with respect to any Series, each event which is stated to constitute an Event of Default under the applicable Series Supplement.

"EXCHANGE ACT" shall mean the U. S. Securities Exchange Act of 1934, as amended.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned subsidiary of FRI.

"FACILITY DOCUMENTS" shall mean, collectively, this Agreement, the Series Supplements, the Purchase Agreements, the Series Purchase Supplements, the Pool Purchase Agreement, the Series Pool Purchase Supplements, the Custodial Agreements, the Lockbox Agreements, the Title Clearing Agreements, the Loan Conveyance Documents, the Collateral Agency Agreement, the Administrative Services Agreements, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith, and "FACILITY DOCUMENT" shall mean any of them.

"FINANCING STATEMENTS" shall mean, collectively, the UCC financing statements and the amendments thereto to be executed and delivered in connection with any of the transactions contemplated hereby or any of the other Facility Documents.

"FITCH" shall mean Fitch, Inc. or any successor thereto.

"FOREIGN CLEARING AGENCY" shall mean Clearstream and the Euroclear Operator.

"FRI" shall mean Fairfield Resorts, Inc., a Delaware corporation and its successors and assigns.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GLOBAL NOTE" shall have the meaning specified in Section 2.14.

"GRANT" shall mean, as to any asset or property, to pledge, assign and grant a security interest in such asset or property. A Grant of any item of Series Collateral shall include all rights, powers and options of the Granting party thereunder or with respect thereto, including without limitation the immediate and continuing right to claim, collect, receive and give receipt for principal, interest and other payments in respect of such item of Series Collateral, principal and interest payments and receipts in respect of the Permitted Investments, Insurance Proceeds, purchase prices and all other monies payable thereunder and all income, proceeds, products, rents and profits thereof, to give and receive notices and other communications, to make waivers or other agreements, to exercise all such rights and options, to bring Proceedings in the name of the Granting party or otherwise, and generally to do and receive anything which the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"INITIAL CLOSING DATE" shall mean August 29, 2002.

"INSOLVENCY EVENT" shall mean, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, or the filing of a petition against such Person in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, which case remains unstayed and undismissed within 30 days of such filing, or the appointing of a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or liquidation of such Person's business; or (b) the commencement by such Person of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such Debtor Relief Law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the admission by such Person of its inability to pay its debts generally as they become due.

"INSOLVENCY PROCEEDING" shall mean any proceeding relating to an Insolvency Event.

"INSTALLMENT CONTRACT" shall mean an installment sale contract as defined in the applicable Purchase Agreement.

"INSURANCE PROCEEDS" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"INVESTMENT COMPANY ACT" shall mean the U.S. Investment Company Act of 1940, as amended.

"ISSUER" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company and its successors and assigns.

"ISSUER ORDER" shall mean a written order or request dated and signed in the name of the Issuer by an Authorized Officer of the Issuer.

"LIEN" shall mean any mortgage, security interest, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LLC AGREEMENT" shall mean the Limited Liability Agreement of Sierra

Receivables Funding Company, LLC dated as of August 29, 2002 as amended, supplemented, restated or otherwise modified from time to time.

"LOAN" shall mean each loan, installment contract or contract for deed or contract or note secured by a mortgage, deed or trust, vendor's lien or retention of title originated or acquired by a Seller and relating to the sale of one or more Timeshare Properties.

"LOAN BALANCE" shall mean the outstanding principal balance due under or in respect of a Pledged Loan.

"LOAN CONVEYANCE DOCUMENTS" shall mean, with respect to any Pledged Loan, (a) the Purchase Agreement, Series Purchase Supplement or assignment of additional loans under which such Pledged Loan was transferred from the Seller to the Depositor, (b) the Pool Purchase Agreement, Series Pool Purchase Supplement or assignment of additional loans under which such Pledged Loan was transferred from the Depositor to the Issuer, (c) the applicable Series Supplement or Supplemental Grant pursuant to which the Pledged Loan is Granted to the Collateral Agent for the benefit of the Trustee and (d) any such other releases, documents, instruments or agreements as may be required by the Depositor, the Issuer, the Collateral Agent or the Trustee in order to more fully effect the transfer or Grant (including any prior assignments) of such Pledged Loan and any related Pledged Assets from the Originator to the Depositor, from the Depositor to the Issuer and from the Issuer to the Collateral Agent or the Trustee.

"LOAN DOCUMENTS" shall mean, with respect to any Pledged Loan have the meaning assigned to that term in the Purchase Agreement under which such Pledged Loan was transferred from the Seller to the Depositor.

"LOAN FILE" shall, with respect to any Pledged Loan, have the meaning assigned to that term in the Purchase Agreement under which such Pledged Loan was transferred from the Seller to the Depositor.

"LOAN RATE" shall mean the annual rate at which interest accrues on any Pledged Loan, as modified from time to time in accordance with the terms of any related Credit Standards and Collection Policies.

"LOAN SCHEDULE" shall, with respect to any Series, mean the Loan Schedule described in the Series Purchase Supplement for that Series or if Pledged Loans for such Series are sold under more than one Purchase Agreement, the Loan Schedules described in all of the applicable Series Purchase Supplements and all revisions thereto.

"LOCKBOX ACCOUNT" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"LOCKBOX AGREEMENT" shall have the meaning assigned to such term in the applicable Purchase Agreement.

"LOCKBOX BANK" shall mean any of the commercial banks holding one or more Lockbox Accounts.

"LOT" shall mean a fully or partially developed parcel of real estate.

"MAJOR CREDIT CARD" shall mean a credit card issued by any VISA USA, Inc., MasterCard International Incorporated, American Express Company, Discover Bank or Diners Club International Ltd. credit card entity.

"MAJORITY HOLDERS" shall mean with respect to all Notes issued and outstanding, the Holders of fifty-one percent or more of the Aggregate Principal Amount of all Notes and, with respect to any Series, the Holders of fifty-one percent or more of the Aggregate Principal Amount of that Series.

"MASTER SERVICER" shall mean Fairfield Acceptance Corporation - Nevada or, if the conditions set forth in Section 5.12 are satisfied, Trendwest, in either case in its capacity as master servicer pursuant to this Agreement and, after any Service Transfer, the Successor Master Servicer.

"MATERIAL ADVERSE EFFECT" shall mean, with respect to any Person and any event or circumstance, a material adverse effect on:

(a) the business, properties, operations or condition (financial or otherwise) of any of such Person;

(b) the ability of such Person to perform its respective obligations under any of the Facility Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, this Agreement or any of the Facility Documents to which it is a party;

(d) the status, existence, perfection or priority of any Lien arising through or under such Person under any of the Facility Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Pledged Loans with respect to any Series or any of the other Pledged Assets with respect to any Series.

"MEMBER" shall have the meaning assigned thereto in the LLC Agreement.

"MONTHLY MASTER SERVICER FEE" shall mean, in respect of any Payment Date, with respect to each Series, the Monthly Master Servicer Fee for the preceding Due Period, calculated as provided in the related Series Supplement.

"MONTHLY SERVICING REPORT" shall mean each monthly report prepared by the Master Servicer as provided in Section 6.2 and in the Series Supplements.

"MOODY'S" shall mean Moody's Investors Service, Inc. or any successor thereto.

"MORTGAGE" shall mean any mortgage, deed of trust, purchase money deed of trust or deed to secure debt encumbering the related Timeshare Property, granted by the related Obligor to the Originator of a Loan to secure payments or other obligations under such Loan.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 3(37) of ERISA.

"NOMINEE" shall have the meaning set forth in the Purchase Agreements.

"NOTES" shall mean all Series of Notes issued by the Issuer pursuant to this Agreement and the respective Series Supplements.

"NOTE REGISTER" shall have the meaning specified in Section 2.5.

"NOTE REGISTRAR" shall have the meaning specified in Section 2.5.

"NOTEHOLDER" or "HOLDER" shall mean the Person in whose name a Note is registered in the Note Register.

"OBLIGOR" shall mean, with respect to any Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"OFFICER'S CERTIFICATE" shall mean, unless otherwise specified in this Agreement, a certificate delivered to the Trustee signed by any Vice President or more senior officer of the Issuer or the Master Servicer, as the case may be, or, in the case of a Successor Master Servicer, a certificate signed by any Vice President or more senior officer or the financial controller (or an officer holding an office with equivalent or more senior responsibilities) of such Successor Master Servicer, and delivered to the Trustee.

"OPINION OF COUNSEL" shall mean a written opinion of counsel who may be counsel for, or an employee of, the Person providing the opinion and who shall be reasonably acceptable to the Trustee.

"ORIGINATOR," with respect to any Pledged Loan, shall have the meaning assigned to such term in applicable Purchase Agreement or if such term is not so defined, the entity which originates or acquires Loans and transfers such Loans directly or through a Seller to the Depositor.

"PAC" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit.

"PAYING AGENT" shall mean, with respect to any Series of Notes, the Trustee or any successor thereto, in its capacity as paying agent.

"PAYMENT DATE" shall mean the 13th day of each calendar month, or, if such 13th day is not a Business Day, the next succeeding Business Day or, with respect to any Series such other date as is specified in the related Series Supplement.

"PERFORMANCE GUARANTOR" shall mean Cendant Corporation, a Delaware corporation.

"PERMITTED ENCUMBRANCES" shall, with respect to any Pledged Loan, have the meaning assigned to that term in the Purchase Agreement under which such Pledged Loan was transferred from the Seller to the Depositor.

"PERMITTED INVESTMENTS" shall mean (i) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities on or before the first Payment Date

after the date of acquisition; (ii) time deposits and certificates of deposit having maturities on or before the first Payment Date after the date of acquisition, maintained with or issued by any commercial bank having capital and surplus in excess of $500,000,000 and having a short term senior unsecured debt rating of at least "F-l" by Fitch, "A-1" by S&P or "P-l" by Moody's; (iii) repurchase agreements having maturities on or before the first Payment Date after the date of acquisition for underlying securities of the types described in clauses (i) and (ii) above or clause (iv) below with any institution having a short term senior unsecured debt rating of at least "F-l" by Fitch, "A-l" by S&P, or "P-l" by Moody's; (iv) commercial paper maturing on or before the first Payment Date after the date of acquisition and having a short term senior unsecured debt rating of at least "F-l" by Fitch, "A-l" by S&P or "P-l" by Moody's; (v) money market funds rated "Aaa" by Moody's which invest solely in any of the foregoing, including any such funds in which the Trustee or an Affiliate of the Trustee acts as an investment advisor or provides other investment related services; and (vi) with respect to any Series Accounts any other investments permitted by the applicable Series Supplement; PROVIDED, HOWEVER, that no obligation of any Seller shall constitute a Permitted Investment.

"PERSON" shall mean any person or entity including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity or organization of any nature, whether or not a legal entity.

"PLAN" shall mean an employee benefit plan or other retirement arrangement subject to ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time.

"PLAN INSOLVENCY" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"PLEDGED LOAN" shall mean a Loan listed on a Loan Schedule.

"PLEDGED ASSETS" shall mean with respect to any Series the assets designated in the related Series Supplement as the "Series ____ Pledged Assets."

"POA" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"POOL ASSETS" shall have the meaning set forth in the Pool Purchase Agreement.

"POOL PURCHASE AGREEMENT" shall mean the purchase agreement dated August 29, 2002 by and between the Depositor and the Issuer.

"POST OFFICE BOX" shall mean each post office box to which Obligors are directed to mail payments in respect of the Pledged Loans.

"PRIMARY CUSTODIAL DOCUMENTS" shall have the meaning specified in Section 4.1(k).

"PRINCIPAL AMOUNT" shall mean the initial principal amount of a Series, plus additional principal amounts issued as part of that Series less principal payments previously paid as of such date.

"PROCEEDING" shall have the meaning specified in Section 9.3.

"PURCHASE" shall mean a purchase (whether by means of cash payment, delivery of a note or capital contribution) of Pledged Loans and any related Pool Assets by the Issuer from the Depositor pursuant to the Pool Purchase Agreement.

"PURCHASE AGREEMENT" shall have the meaning assigned thereto in the Pool Purchase Agreement.

"RATING AGENCY" shall mean, with respect to any outstanding Series or Class of a Series, each statistical rating agency, as specified in the applicable Series Supplement, selected by the Issuer to rate the Notes of such Series or Class.

"RATING AGENCY CONDITION" shall mean, with respect to any action, that each Rating Agency shall have notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then existing rating of any outstanding Series or Class with respect to which it is a Rating Agency; provided, however, that if such Series or Class has not been rated, the Rating Agency Condition with respect to any such action shall be defined in the related Series Supplement or, if not defined therein, shall not apply.

"RECORD DATE" shall mean the date on which Noteholders entitled to receive a payment of interest or principal on the succeeding Payment Date are determined, such date as to any Payment Date being the day preceding such Payment Date (or if such day is not a Business Day, the next preceding Business Day) except as otherwise provided with respect to any Series or Class of a Series in the related Series Supplement.

"RECORDS" shall, with respect to any Pledged Loan, have the meaning assigned thereto in the applicable Purchase Agreement.

"REGISTERED NOTES" shall have the meaning set forth in Section 2.1.

"RELEASE PRICE" shall mean, with respect to a Pledged Loan of a Series, the Release Price for that Loan as specified in the applicable Series Supplement.

"REORGANIZATION" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT" shall mean any of the events described in Section 4043 of ERISA.

"RESORT" shall have the meaning set forth in the applicable Purchase Agreement.

"RESPONSIBLE OFFICER" shall mean any officer assigned to the Corporate Trust Office (or any successor thereto), including any Vice President, Assistant Vice President, Trust Officer, any Assistant Secretary, any trust officer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, in each case having direct responsibility for the administration of this Agreement.

"S&P" shall mean Standard & Poor's Ratings Services or any successor thereto.

"SALE" shall have the meaning specified in Section 9.13(a).

"SCHEDULED PAYMENT" shall mean the scheduled monthly payment of principal and interest on a Pledged Loan.

"SECURITIES ACT" shall mean the U.S. Securities Act of 1933, as amended.

"SELLER" shall, with respect to each Purchase Agreement, have the meaning assigned to that term in such Purchase Agreement.

"SERIES" shall mean any series of Notes issued pursuant to this Agreement and a related Series Supplement.

"SERIES ACCOUNT" shall mean any deposit, trust, escrow or similar account maintained for the benefit of the Noteholders of any Series or Class, as specified in any Series Supplement.

"SERIES COLLATERAL" shall mean the collateral Granted to the Collateral Agent for the benefit of the Trustee to secure the Notes of any Series and to secure any other obligations described in the related Series Supplement.

"SERIES ENHANCEMENT" shall mean the rights and benefits provided to the Noteholders of any Series or Class pursuant to any letter of credit, surety bond, cash collateral guaranty, cash collateral account, insurance policy, spread account, reserve account, guaranteed rate agreement, maturity liquidity facility, tax protection agreement, interest rate swap agreement, interest rate cap agreement, currency exchange agreement, other derivative securities agreement or other similar arrangement. The subordination of any Class or Series to another Class or Series shall be a Series Enhancement.

"SERIES ENHANCER" shall mean the Person or Persons providing any Series Enhancement, other than (except to the extent otherwise provided with respect to any Series in the Series Supplement for such Series) the Noteholders of any Class or Series which is subordinated to another Class or Series.

"SERIES ISSUANCE DATE" shall mean, with respect to any Series, the date on which the Notes of such Series are to be originally issued in accordance with Section 2.10 and the related Series Supplement.

"SERIES POOL PURCHASE SUPPLEMENT" shall mean with respect to any Series, the supplement to the Pool Purchase Agreement which provides for the sale of Loans to the Issuer which Loans will provide the collateral for such Series.

"SERIES PURCHASE SUPPLEMENT" shall mean with respect to any Series, each of the supplements to the respective Purchase Agreements which supplements provide for the sale of Loans to the Depositor which Loans will provide the collateral for such Series.

"SERIES SUPPLEMENT" shall mean with respect to any Series, the Supplement to this Agreement which sets forth the terms of such Series.

"SERVICER DEFAULT" shall mean the defaults specified in Section 10.1.

"SERVICE TRANSFER" shall have the meaning set forth in Section 10.1.

"SERVICING OFFICER" shall mean any officer of the Master Servicer involved in, or responsible for, the administration and servicing of the Loans whose name appears on a list of servicing officers furnished to the Trustee by the Master Servicer, as such list may be amended from time to time.

"SUBSERVICER" shall mean each entity which enters into a Subservicing Agreement with the Master Servicer and agrees to service all or a portion of the Pledged Loans.

"SUBSERVICING AGREEMENT" shall mean either the agreement between the Master Servicer and Equivest Capital, Inc. relating to the servicing of Pledged Loans originated by EFI, the agreement between the Master Servicer and Trendwest relating to the servicing of Pledged Loans originated by Trendwest or if FAC is no longer the Master Servicer, the agreement between the Master Servicer and FAC relating to the servicing of the Pledged Loans originated by FAC or, with respect to any other Seller, the agreement between the Master Servicer and such Seller relating to the servicing of the Pledged Loans originated by such Seller.

"SUBSIDIARY" shall mean, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board of Directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person.

"SUCCESSOR MASTER SERVICER" shall have the meaning set forth in Section 10.2.

"SUPPLEMENT" shall mean any Series Supplement and any other documents executed under the terms of Section 13.1 in connection with this Agreement which amend or supplement the terms hereof.

"TERMINATION DATE" shall have the meaning specified in Section 12.1.

"TERMINATION NOTICE" shall have the meaning specified in Section 10.1.

"TIMESHARE PROPERTY" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"TIMESHARE PROPERTY REGIME" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"TIMESHARE UPGRADE" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"TITLE CLEARING AGREEMENT" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"TRENDWEST" shall mean Trendwest Resorts, Inc., an Oregon corporation, a wholly-owned indirect subsidiary of Cendant, and its successors and assigns.

"TRUSTEE" shall mean Wachovia Bank, National Association or its successor in interest, or any successor trustee appointed as provided in this Agreement.

"TRUSTEE FEE LETTER" shall mean the schedule of fees attached as Schedule 1, and all amendments thereof and supplements thereto.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any applicable jurisdiction.

"UDI" shall have the meaning assigned thereto in the respective Purchase Agreements.

Section 1.2 OTHER DEFINITIONAL PROVISIONS.

(a) With respect to terms used in this Agreement and not otherwise defined herein such terms shall have the meanings ascribed to them in the Pool Purchase Agreement.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in

Section 1.1, and accounting terms partly defined in Section 1.1 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles and as in effect from time to time. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein or in any such certificate or other document shall control.

(d) Any reference to each Rating Agency shall only apply to any specific rating agency if such rating agency is then rating any outstanding Series or Class of a Series.

(e) Unless otherwise specified, references to any amount as on deposit or outstanding on any particular date shall mean such amount at the close of business on such day.

(f) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Article, Section, subsection, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

Section 1.3 INTENT AND INTERPRETATION OF DOCUMENTS

The arrangement by this Agreement, the Series Supplements, the Purchase Agreements and the Series Purchase Supplements, the Pool Purchase Agreement and the Series Pool Purchase Supplements, the Custodial Agreements, the Collateral Agency Agreement and the other Facility Documents is intended not to be a taxable mortgage pool for federal income tax purposes, and is intended to constitute a sale of the Loans by the applicable Seller to the Depositor for commercial law purposes. Each of the Depositor and the Issuer are and are intended to be a legal entity separate and distinct from each Seller for all purposes other than tax purposes. This Agreement and the other Facility Documents shall be interpreted to further these intentions.

ARTICLE II

THE NOTES

Section 2.1 FORM GENERALLY.

The Notes of any Series or Class shall be issued in fully registered form without interest coupons (the "REGISTERED NOTES") unless the applicable Series Supplement provides, in accordance with then applicable laws, that such Notes be issued in bearer form ("BEARER NOTES") with attached interest coupons and a special coupon (collectively the "COUPONS"). Such Registered Notes or Bearer Notes, as the case may be, shall be substantially in the form provided in the applicable Series Supplement with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement or the applicable Series Supplement, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes. Any portion of the text of any Note may be set forth on the reverse or subsequent pages thereof, with an appropriate reference thereto on the face of the Note.

The Notes shall be typewritten, word processed, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes. If specified in any Series Supplement, the Notes of any Series or Class shall be issued upon initial issuance as one or more notes evidencing the aggregate original principal amount of such Series or Class as described in Section 2.10.

All Notes shall be dated as provided in the applicable Series Supplement.

Section 2.2 DENOMINATIONS.

Except as otherwise specified in the related Series Supplement and the Notes, each Class of Notes of each Series shall be issued in fully registered form in minimum amounts of U.S. $1,000 and in integral multiples of U.S. $1,000 in excess thereof (except that one Note of each Class may be issued in a different amount, so long as such amount exceeds the applicable minimum denomination for such Class).

Section 2.3 EXECUTION, AUTHENTICATION AND DELIVERY.

Each Note shall be executed by manual or facsimile signature on behalf of the Issuer by an Authorized Officer of the Issuer.

Notes bearing the manual or facsimile signature of an individual who was, at the time when such signature was affixed, authorized to sign on behalf of the

Issuer shall not be rendered invalid, notwithstanding the fact that such individual ceased to be so authorized prior to the authentication and delivery of such Notes or does not hold such office at the date of issuance such Notes.

At any time and from time to time after the execution and delivery of this Agreement, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication and delivery, and the Trustee shall authenticate and deliver such Notes as provided in this Agreement or the related Series Supplement and not otherwise.

No Note shall be entitled to any benefit under this Agreement or the applicable Series Supplement or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein or in the related Series Supplement executed by or on behalf of the Trustee by the manual signature of a duly authorized signatory, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.4 AUTHENTICATION AGENT.

(a) The Trustee may appoint one or more Authentication Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee in authenticating the Notes in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Notes. Whenever reference is made in this Agreement to the authentication of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of the Trustee by an Authentication Agent and a certificate of authentication executed on behalf of the Trustee by an Authentication Agent. Each Authentication Agent must be acceptable to the Issuer and the Master Servicer.

(b) Any institution succeeding to the corporate agency business of an Authentication Agent shall continue to be an Authentication Agent without the execution or filing of any power or any further act on the part of the Trustee or such Authentication Agent.

(c) An Authentication Agent may at any time resign by giving notice of resignation to the Trustee and to the Issuer. The Trustee may at any time terminate the agency of an Authentication Agent by giving notice of termination to such Authentication Agent and to the Issuer and the Servicer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an Authentication Agent shall cease to be acceptable to the Trustee or the Issuer, the Trustee may promptly appoint a successor Authentication Agent. Any successor Authentication Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authentication Agent. No successor Authentication Agent shall be appointed unless acceptable to the Issuer and the Master Servicer.

(d) The Issuer agrees to pay to each Authentication Agent from time to time reasonable compensation for its services under this Section 2.4.

(e) The provisions of Sections 11.1 and 11.3 shall be applicable to any Authentication Agent.

(f) Pursuant to an appointment made under this Section 2.4, the Notes may have endorsed thereon, in lieu of or in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in substantially the following form:

"This is one of the Notes described in the within-mentioned Agreement.

---
as Authentication Agent
for the Trustee

By:

Authorized Signatory"

Section 2.5 REGISTRATION OF TRANSFER AND EXCHANGE OF NOTES.

(a) The Issuer shall cause to be kept at the Corporate Trust Office, a register (the "NOTE REGISTER") in which, subject to such reasonable regulations as it may prescribe, the registration of Notes and the registration of transfers of Notes shall be provided. A note registrar (which may be the Trustee) (in such

capacity, the "NOTE REGISTRAR") shall provide for the registration of Registered Notes and transfers and exchanges of Registered Notes as herein provided. The Note Registrar shall initially be the Trustee. Any reference in this Agreement to the Note Registrar shall include any co-note registrar unless the context requires otherwise.

The Trustee may revoke such appointment and remove any Note Registrar if the Trustee determines in its sole discretion that such Note Registrar failed to perform its obligations under this Agreement in any material respect. Any Note Registrar shall be permitted to resign as Note Registrar upon thirty (30) days' notice to the Issuer and the Trustee; provided, however, that such resignation shall not be effective and such Note Registrar shall continue to perform its duties as Note Registrar until the Trustee has appointed a successor Note Registrar (which may be the Trustee) reasonably acceptable to the Issuer.

Upon surrender for registration of transfer or exchange of any Registered Note at any office or agency of the Note Registrar maintained for such purpose, subject to any transfer restrictions contained in the applicable Series Supplement, one or more new Registered Notes (of the same Series and Class) in authorized denominations of like tenor and aggregate principal amount shall be executed, authenticated and delivered, in the name of the designated transferee or transferees.

At the option of a Registered Noteholder, subject to the provisions of this Section 2.5 and any restrictions contained in the applicable Series Supplement, Registered Notes (of the same Series and Class) may be exchanged for other Registered Notes of authorized denominations of like tenor and aggregate principal amount, upon surrender of the Registered Notes to be exchanged at any such office or agency; Registered Notes, including Registered Notes received in exchange for Bearer Notes, may not be exchanged for Bearer Notes. At the option of the Holder of a Bearer Note, subject to applicable laws and regulations, Bearer Notes may be exchanged for other Bearer Notes or Registered Notes (of the same Series and Class) of authorized denominations of like tenor and aggregate principal amount, upon surrender of the

Bearer Notes to be exchanged at an office or agency of the Note Registrar located outside the United States. Each Bearer Note surrendered pursuant to this Section shall have attached thereto all unmatured Coupons.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Agreement, and the applicable Series Supplement, as the Notes surrendered upon such registration of transfer or exchange.

The preceding provisions of this Section 2.5(a) notwithstanding, the Trustee or the Note Registrar, as the case may be, shall not be required to register the transfer of or exchange any Note for a period of fifteen (15) days preceding the due date for any payment with respect to the Note.

Whenever any Notes are so surrendered for exchange, subject to any restrictions contained in the applicable Series Supplement, the Issuer shall execute and the Trustee shall authenticate and deliver (in the case of Bearer Notes, outside the United States) the Notes which the Noteholder making the exchange is entitled to receive. Every Note presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in a form satisfactory to the Trustee or the Note Registrar duly executed by the Noteholder or the attorney-in-fact thereof duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Note Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any such transfer or exchange.

All Notes (together with any Coupons) surrendered for registration of transfer and exchange or for payment shall be canceled and disposed of in a manner satisfactory to the Trustee. The Trustee shall cancel and destroy any Global Note upon its exchange in full for definitive Notes and shall deliver a certificate of destruction to the Issuer. Such certificate shall also state that a certificate or certificates of a Foreign Clearing Agency referred to in the applicable Series Supplement was received with respect to each portion of the Global Note exchanged for definitive Notes.

The Issuer shall execute and deliver to the Trustee Notes in such amounts and at such times as are necessary to enable the Trustee to fulfill its responsibilities under this Agreement, the Series Supplements and the Notes.

(b) The Note Registrar will maintain at its expense in the Borough of Manhattan, The City of New York, an office or agency where Notes may be surrendered for registration of transfer or exchange (except that Bearer Notes may not be surrendered for exchange at any such office or agency in the United States or its territories and possessions).

Section 2.6 MUTILATED, DESTROYED, LOST OR STOLEN NOTES.

If (a) any mutilated Note (together, in the case of Bearer Notes, with all unmatured Coupons (if any) appertaining thereto) is surrendered to the Note Registrar, or the Note Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (b) in case of

destruction, loss or theft there is delivered to the Note Registrar such security or indemnity as may be required by it to hold the Issuer, the Note Registrar and the Trustee harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Trustee that such Note has been acquired by a protected purchaser (as defined in the New York UCC), the Issuer shall execute, and the Trustee shall authenticate and the Note Registrar shall deliver (in the case of Bearer Notes, outside the United States), in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note of like tenor and aggregate principal amount, bearing a number not contemporaneously outstanding; provided, however, that if any such mutilated, destroyed, lost or stolen Note shall have become or within seven days shall be due and payable, or shall have been selected or called for redemption, instead of issuing a replacement Note, the Issuer may pay such Note without surrender thereof, except that any mutilated Note shall be surrendered. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a protected purchaser and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

In connection with the issuance of any replacement Note under this Section 2.6, the Issuer or the Note Registrar may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Trustee or the Note Registrar) connected therewith.

Any replacement Note issued pursuant to this Section in replacement of any mutilated, destroyed, lost or stolen Note shall constitute complete and indefeasible evidence of a debt of the Issuer, as if originally issued, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.7 PERSONS DEEMED OWNERS.

The Trustee, the Paying Agent, the Note Registrar, the Depositor, the Issuer and any agent of any of them may (a) prior to due presentation of a Registered Note for registration of transfer, treat the Person in whose name any Registered Note is registered as the owner of such Registered Note for the purpose of receiving distributions pursuant to the terms of the applicable Series Supplement and for all other purposes whatsoever, and (b) treat the bearer of a Bearer Note or Coupon as the owner of such Bearer Note or Coupon for the purpose of receiving distributions pursuant to the terms of the applicable Series Supplement and for all other purposes

whatsoever; and, in any such case, neither the Trustee, the Paying Agent, the Note Registrar, the Depositor, the Issuer nor any agent of any of them shall be affected by any notice to the contrary.

Section 2.8 APPOINTMENT OF PAYING AGENT.

The Paying Agent shall make distributions to Noteholders from the applicable Collection Account or other applicable Series Account pursuant to the provisions of the applicable Series Supplement and shall report the amounts of such distributions to the Issuer. Any Paying Agent shall have the revocable power to withdraw funds from the applicable Collection Account or applicable Series Account for the purpose of making the distributions referred to above. The Issuer may revoke such power and remove the Paying Agent if the Issuer determines in its sole discretion that the Paying Agent shall have failed to perform its obligations under this Agreement in any material respect. The Issuer reserves the right at any time to vary or terminate the appointment of a Paying Agent for the Notes, and to appoint additional or other Paying Agents, provided

that it will at all times maintain the Trustee as a Paying Agent. In the event that any Paying Agent shall resign, the Issuer may appoint a successor to act as Paying Agent. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

Section 2.9 CANCELLATION.

All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any lawful manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Notes held by the Trustee shall be destroyed unless the Issuer shall direct by a timely order that they be returned to it.

Section 2.10 NEW ISSUANCES.

(a) Pursuant to one or more Series Supplements, the Issuer may from time to time issue one or more new Series of Notes. The total principal amount of Notes that may be authenticated and delivered and Outstanding under this Agreement is not limited.

(b) On or before the Series Issuance Date relating to any new Series, the parties hereto will execute and deliver a Series Supplement which will specify the terms of such new Series. The terms of such Series Supplement may modify or amend the terms of this Agreement solely as applied to such new Series. Subject to the conditions set forth in the Series Supplement, the Trustee shall execute the Series Supplement and the Issuer shall execute the Notes of such Series and deliver the Notes to the Trustee for authentication and delivery.

Section 2.11 BOOK-ENTRY NOTES.

If so specified in any related Series Supplement for any Series or Class, the Notes of that Series or Class, upon original issuance, shall be issued in the form of one or more Notes representing the Book-Entry Notes, to be delivered to the Clearing Agency or Foreign Clearing Agency on behalf of the Issuer. If issued as Book-Entry Notes, such Notes shall initially be registered on the Note Register in the name of the Clearing Agency or Foreign Clearing Agency or its nominee, and no beneficial owner will receive a definitive note representing such beneficial owner's interest in the Notes, except as provided in Section 2.13. In such case and until definitive, fully registered Notes ("DEFINITIVE NOTES") have been issued to the applicable beneficial owners pursuant to Section 2.13 or as otherwise specified in any such Series Supplement:

(a) the provisions of this Section 2.11 shall be in full force and effect with respect to each such Series or Class;

(b) the Issuer, the Depositor and the Trustee shall be entitled to deal with the Clearing Agency or Foreign Clearing Agency for all purposes of this Agreement (including the meaning of distributions) as the authorized representatives of the beneficial owners;

(c) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Agreement or the applicable Series Supplement, the provisions of this Section 2.11 shall control with respect to each such Series or Class; and

(d) the rights of the respective owners of security entitlements to the Notes of each such Series or Class shall be exercised only through the Clearing Agency or Foreign Clearing Agency and the applicable Clearing Agency Participants and shall be limited to those established by law and agreements between such beneficial owners and the Clearing Agency or Foreign Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Depository Agreement applicable to a Series or Class, unless and until Definitive Notes of such Series or Class are issued pursuant to Section 2.13, the initial Clearing Agency shall make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the related Series or Class to such Clearing Agency Participants.

For purposes of any provision of this Agreement requiring or permitting actions with the consent of, or at the direction of, Noteholders evidencing a specified percentage of the aggregate unpaid principal amount of Notes of a Series, such direction or consent may be given by beneficial owners (acting through the Clearing Agency and the Clearing Agency Participants) owning security entitlements to the Notes evidencing the requisite percentage of principal amount of Notes.

Section 2.12 NOTICES TO CLEARING AGENCY OR FOREIGN CLEARING AGENCY.

Whenever a notice or other communication is required to be given to the Noteholders of any Series or Class with respect to which Book-Entry Notes have been issued, unless and until Definitive Notes shall have been issued to the related beneficial owners pursuant to Section 2.13,

the Trustee shall give all such notices and communications to the Clearing Agency or Foreign Clearing Agency, as applicable.

Section 2.13 DEFINITIVE NOTES.

If Book-Entry Notes have been issued with respect to any Series or Class and (i) the Issuer, at its option, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency or Foreign Clearing Agency with respect to such Series or Class or (ii) after the occurrence of a Servicer Default or an Event of Default, beneficial owners of such Series or Class representing not less than 50% of the principal amount of the Book-Entry Notes of such Series or Class advise the Trustee and the applicable Clearing Agency or Foreign Clearing Agency in writing through the applicable Clearing Agency Participants that the continuation of a book-entry system with respect to the Notes of such Series or Class is no longer in the best interests of the beneficial owners of such Series or Class, then the Trustee shall notify all beneficial owners of such Series or Class, through the Clearing Agency or Foreign Clearing Agency, as applicable, of the occurrence of such event and of the availability of Definitive Notes to beneficial owners of such Series or Class. Upon surrender to the Trustee of such Notes by the Clearing Agency, accompanied by registration instructions from the applicable Clearing Agency for registration, the Issuer shall execute and the Trustee shall authenticate Definitive Notes of such Class and shall recognize the registered holders of such Definitive Notes as Noteholders under this Agreement. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions, and the Issuer and the Trustee may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes of such Series, all references herein to obligations imposed upon or to be performed by the applicable Clearing Agency or Foreign Clearing Agency shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Notes, and the Trustee shall recognize the registered Holders of such Definitive Notes of such Series or Class as Noteholders of such Series or Class hereunder. Definitive Notes will be transferable and exchangeable at the offices of the Note Registrar.

Section 2.14 GLOBAL NOTE.

If specified in the related Series Supplement for any Series or Class, the Notes for such Series or Class will initially be issued in the form of a single temporary global Note (the "GLOBAL NOTE") in bearer form, without interest coupons, in the denomination of the entire aggregate principal amount of such Series or Class and substantially in the form set forth in the applicable Series Supplement. The Global Note will be executed by the Issuer and authenticated by the Trustee at the written direction of the Issuer upon the same conditions, in substantially the same manner and with the same effect as the Definitive Notes. The Global Note may be exchanged for Bearer or Registered Notes in definitive form, as provided in the related Series Supplement. Except as otherwise specifically provided in the Series Supplement, any Notes that are issued in bearer form shall be issued in accordance with the requirements of Section 163(f)(2) of the Code.

Section 2.15 MEETINGS OF NOTEHOLDERS.

To the extent and as more specifically provided by the Series Supplement for any Series issued in whole or in part in Bearer Notes, the Trustee may at any time call a meeting of the

Noteholders of such Series, for the purpose of approving, as provided in subsection 13.1(b), a modification of or amendment to, or obtaining a waiver of, any covenant or condition set forth in the applicable Series Supplement or this Agreement.

Section 2.16 CONFIDENTIALITY. The Trustee and the Collateral Agent hereby agree not to disclose to any Person any of the names or addresses of the Obligor under any Pledged Loan or other information contained in the Loan Schedule or the data transmitted to the Trustee or the Collateral Agent hereunder, except (i) as may be required by law, rule, regulation or order applicable to it or in response to any subpoena or other valid legal process, (ii) as may be necessary in connection with any request of any federal or state regulatory authority having jurisdiction over it or the National Association of Insurance Commissioners, (iii) in connection with the performance of its duties hereunder, (iv) to a Successor Master Servicer appointed pursuant to Section 10.2, (v) in enforcing the rights of Noteholders and (vi) as requested by any Person in connection with the financing statements filed pursuant to this Agreement or any Series Supplement. The Trustee and the Collateral Agent hereby agree to take

such measures as shall be reasonably requested by the Issuer of it to protect and maintain the security and confidentiality of such information. The Trustee and the Collateral Agent shall use reasonable efforts to provide the Issuer with written notice five days prior to any disclosure pursuant to this Section 2.16.

Section 2.17 144A INFORMATION. The Issuer agrees to furnish to the Trustee, for each Noteholder or any prospective transferee of a Note at such Noteholder's (or transferee's) request, all information with respect to the Issuer or the Master Servicer, the Pledged Loans or the Notes required pursuant to Rule 144A promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, to enable such Noteholder to effect resales of the Notes (or interests therein) pursuant to such rule.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

Section 3.1 REPRESENTATIONS AND WARRANTIES REGARDING THE ISSUER. The Issuer hereby represents and warrants to the Trustee and the Collateral Agent on the date of execution of this Agreement and to Noteholders of a Series as of the Series Issuance Date or any Addition Date for that Series as follows:

(a) DUE FORMATION AND GOOD STANDING. The Issuer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware, and has full power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under each of the Facility Documents to which it is a party. The Issuer is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Pledged Loan unenforceable by the Issuer or would otherwise have a Material Adverse Effect.

(b) DUE AUTHORIZATION AND NO CONFLICT. The execution, delivery and performance by the Issuer of each of the Facility Documents to which it is a party, and the consummation by the Issuer of each of the transactions contemplated hereby and thereby, including without limitation the acquisition of the Pledged Loans under the Pool Purchase Agreement and the making of the Grants contemplated hereunder and under the Series Supplements, have in all cases been duly authorized by the Issuer by all necessary action, do not contravene (i) the Issuer's certificate of formation or the LLC Agreement, (ii) any existing law, rule or regulation applicable to the Issuer, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on or affecting the Issuer or its property or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Issuer or its property (except where such contravention would not have a Material Adverse Effect), and do not result in or require the creation of any Lien upon or with respect to any of its properties (except as provided in such Facility Documents); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the other Facility Documents to which the Issuer is a party have been duly executed and delivered by the Issuer.

(c) GOVERNMENTAL AND OTHER CONSENTS. All approvals, authorizations, consents, orders of any court or governmental agency or body required in connection with the execution and delivery by the Issuer of any of the Facility Documents to which the Issuer is a party, the consummation by the Issuer of the transactions contemplated hereby or thereby, the performance by the Issuer of and the compliance by the Issuer with the terms hereof or thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect on the Issuer.

(d) ENFORCEABILITY OF FACILITY DOCUMENTS. Each of the Facility Documents to which the Issuer is a party have been duly and validly executed and delivered by the Issuer and constitute the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(e) NO LITIGATION. Except, with respect to a Series, as disclosed in a schedule to the Series Supplement for such Series, there are no proceedings or investigations pending or, to the best knowledge of the Issuer, threatened, against the Issuer before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement or any of the other Facility Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Facility Documents, (iii) seeking any determination or ruling that would adversely affect the performance by the Issuer of its obligations under this Agreement or any of the other Facility Documents to which the Issuer is a party, (iv) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Facility

Documents or (v) seeking any determination or ruling which would be reasonably likely to have a Material Adverse Effect on the Issuer.

(f) USE OF PROCEEDS. All proceeds of the issuance of the Notes shall be used by the Issuer to acquire Loans from the Depositor under the Pool Purchase Agreement, to pay costs

related to the issuance of the Notes, to pay principal and/or interest on any Notes or to otherwise fund costs and expenses permitted to be paid under the terms of the Facility Documents.

(g) GOVERNMENTAL REGULATIONS. The Issuer is not (1) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or (2) a "public utility company" or a "holding company," a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8)or 2(a)(11) of the Public Utility Holding Company Act of 1935, as amended.

(h) MARGIN REGULATIONS. The Issuer is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each of the quoted terms is defined or used in any of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time). No part of the proceeds of any of the Notes has been used for so purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of any of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

(i) LOCATION OF CHIEF EXECUTIVE OFFICE AND RECORDS. As of the date hereof, the principal place of business and chief executive office of the Issuer is located at 10750 West Charleston Boulevard, Suite 130, Mail Stop 2046, Las Vegas, Nevada 89135. As of the date hereof, the principal place of business and chief executive office of the Master Servicer is located at 10750 West Charleston Boulevard, Suite 130, Las Vegas, Nevada 89135. As of the date hereof, neither the Issuer nor the Master Servicer operates its business or maintains the Records at any other locations. As of the date hereof, the issuer is a limited liability company organized under the law of the State of Delaware, whose correct name is set forth in the signature pages hereof.

(j) LOCKBOX ACCOUNTS. Except in the case of any Lockbox Account pursuant to which only collections in respect of loans subject to a PAC or Credit Card Account are deposited, the Issuer has filed or has caused to be filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes, are specified in the exhibits to the respective Purchase Agreements. From and after the Initial Closing Date the Trustee shall hold all right and title to and interest in all of the monies, checks, instruments, depository transfers or automated clearing house electronic transfers and other items of payment and their proceeds and all monies and earnings, if any, thereon in the Lockbox Accounts. The Issuer has no other lockbox accounts for the collection of Scheduled Payments in respect of Pledged Loans except for the Lockbox Accounts.

(k) NO TRADE NAMES. Subject to the Issuer's rights under Section 4.2(p), the Issuer has no trade names, fictitious names, assumed names or "doing business as" names, and has not had any such names or had any other legal name at any time since its formation.

(l) SUBSIDIARIES. The Issuer has no Subsidiaries and does not own or hold, directly or indirectly, any capital stock or equity security of, or any equity interest in, any Person, other than Permitted Investments.

(m) FACILITY DOCUMENTS. The Pool Purchase Agreement and the Series Pool Purchase Supplement are the only agreements pursuant to which the Issuer purchases the Pledged Loans and the related Pledged Assets. The Issuer has furnished to the Trustee and the Collateral Agent, true, correct and complete copies of each Facility Document to which the Issuer is a party, each of which is in full force and effect. Neither the Issuer nor any Affiliate thereof is in default of any of its obligations thereunder in any material respect. Upon each Purchase pursuant to the Pool Purchase Agreement or a Series Pool Purchase Supplement, the Issuer shall be the lawful owner of, and have good title to, each Pledged Loan and all related Pledged Assets, free and clear of any Liens (other than the Lien of the applicable Series Supplement and any Permitted Encumbrances on the related Timeshare Properties), or shall have a first-priority perfected security interest therein. All such Pledged Loans and other related Pledged Assets are purchased without recourse to the Depositor except as described in the Pool Purchase Agreement. The Purchases by the Issuer under the Pool Purchase Agreement and the Series Pool Purchase Supplement

constitute either sales or first-priority perfected security interests, enforceable against creditors of the Depositor.

(n) BUSINESS. Since its formation, the Issuer has conducted no business other than the execution, delivery and performance of the Facility Documents contemplated hereby, the Purchase of Loans thereunder, the issuance and payment of Notes and such other activities as are incidental to the foregoing. The Issuer has incurred no Debt except that expressly incurred hereunder and under the other Facility Documents.

(o) OWNERSHIP OF THE ISSUER. One hundred percent (100%) of the outstanding equity interest in the Issuer is directly owned (both beneficially and of record) by the Depositor.

(p) TAXES. The Issuer has timely filed or caused to be timely filed all federal, state and local tax returns which are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Issuer has set aside adequate reserves on its books in accordance with GAAP and which proceedings have not given rise to any Lien.

(q) SOLVENCY. The Issuer, both prior to and immediately after giving effect to any Purchase occurring on any day (i) is not "insolvent" (as such term is defined in the Bankruptcy Code); (ii) is able to pay its debts as they become due; and (iii) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(r) ERISA. There has been no (i) occurrence or expected occurrence of any Reportable Event with respect to any Benefit Plan subject to Title IV of ERISA of the Issuer or any of its ERISA Affiliates, or any withdrawal from, or the termination, Reorganization or Plan Insolvency of any Multiemployer Plan or (ii) institution of proceedings or the taking of any other action by the Pension Benefit Guaranty Corporation or the Issuer or any of its ERISA Affiliates

or any such Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Plan Insolvency of, any such Plan.

(s) NO ADVERSE SELECTION. No selection procedures materially adverse to the Noteholders of a Series, the Trustee or the Collateral Agent have been employed by the Issuer in selecting the Pledged Loans for inclusion in the Series Collateral for such Series on the related Closing Date for such Series.

Section 3.2 REPRESENTATIONS AND WARRANTIES REGARDING THE LOAN FILES. The Issuer represents and warrants to each of the Trustee, the Collateral Agent, the Master Servicer and the Noteholders as to each Pledged Loan that:

(a) POSSESSION. On or immediately prior to each Closing Date or an Addition Date, as applicable, a Custodian will have possession of each original Pledged Loan and the related Loan File, and will have acknowledged such receipt and its undertaking to hold such documents for purposes of perfection of the Collateral Agent's interests in such original Pledged Loan and the related Loan File; PROVIDED, HOWEVER, that the fact that any of the Loans not required to be in its respective Loan File under the terms of the respective Purchase Agreements is not in the possession of the Custodian in its respective Loan File does not constitute a breach of this representation; and PROVIDED THAT, possession of Loan Documents may be in the form of microfiche or other electronic copies of the Loan Documents to the extent provided in the Custodial Agreement.

(b) MARKING RECORDS. On or before each Closing Date and each Addition Date, each of the Issuer and the Master Servicer shall have caused the portions of the computer files relating to the Pledged Loans Granted to the Collateral Agent on such date to be clearly and unambiguously marked to indicate that such Loans constitute part of the Series Collateral Granted by the Issuer in accordance with the terms of a Series Supplement.

The representations and warranties of the Issuer set forth in this Section 3.2 shall be deemed to be remade without further act by any Person on and as of each Closing Date and each Addition Date with respect to each Loan Granted by the Issuer on and as of each such date. The representations and warranties set forth in this Section 3.2 shall survive any Grant of the respective Loans by the Issuer.

Section 3.3 RIGHTS OF OBLIGORS AND RELEASE OF LOAN FILES.

(a) Notwithstanding any other provision contained in this Agreement, including the Collateral Agent's, the Trustee's and the Noteholders' remedies pursuant hereto and pursuant to the Collateral Agency Agreement, the rights of any Obligor to any Timeshare Property subject to a Pledged Loan shall, so long as such Obligor is not in default thereunder, be superior to those of the

Collateral Agent, the Trustee and the Noteholders, and none of the Collateral Agent, the Trustee or the Noteholders, so long as such Obligor is not in default thereunder, shall interfere with such Obligor's use and enjoyment of the Timeshare Property subject thereto.

(b) If pursuant to the terms of this Agreement or the Series Supplement, the Collateral Agent or the Trustee shall acquire through foreclosure the Issuer's interest in any portion of the Timeshare Property subject to a Pledged Loan, the Collateral Agent and the Trustee hereby

specifically agree to release or cause to be released any Timeshare Property from any Lien under the appropriate Series Supplement upon completion of all payments and the performance of all the terms and conditions required to be made and performed by such Obligor under such Pledged Loan, and each of the Collateral Agent and the Trustee hereby consents to any such release by, or at the direction of, the Collateral Agent.

(c) At such time as an Obligor has paid in full the purchase price or the requisite percentage of the purchase price for deeding pursuant to a Pledged Loan and has otherwise fully discharged all of such Obligor's obligations and responsibilities required to be discharged as a condition to deeding, the Master Servicer shall notify the Trustee by a certificate substantially in the form attached hereto as Exhibit A (which certificate shall include a statement to the effect that all amounts received in connection with such payment have been deposited in the appropriate Collection Account) of a Servicing Officer and shall request delivery to the Master Servicer from the Custodian of the related Loan Files. Upon receipt of such certificate and request or at such earlier time as is required by applicable law, the Trustee and the Collateral Agent (a) shall be deemed, without the necessity of taking any action, to have approved release by the Custodian of the Loan Files to the Master Servicer (in all cases in accordance with the provisions of the Custodial Agreements), (b) shall be deemed to approve the release by the Nominee of the related deed of title, and any documents and records maintained in connection therewith, to the Obligor as provided in the Title Clearing Agreement, provided that title to the Timeshare Property has not already been deeded to the Obligor and/or (c) shall execute such documents and instruments of transfer and assignment and take such other action as is necessary to release its interest in the Timeshare Property subject to deeding (in the case of any Pledged Loan which has been paid in full). The Master Servicer shall cause each Loan File or any document therein so released which relates to a Pledged Loan for which the Obligor's obligations have not been fully discharged to be returned to the Custodian for the sole benefit of the Collateral Agent when the Master Servicer's need therefor no longer exists.

ARTICLE IV

ADDITIONAL COVENANTS OF ISSUER

Section 4.1 AFFIRMATIVE COVENANTS. The Issuer shall;

(a) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, and all Pledged Loans and Facility Documents to which it is a party (including without limitation the laws, rules and regulations of each state governing the sale of timeshare contracts).

(b) PRESERVATION OF EXISTENCE. Preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity, and maintain all necessary licenses and approvals, in each jurisdiction in which it does business, except where the failure to preserve and maintain such existence, rights, franchises, privileges, qualifications, licenses and approvals would not have a Material Adverse Effect.

(c) ADEQUATE CAPITALIZATION. Ensure that at all times it is adequately capitalized to engage in the transactions contemplated by this Agreement and the Series Supplements hereto and, in particular, that it shall limit its debt so that at all times it has a positive net worth of not less than $5 million.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Maintain and implement administrative and operating procedures (including without limitation an ability to recreate records evidencing the Pledged Loans in the event of the destruction or loss of the originals thereof) and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Pledged Loans (including without limitation records adequate to permit the daily identification of all Collections with respect to, and adjustments of amounts payable under, each Pledged Loan).

(e) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND LOANS. At its expense, timely and fully perform and comply in all material respects with all material provisions, covenants and other promises required to be observed by it under the

Pledged Loans.

(f) CREDIT STANDARDS AND COLLECTION POLICIES. Comply in all material respects with the Credit Standards and Collection Policies and Customary Practices in regard to each Pledged Loan and the related Pledged Assets.

(g) COLLECTIONS. (1) Instruct or cause all Obligors to be instructed to either:

(A) send all Collections directly to a Post Office Box for credit to a Lockbox Account or directly to a Lockbox Account, or

(B) in the alternative, make Scheduled Payments by way of pre-authorized debits from a deposit account of such Obligor pursuant to a PAC or from a credit card of such Obligor pursuant to a Credit Card Account from which Scheduled Payments shall be electronically transferred directly to a Lockbox Account immediately upon each such debit (PROVIDED THAT, for the avoidance of doubt, each Obligor may at any time cease to pay its Scheduled Payments directly to a Post Office Box or a Lockbox Account or pursuant to a PAC or Credit Card Account, so long as the Master Servicer promptly instructs such Obligor to commence one of the two alternative methods of funds transfer provided for in either of sub-classes (A) or (B) of this clause (1)).

(2) In the case of funds transfers pursuant to a PAC or Credit Card Account, take, or cause each of the Master Servicer, a Lockbox Bank and/or the Trustee to take, all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(3) If the Issuer shall receive any Collections, the Issuer shall hold such Collections in trust for the benefit of the Trustee and the Noteholders of the appropriate Series and deposit such Collections into a Lockbox Account or the appropriate Collection Account within two Business Days following the Issuer's receipt thereof.

(h) COMPLIANCE WITH ERISA. Comply in all material respects with the provisions of ERISA, the Code, and all other applicable laws and the regulations and interpretations thereunder.

(i) PERFECTED SECURITY INTEREST. Take such action with respect to each Pledged Loan as is necessary to ensure that the Collateral Agent maintains on behalf of the Trustee, a first priority perfected security interest in such Pledged Loan and the Pledged Assets relating thereto, in each case free and clear of any Liens (other than the Lien created by this Agreement and in the case of any Timeshare Properties, any Permitted Encumbrance).

(j) NO RELEASE. Not take any action and shall use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or material obligations under any document, instrument or agreement included in the Series Collateral for any Series, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such document, instrument or agreement except as expressly provided in this Agreement or such other instrument or document.

(k) INSURANCE AND CONDEMNATION.

(i) The Issuer shall do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort to cause each of the POAs for each Resort to (A) maintain one or more policies of "all-risk" property and general liability insurance with financially sound and reputable insurers, providing coverage in scope and amount which (x) satisfies the requirements of the declarations (or any similar charter document) governing the POA for the maintenance of such insurance policies and (y) is at least consistent with the scope and amount of such insurance coverage obtained by prudent POAs and/or management of other similar developments in the same jurisdiction; and (B) apply the proceeds of any such insurance policies in the manner specified in the relevant declarations (or any similar charter document) governing the POA and/or any similar charter documents of such POA (which efforts shall include, in any case, voting as a member of the POA or as a proxy or attorney-in-fact for a member). For the avoidance of doubt, the parties hereto acknowledge that the ultimate discretion and control relating to the maintenance of any such insurance policies is vested in the POAs in accordance with the respective declaration (or any similar charter document) relating to each Timeshare Property Regime.

(ii) The Issuer shall remit to the appropriate Collection Account the portion of any proceeds received pursuant to a condemnation of property in any Resort to the extent that such proceeds relate to any of the Timeshare Properties.

(l) CUSTODIAN.

(i) On or before each Closing Date and thereafter promptly upon the generation of any documents, instruments and agreements evidencing or otherwise relating to the Pledged Loans or related Pledged Assets received by any of the Issuer or the Master Servicer, the Issuer shall deliver or cause to be delivered directly to the Custodian for the benefit of the Collateral Agent pursuant to the Custodial Agreement all such documents, instruments and

agreements of the Issuer, including without limitation all original Pledged Loans (or in the case of Pledged Loans consisting of a sales contract and a separate promissory note, the original of such promissory note), installment promissory notes, mortgages, and all ancillary and collateral documentation executed in connection therewith (collectively, the "PRIMARY CUSTODIAL DOCUMENTS"). Such Primary Custodial Documents may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement. The Issuer shall cause the Custodian to hold, maintain and keep custody of all such Primary Custodial Documents for the benefit of the Collateral Agent in a secure fire retardant location at an office of the Custodian, which location shall be reasonably acceptable to the Collateral Agent and the Trustee.

(ii) The Issuer shall cause the Custodian at all times to maintain control of the Primary Custodial Documents for the benefit of the Collateral Agent on behalf of the Trustee and the Noteholders, in each case pursuant to the Custodial Agreement. Each of the Issuer and the Master Servicer may access the Primary Custodial Documents at the Custodian's storage facility only for the purposes and upon the terms and conditions set forth herein and in the Custodial Agreement. Each of the Issuer and the Master Servicer may only remove Primary Custodial Documents for collection services and other routine servicing requirements from such facility in accordance with the terms of the Custodial Agreement, all as set forth and pursuant to the "Bailment Agreement" (as defined in and attached as an exhibit to the Custodial Agreement).

(iii) The Issuer shall at all times comply in all material respects with the terms of its obligations under the Custodial Agreements and shall not enter into any modification, amendment or supplement of or to, and shall not terminate, either Custodial Agreement, without the Collateral Agent's and Trustee's prior written consent.

(m) SEPARATE IDENTITY. Take all actions required to maintain the Issuer's status as a separate legal entity. Without limiting the foregoing, the Issuer shall:

(i) Maintain in full effect its existence, rights and franchises as a limited liability company under the laws of the state of its formation and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement and the other Facility Documents to which the Issuer is a party and each other instrument or agreement necessary or appropriate to proper administration hereof and permit and effectuate the transactions contemplated hereby.

(ii) Except as provided herein, maintain its own deposit, securities and other account or accounts with financial institutions, separate from those of any Affiliate of the Issuer. The funds of the Issuer will not be diverted to any other Person or for other than the use of the Issuer, and, except as may be expressly permitted by this Agreement or any other Facility Document to which the Issuer is a party, the funds of the Issuer shall not be commingled with those of any other Person.

(iii) Ensure that, to the extent that it shares the same officers or other employees as any of its members, managers or other Affiliates, the salaries of and the expenses related to providing benefits to such officers and other employees shall be fairly

allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iv) Ensure that, to the extent that it jointly contracts with any of its stockholders, members or managers or other Affiliates to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that the Issuer contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs.

(v) Ensure that all material transactions between the Issuer and any of its Affiliates shall be only on an arm's-length basis and shall not be on terms more favorable to either party than the terms that would be found in a similar transaction involving unrelated third parties. All such transactions shall receive the approval of the Issuer's board of directors including at least one Independent Director (defined below).

(vi) Maintain a principal executive and administrative office through which its business is conducted and a telephone number separate from those of its members, managers and other Affiliates. To the extent that the Issuer and any of its members, managers or other Affiliates have offices in contiguous space, there shall be fair and appropriate allocation of overhead costs (including rent) among them, and each such entity shall bear its fair share of such expenses.

(vii) Conduct its affairs strictly in accordance with its certificate of formation and limited liability company agreement and observe all necessary, appropriate and customary formalities, including, but not limited to, holding all regular and special meetings of the board of directors appropriate to authorize all actions of the Issuer, keeping separate and accurate minutes of such meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, intercompany transaction accounts. Regular meetings of the board of directors shall be held at least annually.

(viii) Ensure that its board of directors shall at all times include at least one Independent Director (for purposes hereof, "INDEPENDENT DIRECTOR" shall mean any member of the board of directors of the Issuer that is not and has not at any time been (x) an officer, agent, advisor, consultant, attorney, accountant, employee or shareholder of any Affiliate of the Issuer which is not a special purpose entity, (y) a director of any Affiliate of the Issuer other than an independent director of any Affiliate which is a special purpose entity or (z) a member of the immediate family of any of the foregoing).

(ix) Ensure that decisions with respect to its business and daily operations shall be independently made by the Issuer (although the officer making any particular decision

may also be an officer or director of an Affiliate of the Issuer) and shall not be dictated by an Affiliate of the Issuer.

(x) Act solely in its own company name and through its own authorized members, managers, officers and agents, and no Affiliate of the Issuer shall be appointed to act as agent of the Issuer. The Issuer shall at all times use its own stationery and business forms and describe itself as a separate legal entity.

(xi) Except as contemplated by the Facility Documents, ensure that no Affiliate of the Issuer shall loan money to the Issuer, and no Affiliate of the Issuer will otherwise guaranty debts of the Issuer.

(xii) Other than organizational expenses and as contemplated by the Facility Documents, pay all expenses, indebtedness and other obligations incurred by it using its own funds.

(xiii) Except as provided herein and in any other Facility Document, not enter into any guaranty, or otherwise become liable, with respect to or hold its assets or creditworthiness out as being available for the payment of any obligation of any Affiliate of the Issuer nor shall the Issuer make any loans to any Person.

(xiv) Ensure that any financial reports required of the Issuer shall comply with generally accepted accounting principles and shall be issued separately from, but may be consolidated with, any reports prepared for any of its Affiliates so long as such consolidated reports contain footnotes describing the effect of the transactions between the Issuer and such Affiliate and also state that the assets of the Issuer are not available to pay creditors of the Affiliate.

(xv) Ensure that at all times it is adequately capitalized to engage in the transactions contemplated in its certificate of formation and its limited liability company agreement.

(n) COMPUTER FILES. Mark or cause to be marked each Pledged Loan in its computer files as described in Section 3.2(b).

(o) TAXES. File or cause to be filed, and cause each of its Affiliates with whom it shares consolidated tax liability to file, all federal, state and local tax returns which are required to be filed by it, except where the failure to file such returns could not reasonably be expected to have a Material Adverse Effect, or which could otherwise be reasonably expected to expose the Issuer to

a material liability. The Issuer shall pay or cause to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Issuer or the applicable Affiliate shall have set aside adequate reserves on its books in accordance with GAAP, and which proceedings could not reasonably be expected to have a Material Adverse Effect, or which could otherwise be reasonably expected to expose the Issuer to a material liability.

(p) FACILITY DOCUMENTS. Comply in all material respects with the terms of, employ the procedures outlined in and enforce the obligations of the Depositor under the Pool Purchase Agreement and each Series Pool Purchase Supplement and of the Parties to each of the other Facility Documents, and take all such action as may reasonably be required to maintain all such Facility Documents to which the Issuer is a party in full force and effect.

(q) LOAN SCHEDULE. At least once each calendar month, provide to the Trustee with respect to each Series an amendment to the Loan Schedule, or cause the Master Servicer to provide an amendment to the Loan Schedule, listing for the Pledged Loans added to the Series Collateral for that Series and the Pledged Loans released from the Series Collateral for that Series and amending the Loan Schedule to reflect terms or discrepancies in such schedule that become known to the Issuer since the filing of the original Loan Schedule for that Series or since the most recent amendment thereto.

(r) SEGREGATION OF COLLECTIONS. (a) Prevent the deposit into any Series Account of any funds other than Collections or other funds to be deposited into such accounts under this Agreement, a Series Supplement or the other Facility Documents (provided that, this covenant shall not be breached to the extent that funds are inadvertently deposited into any of such accounts and are promptly segregated and removed from the account); and

(b) With respect to each Lockbox Account either (i) prevent the deposit into such account of any funds other than Collections in respect of Pledged Loans or (ii) enter into an intercreditor agreement with other entities which have an interest in the amounts in the Lockbox Account to allocate the Collections with respect to the Pledged Loans to the Issuer and transfer such amounts to the Trustee for deposit into the appropriate Collection Account; (provided that, the covenant in clause (i) of this paragraph (b) shall not be breached to the extent that funds not constituting Collections in respect of the Pledged Loans are inadvertently deposited into such Lockbox Account and are promptly segregated and remitted to the owner thereof).

(s) FILINGS; FURTHER ASSURANCES. (i) On or prior to each Closing Date, the Issuer shall have caused at its sole expense the Financing Statements, assignments and amendments thereof necessary to perfect the security interest in the Series Collateral to be filed or recorded in the appropriate offices.

(ii) The Issuer shall, at its sole expense, from time to time authorize, prepare, execute and deliver, or authorize and cause to be prepared, executed and delivered, all such Financing Statements, continuation statements, amendments, instruments of further assurance and other instruments, in such forms, and shall take such other actions, as shall be required by the Master Servicer or the Trustee or as the Master Servicer or the Trustee otherwise deems reasonably necessary or advisable to perfect the Lien created by a Series Supplement in the Series Collateral. The Master Servicer agrees, at its sole expense, to cooperate with and assist the Issuer in taking any such action (whether at the request of the Issuer or the Trustee). Without limiting the foregoing, the Issuer shall from time to time, at its sole expense, authorize, execute, file, deliver and record all such supplements and amendments hereto and to the Series Supplements and all such Financing Statements, amendments thereto, continuation statements, instruments of further assurance, or other

statements, specific assignments or other instruments or documents and take any other action that is reasonably necessary to, or that any of the Master Servicer or the Trustee deems reasonably necessary or advisable to: (i) Grant more effectively all or any portion of the Series Collateral; (ii) maintain or preserve the Lien Granted under a Series Supplement (and the priority thereof) or carry out more effectively the purposes hereof or thereof; (iii) perfect, maintain the perfection of, publish notice of, or protect the validity of any Grant made or to be made pursuant to any Series Supplement; (iv) enforce any of the Pledged Loans or any of the other Pledged Assets (including without limitation by cooperating with the Trustee, at the expense of the Issuer, in filing and recording such Financing Statements against such Obligors as the Master Servicer or the Trustee shall deem necessary or advisable from time to time); (v) preserve

and defend title to any Pledged Loans or all or any other part of the Pledged Assets, and the rights of the Trustee in such Pledged Loans or other related Pledged Assets, against the claims of all Persons and parties; or (vi) pay any and all taxes levied or assessed upon all or any part of any Series Collateral.

(iii) The Issuer shall, on or prior to the date of Grant of any Pledged Loans under any Series Supplement, deliver or cause to be delivered all original copies of the Pledged Loan (other than in the case of any Pledged Loans not required under the terms of the relevant Purchase Agreement to be in the relevant Loan File), together with the related Loan File, to the Custodian, in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Trustee. Such "original copies" may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement. In the event that the Issuer receives any other instrument or any writing which, in either event, evidences a Pledged Loan or other Pledged Assets, the Issuer shall deliver such instrument or writing to the Custodian to be held as collateral in which the Collateral Agent has a security interest for the benefit of the Trustee within two Business Days after the Issuer's receipt thereof, in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Trustee.

(iv) The Issuer hereby authorizes the Trustee, and gives the Collateral Agent its irrevocable power of attorney (which authorization is coupled with an interest and is irrevocable), in the name of the Issuer or otherwise, to execute, deliver, file and record any Financing Statement, continuation statement, amendment, specific assignment or other writing or paper and to take any other action that the Trustee in its sole discretion, may deem necessary or appropriate to further perfect the Lien created hereby. Any expenses incurred by the Trustee or the Collateral Agent pursuant to the exercise of its rights under this Section 4.1(r)(iv) shall be for the sole account and responsibility of the Issuer.

(t) MANAGEMENT OF RESORTS. The Issuer hereby covenants and agrees that it will with respect to each Resort cause the Originator with respect to that Resort (to the extent that such Originator is otherwise responsible for maintaining such Resort) to do or cause to be done all things which it may accomplish with a reasonable amount of cost or effort, in order to maintain each such Resort (including without limitation all grounds, waters and improvements thereon) in at least as good condition, repair and working order as would be customary for prudent managers of similar timeshare properties.

Section 4.2 NEGATIVE COVENANTS OF THE ISSUER. So long as any of the Notes are outstanding, the Issuer shall not:

(a) SALES, LIENS, ETC., AGAINST RECEIVABLES AND RELATED SECURITY. Except for the releases contemplated under the respective Series Supplements sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist, any Lien (other than the Lien created by the Series Supplements or, with respect to Timeshare Properties relating to Pledged Loans, any Permitted Encumbrances thereon) upon or with respect to, any Pledged Loan or any other Pledged Assets, or any interests in either thereof, or upon or with respect to any Series Collateral under any Series Supplements. The Issuer shall immediately notify the Trustee and the Collateral Agent of the existence of any Lien on any Pledged Loan or any other Pledged Assets, and the Issuer shall defend the right, title and interest of each of the Issuer and the Collateral Agent, Trustee and Noteholders in, to and under the Pledged Loans and all other Pledged Assets, against all claims of third parties.

(b) EXTENSION OR AMENDMENT OF LOAN TERMS. Extend (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices), amend, waive or otherwise modify the terms of any Pledged Loan or permit the rescission or cancellation of any Pledged Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Pledged Loan or otherwise.

(c) CHANGE IN BUSINESS OR CREDIT STANDARD AND COLLECTION POLICIES. (i) Make any change in the character of its business or (ii) make any change in the Credit Standards and Collection Policies, or (iii) deviate from the exercise of Customary Practices, which change or deviation would, in any such case, materially impair the value or collectibility of any Pledged Loan.

(d) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. Add or terminate any bank as a Lockbox Bank from those listed in the exhibits to the respective Purchase Agreements or make any change in the instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Trustee shall have received (i) 30 days' prior notice of such addition, termination or change; (ii) written confirmation from the Issuer that after the effectiveness of any such termination, there shall be at least one (1) Lockbox Account in existence; and (iii) prior to the effective date of such addition, termination or change, (x) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the

Issuer, the Trustee and the Master Servicer and (y) copies of all agreements and documents signed by either the Issuer or the respective Lockbox Bank with respect to any new Lockbox Account.

(e) STOCK, MERGER, CONSOLIDATION, ETC. Consolidate with or merge into or with any other Person, or purchase or otherwise acquire all or substantially all of the assets or capital stock, or other ownership interest of, any Person or sell, transfer, lease or otherwise dispose of all or substantially all of its assets to any Person, except as expressly permitted under the terms of this Agreement.

(f) CHANGE IN NAME, ETC. Use any trade names, fictitious names, assumed names or "doing business as" names.

(g) ERISA MATTERS. (i) Engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (ii) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (iii) fail to make any payments to any Multiemployer Plan that the Issuer or any of its ERISA Affiliates may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (iv) terminate any Benefit Plan so as to result in any liability; (v) permit to exist any occurrence of any Reportable Event that represents a material risk of a liability of the Issuer or any of its ERISA Affiliates under ERISA or the Code; PROVIDED, HOWEVER, that the ERISA Affiliates of the Issuer may take or allow such prohibited transactions, accumulated funding deficiencies, payments, terminations and Reportable Events described in clauses (i) through (v) above so long as such events occurring within any fiscal year of the Issuer, in the aggregate, involve a payment of money by or an incurrence of liability of any such ERISA Affiliate (collectively, "ERISA LIABILITIES") in an amount that does not exceed $2,000,000.

(h) TERMINATE OR REJECT LOANS. Without limiting anything in subsection 4.2(b), terminate or reject any Pledged Loan prior to the end of the term of such Loan, whether such rejection or early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law, unless prior to such termination or rejection, such Pledged Loan and any related Pledged Assets have been released from the Lien created by the applicable Series Supplement.

(i) DEBT. Create, incur, assume or suffer to exist any Debt except as contemplated by the Facility Documents.

(j) GUARANTEES. Guarantee, endorse or otherwise be or become contingently liable (including by agreement to maintain balance sheet tests) in connection with the obligations of any other Person, except endorsements of negotiable instruments for collection in the ordinary course of business and reimbursement or indemnification obligations as provided for under this Agreement or as contemplated by the Facility Documents.

(k) LIMITATION ON TRANSACTIONS WITH AFFILIATES. Enter into, or be a party to any transaction with any Affiliate, except for:

(i) the transactions contemplated hereby and by the other Facility Documents; and

(ii) to the extent not otherwise prohibited under this Agreement, other transactions upon fair and reasonable terms materially no less favorable to the Issuer than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate.

(l) LINES OF BUSINESS. Conduct any business other than that described in the LLC Agreement, or enter into any transaction with any Person which is not contemplated by or incidental to the performance of its obligations under the Facility Documents to which it is a party.

(m) LIMITATION ON INVESTMENTS. Make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets or otherwise) in, any Affiliate or any other Person except for (i) Permitted Investments and (ii) the purchase of Loans pursuant to the terms of the Pool Purchase Agreement.

(n) INSOLVENCY PROCEEDINGS. Seek dissolution or liquidation in whole or in part of the Issuer.

(o) DISTRIBUTIONS TO MEMBER. Make any distribution to its Member except as

provided in the LLC Agreement.

(p) PLACE OF BUSINESS; CHANGE OF NAME. Change (x) its type or jurisdiction of organization from that listed in Section 3.1(i), (y) its name or (z) the location of its Records relating to the Series Collateral or its chief executive office from the location listed in Section 3.1(i), unless in any such event the Issuer shall have given the Trustee and the Collateral Agent at least thirty (30) days prior written notice thereof and, in the case of (x) or (y) shall take all action necessary or reasonably requested by the Trustee or the Collateral Agent within 30 days of such request, to amend its existing Financing Statements and file additional Financing Statements in all applicable jurisdictions necessary or advisable to maintain the perfection of the Lien of the Collateral Agent under each Series Supplement.

ARTICLE V

SERVICING OF PLEDGED LOANS

Section 5.1 RESPONSIBILITY FOR LOAN ADMINISTRATION. The Master Servicer shall manage, administer, service and make collections on the Pledged Loans on behalf of the Trustee and Issuer. Without limiting the generality of the foregoing, but subject to all other provisions hereof, the Trustee and the Issuer grant to the Master Servicer a limited power of attorney to execute and the Master Servicer is hereby authorized and empowered to so execute and deliver, on behalf of itself, the Issuer and the Trustee or any of them, any and all instruments of satisfaction or cancellation or of partial or full release or discharge and all other comparable instruments with respect to the Pledged Loans, any related Mortgages and the related Timeshare Properties, but only to the extent deemed necessary by the Master Servicer.

The Trustee, the Issuer and the Collateral Agent, at the request of a Servicing Officer, shall furnish the Master Servicer with any reasonable documents or take any action reasonably requested, necessary or appropriate to enable the Master Servicer to carry out its servicing and administrative duties hereunder (subject, in the case of requests for documents contained in any Loan Files, to the requirements of Section 4.1(l)(ii)).

Fairfield Acceptance Corporation - Nevada is hereby appointed as the Master Servicer until such time as another entity becomes the Master Servicer under subsection 5.12(b) or until such time as any Service Transfer shall be effected under Article X.

Section 5.2 STANDARD OF CARE. In managing, administering, servicing and making collections on the Pledged Loans pursuant to this Agreement, the Master Servicer will exercise that degree of skill and care consistent with Customary Practices and the Credit Standards and Collection Policies.

Section 5.3 RECORDS. The Master Servicer shall, during the period it is Master Servicer hereunder, maintain such books of account, computer data files and other records as will enable the Trustee to determine the status of each Pledged Loan and will enable such Loan to be serviced in accordance with the terms of this Agreement by a Successor Master Servicer following a Service Transfer.

Section 5.4 LOAN SCHEDULES. The Master Servicer shall at all times maintain each Loan Schedule and provide to the Trustee, the Issuer, the Collateral Agent and the Custodian a current, complete copy of each Loan Schedule. Such Loan Schedules may be in one or multiple documents including an original listing and monthly amendments listing changes.

Section 5.5 ENFORCEMENT.

(a) The Master Servicer will, consistent with Section 5.2, act with respect to the Pledged Loans in such manner as will maximize the receipt of Collections in respect of such Pledged Loans (including, to the extent necessary, instituting foreclosure proceedings against the Timeshare Property, if any, underlying a Pledged Loan or disposing of the underlying Timeshare Property, if any).

(b) The Master Servicer may sue to enforce or collect upon Pledged Loans, in its own name, if possible, or as agent for the Issuer. If the Master Servicer elects to commence a legal proceeding to enforce a Pledged Loan, the act of commencement shall be deemed to be an automatic assignment of the Pledged Loan to the Master Servicer for purposes of collection only. If, however, in any enforcement suit or legal proceeding it is held that the Master Servicer may not enforce a Pledged Loan on the grounds that it is not a real party in interest or a holder entitled to enforce the Pledged Loan, the Trustee on behalf of the Issuer shall, at the Master Servicer's expense, take such steps as the Master Servicer and the Trustee may mutually agree are necessary (such agreement not to be unreasonably withheld) to enforce the Pledged Loan, including bringing suit in its name or the name of the Issuer. The Master Servicer shall provide to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred thereby.

(c) The Master Servicer, upon notice to the Trustee, may grant to the Obligor on any Pledged Loan any rebate, refund or adjustment out of the appropriate Collection Account that the Master Servicer in good faith believes is required as a matter of law; PROVIDED THAT, on any Business Day on which such rebate, refund or adjustment is to be paid hereunder, such rebate, refund or adjustment shall only be paid to the extent of funds otherwise available for distribution from the appropriate Collection Account.

(d) The Master Servicer will not extend, amend, waive or otherwise modify the terms of any Pledged Loan (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices) or permit the rescission or cancellation of any Pledged Loan, whether for

any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Pledged Loan or otherwise.

(e) Except as otherwise provided in a Series Supplement and with respect to the Series Collateral for that Series, the Master Servicer shall have discretion to sell Defaulted Loans free and clear of the Lien of the applicable Series Supplements, in exchange for cash, in accordance with Customary Practices and Credit Standards and Collection Policies. All proceeds of any such sale of a Defaulted Loan shall be deposited by the Master Servicer into the applicable Series Collection Account.

(f) The Master Servicer shall not sell any Defaulted Loan or any collateral securing a Defaulted Loan to any Seller or Originator except for amount at least equal to the fair market value thereof.

(g) Notwithstanding any other provision of this Agreement, the Master Servicer shall have no obligation to, and shall not, foreclose on the collateral securing any Pledged Loan unless the proceeds from such foreclosure will be sufficient to cover the expenses of such foreclosure. Notwithstanding any other provision of this Agreement, proceeds from the foreclosure by the Master Servicer on the collateral securing any Pledged Loans shall first be applied by the Master Servicer to reimburse itself for the expenses of such foreclosure, and any remaining proceeds shall be deposited into the applicable Collection Account.

Section 5.6 TRUSTEE AND COLLATERAL AGENT TO COOPERATE. Upon request of a Servicing Officer, the Trustee and the Collateral Agent shall perform such other acts as are reasonably requested by the Master Servicer (including without limitation the execution of documents) and otherwise cooperate with the Master Servicer in enforcement of the Trustee's rights and remedies with respect to Pledged Loans.

Section 5.7 OTHER MATTERS RELATING TO THE MASTER SERVICER. The Master Servicer is hereby authorized and empowered to:

(a) advise the Trustee in connection with the amount of withdrawals from Accounts in accordance with the provisions of this Agreement and any Series Supplement;

(b) execute and deliver, on behalf of the Issuer, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Pledged Loans and, after the delinquency of any Pledged Loan and to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect to such Pledged Loan including without limitation the exercise of rights under any power-of-attorney granted in any Pledged Loan; and

(c) make any filings, reports, notices, applications, registrations with, and to seek any consents or authorizations from the Securities and Exchange Commission and any state securities authority on behalf of the Issuer as may be necessary or advisable to comply with any federal or state securities or reporting requirements laws.

Prior to the occurrence of an Event of Default hereunder, the Trustee agrees that, except to the extent it is directed to take instructions from a different party under the terms of a Series

Supplement, it shall promptly follow the instructions of the Master Servicer duly given to withdraw funds from the Accounts.

Section 5.8 SERVICING COMPENSATION. As compensation for its servicing activities hereunder and under each Series Supplement, the Master Servicer shall be entitled to receive the Monthly Master Servicer Fee with respect to each Series which shall be calculated for each Series under the applicable Series Supplement and be paid to the Master Servicer pursuant to the terms of the

respective Series Supplements.

Section 5.9 COSTS AND EXPENSES. The costs and expenses incurred by the Master Servicer in carrying out its duties hereunder, including without limitation the fees and expenses incurred in connection with the enforcement of Pledged Loans, shall be paid by the Master Servicer and the Master Servicer shall be entitled to reimbursement hereunder from the Issuer as provided herein and in the respective Series Supplements. Failure by the Master Servicer to receive reimbursement shall not relieve the Master Servicer of its obligations under this Agreement and the Series Supplements.

Section 5.10 REPRESENTATIONS AND WARRANTIES OF THE MASTER SERVICER. The Master Servicer hereby represents and warrants to the Trustee and the Collateral Agent as of the date of this Agreement and represents to the Noteholders of a Series as of the Series Issuance Date for that Series:

(a) ORGANIZATION AND GOOD STANDING. The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power, authority, and legal right to own its property and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and the Series Supplements. The Master Servicer is duly qualified to do business and is in good standing as a foreign corporation, and has obtained all necessary licenses and approvals in each jurisdiction necessary for the enforcement of each Pledged Loan or in which failure to qualify or to obtain such licenses and approvals would have a Material Adverse Effect on the Noteholders of any Series.

(b) DUE AUTHORIZATION. The execution and delivery by the Master Servicer of each of the Facility Documents to which it is a party, and the consummation by the Master Servicer of the transactions contemplated hereby and thereby have been duly authorized by the Master Servicer by all necessary corporate action on the part of the Master Servicer.

(c) BINDING OBLIGATIONS. Each of the Facility Documents to which Master Servicer is a party constitutes a legal, valid and binding obligation of the Master Servicer enforceable against the Master Servicer in accordance with its terms, except as such enforceability may be subject to or limited by applicable Debtor Relief Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(d) NO CONFLICT; NO VIOLATION. The execution and delivery by the Master Servicer of each of the Facility Documents to which the Master Servicer is a party, and the performance by the Master Servicer of the transactions contemplated by such agreements and the fulfillment by the Master Servicer of the terms hereof and thereof applicable to the Master Servicer, will not

conflict with, violate, result in any breach of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any provision of any existing law or regulation or any order or decree of any court applicable to the Master Servicer or its certificate of incorporation or bylaws or any material indenture, contract, agreement, mortgage, deed of trust or other material instrument, to which the Master Servicer is a party or by which it is bound, except where such conflict, violation, breach or default would not have a Material Adverse Effect.

(e) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the knowledge of the Master Servicer threatened, against the Master Servicer, before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement or any of the other Facility Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Facility Documents, (iii) seeking any determination or ruling that, in the reasonable judgment of the Master Servicer, would adversely affect the performance by the Master Servicer of its obligations under this Agreement or any of the other Facility Documents, (iv) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Facility Documents or (v) seeking any determination or ruling that would have a Material Adverse Effect.

(f) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or any governmental body or official required in connection with the execution and delivery by the Master Servicer of this Agreement or of the other Facility Documents to which it is a party or the performance by the Master Servicer of the transactions contemplated hereby and thereby and the fulfillment by the Master Servicer of the terms hereof and thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect.

Section 5.11 ADDITIONAL COVENANTS OF THE MASTER SERVICER. The Master Servicer further agrees as provided in this Section 5.11.

(a) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. The Master Servicer will

not add or terminate any bank as a Lockbox Bank from those listed in the exhibits to the respective Purchase Agreements or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Bank, unless the Trustee shall have received (i) 30 Business Days' prior notice of such addition, termination or change and (ii) prior to the effective date of such addition, termination or change, (x) fully executed copies of the new or revised Lockbox Agreements executed by each new Lockbox Bank, the Issuer, the Trustee and the Master Servicer and (y) copies of all agreements and documents signed by either the Issuer or the respective Lockbox Bank with respect to any new Lockbox Account.

(b) COLLECTIONS. If the Master Servicer receives any Collections, the Master Servicer shall hold such Collections in trust for the benefit of the Trustee and deposit such Collections into a Lockbox Account or the appropriate Collection Account as soon as practicable but in any event within two Business Days following the Master Servicer's receipt thereof.

(c) COMPLIANCE WITH REQUIREMENTS OF LAW. The Master Servicer will maintain in effect all qualifications required under all relevant laws, rules, regulations and orders in order to service each Pledged Loan, and shall comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, and the servicing of the Pledged Loans (including without limitation the laws, rules and regulations of each state governing the sale of timeshare contracts).

(d) PROTECTION OF RIGHTS. The Master Servicer will take no action that would impair in any material respect the rights of any of the Collateral Agent or the Trustee in the Pledged Loans or any other Series Collateral, or violate the Collateral Agency Agreement.

(e) CREDIT STANDARDS AND COLLECTION POLICIES. The Master Servicer will comply in all material respects with the Credit Standards and Collection Policies and Customary Practices with respect to each Pledged Loan.

(f) NOTICE TO OBLIGORS. The Master Servicer will ensure that the Obligor of each Pledged Loan either:

(1) has been instructed, pursuant to the Master Servicer's routine distribution of a periodic statement to such Obligor next succeeding:

(A) the date the Loan becomes a Pledged Loan, or

(B) the day on which a PAC ceased to apply to such Pledged Loan, in the case of a Pledged Loan formerly subject to a PAC,

but in no event later than the then next succeeding due date for a Scheduled Payment under the related Pledged Loan, to remit Scheduled Payments thereunder to a Post Office Box for credit to a Lockbox Account, or directly to a Lockbox Account, in each case maintained at a Lockbox Bank pursuant to the terms of a Lockbox Agreement, or

(2) has entered into a PAC, pursuant to which a deposit account of such Obligor is made subject to a pre-authorized debit in respect of Scheduled Payments as they become due and payable, and the Issuer has, and has caused each of the Master Servicer, a Lockbox Bank and/or the Trustee, to take all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(g) RELOCATION OF MASTER SERVICER. The Master Servicer shall give the Trustee, the Collateral Agent and each Rating Agency at least 30 days, prior written notice of any relocation of any office from which it services Pledged Loans or keeps records concerning the Pledged Loans. The Master Servicer shall at all times maintain each office from which it services Pledged Loans within the United States of America.

(h) INSTRUMENTS. The Master Servicer will not remove any portion of the Pledged Loans or other collateral that consists of money or is evidenced by an instrument, certificate or other writing (including any Pledged Loan) from the jurisdiction in which it is then held unless the Trustee has first received an Opinion of Counsel to the effect that the Lien created by the appropriate Series Supplement with respect to such property will continue to be maintained after

giving effect to such action or actions; provided, however, that each Custodian, the Collateral Agent and the Master Servicer may remove Loans from such jurisdiction to the extent necessary to satisfy any requirement of law or court order, in all cases in accordance with the provisions of the Custodial Agreement, the Collateral Agency Agreement and this Agreement.

(i) LOAN SCHEDULE. With respect to each Series, the Master Servicer will promptly amend the related Loan Schedule to reflect terms or discrepancies that

become known to the Master Servicer at any time.

(j) SEGREGATION OF COLLECTIONS. The Master Servicer will:

(a) prevent the deposit into any Series Account of any funds other than Collections or other funds to be deposited into such accounts under this Agreement, a Series Supplement or the other Facility Documents (provided that, this covenant shall not be breached to the extent that funds are inadvertently deposited into any of such accounts and are promptly segregated and removed from the account); and

(b) with respect to each the Lockbox Account either (i) prevent the deposit into such account of any funds other than Collections in respect of Pledged Loans or (ii) enter into an intercreditor agreement with other entities which have an interest in the amounts in the Lockbox Account to allocate the Collections with respect to Pledged Loans to the Issuer and transfer such amounts to the Trustee for deposit into the appropriate Collection Account; (provided that, the covenant in clause (i) of this paragraph (b) shall not be breached to the extent funds not constituting Collections in respect of Pledged Loans are inadvertently deposited into such Lockbox Account and are promptly segregated and remitted to the owner thereof.

(k) TERMINATE OR REJECT LOANS. Without limiting anything in subsection 4.2(b), the Master Servicer will not terminate any Pledged Loan prior to the end of the term of such Loan, whether such early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law, unless prior to such termination, the Issuer consents and any related Pledged Assets have been released from the Lien of the respective Series Supplement.

(l) CHANGE IN BUSINESS OR CREDIT STANDARDS AND COLLECTION POLICIES. The Master Servicer will not make any change in the Credit Standards and Collection Policies or deviate from the exercise of Customary Practices, which change or deviation would materially impair the value or collectibility of any Pledged Loan.

(m) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. The Master Servicer shall maintain and implement administrative and operating procedures (including without limitation an ability to recreate records evidencing the Pledged Loans in the event of the destruction or loss of the originals thereof) and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Pledged Loans (including without limitation records adequate to permit the daily identification of all Collections with respect to, and adjustments of amounts payable under, each Pledged Loan).

Section 5.12 MASTER SERVICER NOT TO RESIGN.

(a) RESIGNATION. The entity then serving as Master Servicer shall not resign from the obligations and duties hereby imposed on it hereunder except as provided in 5.12(b) or except upon determination that (i) the performance of its duties hereunder is no longer permissible under applicable law, (ii) there is no reasonable action which can be taken to make the performance of its duties hereunder permissible under applicable law and (iii) a Successor Master Servicer shall have been appointed and accepted the duties as Master Servicer pursuant to Section 10.2. Any such determination permitting the resignation of the Master Servicer pursuant to clause (i) of the preceding sentence shall be evidenced by an Opinion of Counsel to such effect delivered to the Trustee. No such resignation shall be effective until a Successor Master Servicer shall have assumed the responsibilities and obligations of the Master Servicer in accordance with Section 10.2.

(b) TRANSFER TO CERTAIN CENDANT AFFILIATES. FAC, as Master Servicer, may resign as Master Servicer and be replaced by Trendwest, and Trendwest, as Master Servicer, may resign as Master Servicer and be replaced by FAC, in either case, only upon the following terms and conditions:

(i) the resigning Master Servicer shall give the Trustee, the Issuer and the Collateral Agent not less than 10 Business Days notice of the resignation and substitution of Trendwest in place of FAC or FAC in place of Trendwest as Master Servicer;

(ii) Cendant shall have given its written consent to the substitution by delivering such written consent to the Trustee and the Performance Guaranty shall be amended to cover the performance of the new Master Servicer;

(iii) the entity which is to become the new Master Servicer, shall enter into a written supplement to this Agreement and deliver such supplement to the Trustee, the Collateral Agent and the Issuer and in such supplement the new Master Servicer shall assume all of the rights, obligations and responsibilities of the Master Servicer under this Agreement and each Series Supplement; and

(iv) the satisfaction of any additional conditions to such transfer set forth in a Series Supplement.

Section 5.13 MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF MASTER SERVICER.

The Master Servicer shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(i) the corporation formed by such consolidation or into which the Master Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the Master Servicer substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia and, if the Master Servicer is not the surviving entity, shall expressly assume by an agreement

supplemental hereto, executed and delivered to the Trustee in form satisfactory to the Trustee, the performance of every covenant and obligation of the Master Servicer hereunder;

(ii) the Master Servicer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 5.13, and all conditions precedent provided for herein relating to such transaction have been satisfied;

(iii) the Rating Agency Condition has been satisfied with respect to such consolidation, amendment, merger, conveyance or transfer; and

(iv) immediately prior to and after the consummation of such merger, consolidation, conveyance or transfer, no event which, with notice or passage of time or both, would become a Servicer Default under the terms of this Agreement shall have occurred and be continuing.

Section 5.14 EXAMINATION OF RECORDS. Each of the Issuer and the Master Servicer shall clearly and unambiguously identify each Pledged Loan in its respective computer or other records to reflect that such Pledged Loan has been Granted to the Collateral Agent pursuant to this Agreement or pursuant to a Series Supplement. Each of the Issuer and the Master Servicer shall, prior to the sale or transfer to a third party of any Loan similar to the Pledged Loans held in its custody, examine its computer and other records to determine that such Loan is not a Pledged Loan.

Section 5.15 SUBSERVICING AGREEMENTS. The Master Servicer, including any Successor Master Servicer, may enter into the Subservicing Agreements with the Subservicers for the servicing and administration of all or a part of the Pledged Loans for which the Master Servicer is responsible hereunder, provided that, in each case, the Subservicing Agreement is not inconsistent with this Agreement or any Series Supplement. References in this Agreement and the Series Supplements to actions taken or to be taken by the Master Servicer include actions taken or to be taken by a Subservicer. As part of its servicing activities hereunder, the Master Servicer shall monitor the performance and enforce the obligations of each Subservicer retained by it under the related Subservicing Agreement. Subject to the terms of the Subservicing Agreement, the Master Servicer shall have the right to remove a Subservicer retained by it at any time it considers to be appropriate provided that no subservicer shall be removed unless Cendant has given its prior written consent to the Master Servicer and the Trustee. Upon the resignation or removal of a Master Servicer, all Subservicing Agreements shall also be terminated unless accepted or reaffirmed by the Successor Master Servicer.

Notwithstanding anything to the contrary contained herein, or any Subservicing Agreement, the Master Servicer shall remain obligated and liable to the Trustee, the Issuer, the Collateral Agent and the Noteholders for the servicing and administration of the Pledged Loans in accordance with the provisions of this Agreement and the Series Supplement to the same extent and under the same terms and conditions as if it alone were servicing and administering the Pledged Loans.

The fees of a Subservicer shall be the obligation of the Master Servicer and neither the Issuer nor any other Person shall bear any responsibility for such fees.

ARTICLE VI

REPORTS

Section 6.1 NOTEHOLDER STATEMENTS. By not later than 3:00 p.m., Las Vegas, Nevada time, on each Determination Date, the Master Servicer shall transmit to the Trustee in a form or forms acceptable to the Trustee information necessary to direct the Trustee to transfer funds and make payments in accordance with the terms of the Series Supplements and to produce the statements to be delivered by the Trustee for the immediately following Payment Date. Transmission of such information to the Trustee shall be deemed to be a representation and warranty by the Master Servicer to the Trustee, the Issuer, and the Noteholders that such information is true and correct in all material respects. Each such statement shall be delivered as provided in and contain the information required in the Series Supplement.

Section 6.2 MONTHLY SERVICING REPORTS. On each Payment Date, the Master Servicer shall, with respect to each Series, deliver the monthly servicing report in the form set forth in the Series Supplement for that Series.

Section 6.3 OTHER DATA. In addition, the Master Servicer shall at the reasonable request of the Trustee, the Issuer or a Rating Agency, furnish to the Trustee, the Issuer or such Rating Agency such underlying data as can be generated by the Master Servicer's existing data processing system without undue modification or expense; PROVIDED, HOWEVER, nothing in this Section 6.3 shall permit any of the Trustee, the Issuer or any Rating Agency to materially change or modify the ongoing data reporting requirements under this Article VI.

Section 6.4 ANNUAL MASTER SERVICER'S CERTIFICATE. The Master Servicer will deliver to the Issuer, the Trustee and each Rating Agency within forty-five (45) days after the end of each fiscal year, beginning with the fiscal year, ending December 31, 2002, an Officer's Certificate stating that (a) a review of the activities of the Master Servicer during the preceding calendar year (or, in the case of the first such Officer's Certificate, the period since the Initial Closing Date) and of its performance under this Agreement and the Series Supplements during such period was made under the supervision of the officer signing such certificate and (b) to the Master Servicer's knowledge, based on such review, the Master Servicer has fully performed all of its obligations under this Agreement and all Series Supplements for the relevant time period, or, if there has been a default in the performance of any such obligation, specifying each such default known to such officer and the nature and status thereof.

Section 6.5 NOTICES TO FAC. In the event that neither FAC nor Trendwest is acting as Master Servicer, any Successor Master Servicer appointed and acting pursuant to Section 10.2 shall deliver or make available to the Issuer and FAC each certificate and report required to be prepared, forwarded or delivered thereafter pursuant to the provisions of this Article VI.

ARTICLE VII

RIGHTS OF NOTEHOLDERS; ACCOUNTS AND PRIORITY OF PAYMENTS

Section 7.1 COLLECTION ACCOUNTS. The Trustee shall pursuant to the terms of the respective Series Supplements establish for each Series and maintain in the name of the Trustee, a segregated account in its name designated as the "Sierra Receivables Funding Company, LLC Collection Account" and indicating in the designation, the applicable Series and each such designation.

Section 7.2 LOCKBOX ACCOUNTS. The Issuer has established or has caused to be established and shall maintain or cause to be maintained a system of operations, accounts and instructions with respect to the Obligors and Lockbox Accounts at the Lockbox Banks as described in Sections 3.1(j), 4.l(g), 4.l(r) and 4.2(d). Pursuant to the Lockbox Agreement to which it is party, each Lockbox Bank shall be irrevocably instructed to initiate an electronic transfer of all funds on deposit in the relevant Lockbox Account or to the extent the Lockbox Account is operated under an intercreditor agreement all funds in the Lockbox Account and derived from Pledged Loans for a specific Series, to the appropriate Collection Accounts on the Business Day on which such funds become available. Prior to the occurrence of an Event of Default the Trustee shall be authorized to allow the Master Servicer to effect or direct deposits into the Lockbox Accounts. The Trustee is hereby irrevocably authorized and empowered, as the Issuer's attorney-in-fact, to endorse any item deposited in a Lockbox Account, or presented for deposit in any Lockbox Account or a Collection Account, requiring the endorsement of the Issuer, which authorization is coupled with an interest and is irrevocable.

All funds in each Lockbox Account shall be transferred daily by or upon the order of the Trustee by electronic funds transfer or intra-bank transfer to the appropriate Collection Accounts.

Section 7.3 TAX TREATMENT. The Issuer has structured this Agreement and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer, and the Issuer and each Noteholder by acceptance of its Note agree to treat the Notes (or beneficial interest therein) as indebtedness for purposes of federal, state and local income or franchise

taxes or any other tax imposed on or measured by income.

ARTICLE VIII

INDEMNITIES

Section 8.1 LIABILITIES TO OBLIGORS. No obligation or liability to any Obligor under any of the Pledged Loans is intended to be assumed by the Trustee or the Noteholders under or as a result of this Agreement and the transactions contemplated hereby and, to the maximum extent permitted by law, the Trustee and the Noteholders expressly disclaim any such obligation and liability.

Section 8.2 TAX INDEMNIFICATION. The Issuer agrees to pay, and to indemnify, defend and hold harmless the Trustee and the Noteholders from, any taxes which may at any time be

asserted with respect to, and as of the date of, the Grant of the Pledged Loans to the Collateral Agent for the benefit of the Trustee and the Noteholders, including without limitation any sales, gross receipts, general corporation, personal property, privilege or license taxes (but not including any federal, state or other income or intangible asset taxes arising out of the issuance of the Notes or distributions with respect thereto, other than any such intangible asset taxes in respect of a jurisdiction in which the indemnified person is not otherwise subject to tax on its intangible assets) and costs, expenses and reasonable counsel fees in defending against the same.

Section 8.3 MASTER SERVICER'S INDEMNITIES. Each entity serving as Master Servicer shall defend and indemnify the Trustee, the Issuer and the Noteholders against any and all costs, expenses, losses, damages, claims and liabilities, including reasonable fees and expenses of counsel and expenses of litigation, in respect of any action taken, or failure to take any action by such entity as Master Servicer (but not by any predecessor or successor Master Servicer) with respect to this Agreement, the Series Supplements or any Pledged Loan; PROVIDED, HOWEVER, that such indemnity shall apply only in respect of any negligent action taken, or negligent failure to take any action, or reckless disregard of duties hereunder, or bad faith or willful misconduct by the Master Servicer. This indemnity shall survive any Service Transfer (but a Master Servicer's obligations under this Section 8.3 shall not relate to any actions of any Successor Master Servicer after a Service Transfer) and any payment of the amount owing hereunder or under the Series Supplement or any release by the Issuer of any such Pledged Loan.

Section 8.4 OPERATION OF INDEMNITIES. Indemnification under this Article VIII shall include without limitation reasonable fees and expenses of counsel and expenses of litigation. If the Master Servicer has made any indemnity payments to the Trustee, the Issuer or the Noteholders pursuant to this Article VIII and if either the Trustee, the Issuer or the Noteholders thereafter collect any of such amounts from others, the Trustee, the Issuer or the Noteholders will promptly repay such amounts collected to the Master Servicer without interest.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1 EVENTS OF DEFAULT. For each Series, the related Series Supplement shall set forth the events and circumstances which constitute an Event of Default for that Series.

Promptly after the occurrence of an Event of Default with respect to a Series, and, in any event, within two Business Days thereafter, the Trustee shall notify each Noteholder of the affected Series and each Rating Agency, if any, for that Series of the occurrence thereof to the extent a Responsible Officer of the Trustee has actual knowledge thereof based upon receipt of written information or other communication.

Section 9.2 ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

(a) If an Event of Default for a Series has occurred and is continuing, then on the terms set forth in the Series Supplement, the Notes of that Series may be declared to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee if declared by Series Noteholders), and upon any such declaration the unpaid principal amount of the Notes

of that Series, together with accrued or accreted and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

(b) At any time after such an acceleration or declaration of acceleration of a Series of Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article IX such acceleration may be rescinded if so provided in the Series

Supplement and if so provided, in accordance with the terms of the Series Supplement. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE. The Issuer covenants that if the Notes of a Series are accelerated following the occurrence of an Event of Default, and such acceleration has not been rescinded and annulled, the Issuer shall, upon demand of the Trustee, pay to it, for the benefit of the Noteholders, the whole amount then due and payable on the Notes of the Series for principal and interest, with interest upon the overdue principal and upon overdue installments of interest, as determined for such Series and each Class within that Series in the respective Series Supplement, to the extent that payment of such interest shall be legally enforceable; and, in addition thereto, such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; PROVIDED, HOWEVER, the amount due under this Section 9.3 shall not exceed the aggregate proceeds from the sale of the relevant Series Collateral and amounts otherwise held by the Issuer and available for such purpose.

Until such demand is made by the Trustee, the Issuer shall pay the principal of and interest on the Notes of the affected Series to the Trustee for the benefit of the registered Holders to be applied as provided in the Series Supplements, whether or not the Notes are overdue.

If the Issuer fails to pay such amounts forthwith upon such demand, then the Trustee for the benefit of the Noteholders of the affected Series and as trustee of an express trust, may, with the prior written consent of or at the direction of the Series Majority Holders, institute suits in equity, actions at law or other legal, judicial or administrative proceedings (each, a "PROCEEDING") for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer and collect the monies adjudged or decreed to be payable in the manner provided by law out of the Series Collateral for such Series wherever situated. In the event a Proceeding shall involve the liquidation of Series Collateral, the Trustee shall pay all costs and expenses for such Proceeding and shall be reimbursed for such costs and expenses from the resulting liquidation proceeds. In the event that the Trustee determines that liquidation proceeds will not be sufficient to fully reimburse the Trustee, the Trustee shall receive indemnity satisfactory to it against such costs and expenses from the Noteholders (which indemnity may include, at the Trustee's option, consent by each Noteholder authorizing the Trustee to be reimbursed from amounts available in the appropriate Collection Accounts).

If an Event of Default occurs and is continuing with respect to a Series, the Trustee may, and with the prior written consent of or at the direction of the Series Majority Holders, shall, proceed to protect and enforce its rights and the rights of the Series Noteholders hereunder and

under the applicable Series Supplement and under the Notes, by such appropriate Proceedings as are necessary to effectuate, protect and enforce any such rights, whether for the specific enforcement of any covenant, agreement, obligation or indemnity in this Agreement or the applicable Series Supplement or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 9.4 TRUSTEE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other Proceeding relative to the Issuer or the property of the Issuer or its creditors, the Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise) shall be entitled and empowered, by intervention in such Proceeding or otherwise,

(a) with respect to each Series, to file a proof of claim for the whole amount of principal and interest owing and unpaid in respect of the Notes of such Series and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Noteholders of such Series allowed in such Proceeding, and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same to the Noteholders of the respective Series;

and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such Proceeding is hereby authorized by each Noteholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Article XI.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes of any Series or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such Proceeding.

Section 9.5 REMEDIES.

(a) If an Event of Default shall have occurred and be continuing with respect to a Series, the Trustee and the Collateral Agent (upon direction by the Trustee) may, with the prior written consent of or at the direction of the Majority Holders of the affected Series, do one or more of the following (subject to Section 9.6):

(1) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Agreement and the Series Supplement, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Series Collateral and the property of the Issuer monies adjudged due;

(2) obtain possession of the Pledged Loans related to the affected Series in accordance with the terms of the Custodial Agreement and sell the Series Collateral or any portion thereof or rights or interests therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 9.13;

(3) institute Proceedings in its own name and as trustee of an express trust from time to time for the complete or partial foreclosure of the Series Supplement with respect to the Series Collateral; and

(4) exercise any remedies of a secured party under the UCC with respect to the Series Collateral (including any Series Accounts) and take any other appropriate action to protect and enforce the rights and remedies of the Trustee or the Holders of such Series and each other agreement contemplated hereby (including retaining the Series Collateral pursuant to Section 9.6 and applying distributions from the Series Collateral pursuant to Section 9.7);

PROVIDED, HOWEVER, that neither the Trustee nor the Collateral Agent may sell or otherwise liquidate the Series Collateral which constitutes Loans and Pledged Assets following an Event of Default other than an Event of Default described in the Series Supplement resulting from an Insolvency Event, unless either (i) the Holders of 100% of the Aggregate Principal Amount of the Notes of the affected Series then outstanding consent thereto, (ii) the proceeds of such sale or liquidation distributable to the Noteholders of the Series are sufficient to discharge in full the amounts then due and unpaid upon the Notes of such Series for principal and accrued interest and the fees and other amounts required to be paid prior to payment of amounts due on the Notes of such Series pursuant to Section 9.7 or (iii) the Holders of 66 2/3% of the Aggregate Principal Amount of such Series consent thereto and the Trustee determines that the Series Collateral will not continue to provide sufficient funds for the payment of principal of, and interest on, the Notes of such Series as they would have become due if such Notes would not have been declared due and payable.

For purposes of clause (ii) or clause (iii) of the preceding paragraph and Section 9.6, the Trustee may, but need not, obtain and rely upon an opinion of an independent accountant or an independent investment banking firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the distributions and other amounts receivable with respect to

the Series Collateral to make the required payments of principal of and interest on the Notes, and any such opinion shall be conclusive evidence as to such feasibility or sufficiency. The Issuer shall bear the reasonable costs and expenses of any such opinion.

(b) In addition to the remedies provided in Section 9.5(a), if so provided in the Series Supplement, the Trustee may, and at the request of the Majority Holders of such Series shall, institute a Proceeding in its own name and as trustee of an express trust solely to compel performance of a covenant, agreement, obligation or indemnity or to cure the representation or warranty or statement, the breach of which gave rise to the Event of Default; and the Trustee may enforce any equitable decree or order arising from such Proceeding.

Section 9.6 OPTIONAL PRESERVATION OF COLLATERAL. If the Notes of a Series have been accelerated following an Event of Default and such acceleration and its consequences have not been rescinded and annulled, to the extent permitted by law, the Trustee may, and at the request of Holders of 66 2/3% of the Aggregate Principal Amount of the Notes of the affected Series shall, elect to retain the Series Collateral securing the Notes intact for the benefit of the

Holders of the Notes and in such event it shall deposit all funds received with respect to the Series Collateral into the Collection Account for such Series and apply such funds in accordance with the payment priorities set forth in the respective Series Supplements, as if there had not been such an acceleration; PROVIDED THAT, the Trustee shall have determined that the distributions and other amounts receivable with respect to the Series Collateral are sufficient to provide the funds required to pay the principal of and interest on the Notes of such Series as and when such principal and interest would have become due and payable pursuant to the terms of the Series Supplement and of such Notes if there had not been a declaration of acceleration of maturity of the Notes.

Until the Trustee has elected, or has determined not to elect, to retain the Series Collateral pursuant to this Section 9.6, the Trustee shall continue to apply all distributions received on such Series Collateral in accordance with the respective Series Supplement. If the Trustee determines to retain the Series Collateral as provided in this Section 9.6, such determination shall be deemed to be a rescission and annulment (but not a waiver) of the aforementioned Event of Default and its consequences pursuant to Section 9.2, but no such rescission and annulment shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 9.7 APPLICATION OF MONIES COLLECTED DURING EVENT OF DEFAULT. If the Notes of a Series have been accelerated following an Event of Default and such acceleration and its consequences have not been rescinded and annulled, and distributions on the Series Collateral securing the Notes of such Series are not being applied pursuant to Section 9.6, any monies collected by the Trustee pursuant to this Article IX or otherwise with respect to such Notes shall be applied in accordance with the respective Series Supplement.

Section 9.8 LIMITATION ON SUITS BY INDIVIDUAL NOTEHOLDERS. Subject to Section 9.9, no Noteholder shall have any right to institute any Proceeding with respect to this Agreement or the Series Supplement under which its Notes were issued, or for the appointment of a receiver or trustee, or for any other remedy hereunder or thereunder, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Majority Holders of such Series shall have made written requests to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder and under the Series Supplement;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding,

it being understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Agreement or the Series Supplement to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Agreement or the Series Supplement, except in the manner herein provided.

Section 9.9 UNCONDITIONAL RIGHTS OF NOTEHOLDERS TO RECEIVE PRINCIPAL AND INTEREST. Notwithstanding any other provision in this Agreement or any Series Supplement, the Holder of any Note shall have the right, which right is absolute and unconditional, to receive payment of the principal and interest on such Note on or after the respective due dates thereof expressed in such Note or in this Agreement or the Series Supplement and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 9.10 RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Agreement or any Series Supplement and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 9.11 WAIVER OF EVENT OF DEFAULT. Prior to the Trustee's acquisition of a money judgment or decree for payment, in either case for the payment of all amounts owing by the Issuer in connection with a Series Supplement and the Notes issued thereunder the Holders of 66 2/3% of the Aggregate Principal Amount of Notes of such Series have the right to waive any Event of Default with respect to such Series and its consequences.

Upon any such waiver, such Event of Default shall cease to exist, and be

deemed to have been cured, for every purpose of this Agreement and the Series Supplement but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 9.12 WAIVER OF STAY OR EXTENSION LAWS. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner

whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, on the basis of any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 9.13 SALE OF SERIES COLLATERAL.

(a) The power to effect any sale (a "SALE") of any portion of the Series Collateral pursuant to Section 9.5 shall not be exhausted by any one or more Sales as to any portion of such Series Collateral remaining unsold, but shall continue unimpaired until the entire Series Collateral shall have been sold or all amounts payable on the Notes of the affected Series and the respective Series Supplement with respect thereto shall have been paid, whichever occurs later. The Trustee may from time to time postpone any Sale by public announcement made at the time and place of such Sale. The Trustee hereby expressly waives its right to any amount fixed by law as compensation for any Sale. The Trustee may reimburse itself from the proceeds of any sale for the reasonable costs and expenses incurred in connection with such sale. The net proceeds of such sale shall be applied as provided in the applicable Series Supplement.

(b) The Trustee and the Collateral Agent shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Series Collateral in connection with a Sale thereof. In addition, the Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Series Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such Sale shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

Section 9.14 ACTION ON NOTES. The Trustee's right to seek and recover judgment on the Notes or under this Agreement or a Series Supplement shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Agreement or the Series Supplement. None of the rights or remedies of the Trustee or the Noteholders hereunder shall be impaired by the recovery of any judgment by the Trustee or any Noteholder against the Issuer or by the levy of any execution under such judgment upon any portion of the Series Collateral or upon any of the assets of the Issuer.

Section 9.15. CONTROL BY SERIES OF NOTEHOLDERS. If an Event of Default with respect to a Series has occurred and is continuing, the Majority Holders of such Series or such other portion of the Holders of such Series as is specified in the Series Supplement shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Notes of such Series or exercising any trust or power conferred on the Trustee; provided that

(i) such direction shall not be in conflict with any rule of law or with this Agreement;

(ii) any direction to the Trustee to sell or liquidate the Series Collateral which constitutes Loans and the related Pledged Assets shall be subject to the provisions of Sections 9.5 and 9.6;

(iii) if the conditions set forth in Section 9.6 have been satisfied and the Trustee elects to retain the Series Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing less than 66 2/3rds % of the Notes Principal Amount of such Series to sell or liquidate the Series Collateral shall be of no force and effect; and

(iv) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 11.01, the Trustee need not take any action that it determines might involve it in liability.

ARTICLE X

SERVICER DEFAULTS

Section 10.1 SERVICER DEFAULTS. If any one of the following events (each, a "SERVICER DEFAULT") shall occur and be continuing:

(a) any failure by the Master Servicer to make any payment, transfer or deposit on or before the date such payment, transfer or deposit is required to be made or given under the terms of this Agreement or a Series Supplement and such failure remains unremedied for two Business Days; PROVIDED, HOWEVER, that if the Master Servicer is unable to make a payment, transfer or deposit when due and such failure is as a result of circumstances beyond the Master Servicer's control, the grace period shall be extended to three Business Days;

(b) failure on the part of the Master Servicer duly to observe or perform any other covenants or agreements of the Master Servicer set forth in this Agreement, a Series Supplement or any other Facility Document to which the Master Servicer is a party and such failure continues unremedied for a period of 20 days after the earlier of the date on which the Master Servicer has actual knowledge of the failure and the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Master Servicer by the Trustee, or to the Master Servicer and the Trustee by any Noteholder;

(c) any representation and warranty made by the Master Servicer in this Agreement shall prove to have been incorrect in any material respect when made and has a material and adverse impact on the Trustee's interest in the Pledged Loans and other Pledged Assets and the Master Servicer is not in compliance with such representation or warranty within ten Business Days after the earlier of the date on which the Master Servicer has actual knowledge of such breach and the date on which written notice of such breach requiring that such breach be remedied, shall have been given to the Master Servicer by the Trustee or to the Master Servicer and the Trustee by any Noteholder;

(d) an Insolvency Event shall occur with respect to the Master Servicer or Cendant;

(e) the Master Servicer fails to deliver reports to the Trustee in accordance with Section 6.1 of this Agreement and such failure remains unremedied for five Business Days; or

(f) the occurrence of any event which is designated as a Servicer Default under any Series Supplement.

THEN, so long as such Master Servicer Default shall be continuing, either the Trustee, or the Majority Holders of all Notes by notice then given in writing to the Master Servicer and each Rating Agency (and to the Trustee if given by the Majority Holders) (a "TERMINATION NOTICE"), may terminate all of the rights and obligations of the Master Servicer as Master Servicer under this Agreement (such termination being herein called a "SERVICE TRANSFER"). After receipt by the Master Servicer of such Termination Notice and subject to the terms of Section 10.2(a), the Trustee shall automatically assume the responsibilities of the Master Servicer hereunder until the date that a Successor Master Servicer shall have been appointed pursuant to Section 10.2 and all authority and power of the Master Servicer under this Agreement shall pass to and be vested in the Trustee or such Successor Master Servicer, as the case may be, without further action on the part of any Person, and, without limitation, the Trustee at the direction of the Majority Holders is hereby authorized and empowered (upon the failure of the Master Servicer to cooperate) to execute and deliver, on behalf of the Master Servicer, as attorney-in-fact or otherwise, all documents and other instruments upon the failure of the Master Servicer to execute or deliver such documents or instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights.

The Master Servicer agrees to cooperate with the Trustee and such Successor Master Servicer in effecting the termination of the responsibilities and rights of the Master Servicer to conduct servicing hereunder, including without limitation the transfer to such Successor Master Servicer of all authority of the Master Servicer to service the Pledged Loans provided for under this Agreement, including without limitation all authority over any Collections which shall on the date of transfer be held by the Master Servicer for deposit in a Lockbox Account or which shall thereafter be received by the Master Servicer with respect to the Pledged Loans, and in assisting the Successor Master Servicer in enforcing all rights under this Agreement including, without limitation, allowing the Successor Master Servicer's personnel access to the Master Servicer's premises for the purpose of collecting payments on the Pledged Loans made at such premises. The Master Servicer shall promptly transfer its electronic records relating to the Pledged Loans to the Successor Master Servicer in such electronic form as the Successor Master Servicer may reasonably request and shall promptly transfer to the Successor Master Servicer all other records, correspondence and documents necessary for the continued servicing of the Pledged Loans in the manner and at such times as the Successor Master Servicer shall reasonably request. The Master Servicer shall allow the Successor

Master Servicer access to the Master Servicer's officers and employees. To the extent that compliance with this Section 10.1 shall require the Master Servicer to disclose to the Successor Master Servicer information of any kind which the Master Servicer reasonably deems to be confidential, the Successor Master Servicer shall be required to enter into such customary licensing and confidentiality agreements as the Master Servicer shall deem necessary to protect its interest and as shall be satisfactory in form and substance to the Successor Master Servicer. The Master Servicer hereby consents to the entry against it of an order for preliminary, temporary or permanent injunctive relief by any court

of competent jurisdiction, to ensure compliance by the Master Servicer with the provisions of this paragraph.

Section 10.2 APPOINTMENT OF SUCCESSOR.

(a) APPOINTMENT. On and after the receipt by the Master Servicer of a Termination Notice pursuant to Section 10.1, or any permitted resignation of the Master Servicer pursuant to Section 5.13, the Master Servicer shall continue to perform all servicing functions under this Agreement and all Series Supplements until the date specified in the Termination Notice or otherwise specified by the Trustee or until a date mutually agreed upon by the Master Servicer and the Trustee. Upon receipt by the Master Servicer of a Termination Notice, the Trustee or the Trustee, acting on behalf of the Majority Holders which gave the Termination Notice, shall as promptly as possible after the giving of a Termination Notice appoint a successor servicer (in any case, the "SUCCESSOR MASTER SERVICER") and such Successor Master Servicer shall accept its appointment by a written assumption in a form acceptable to the Trustee; provided that such appointment shall be subject to satisfaction of the Rating Agency Condition. In the event a Successor Master Servicer has not been appointed and accepted the appointment by the date of termination stated in the Termination Notice the Trustee shall automatically assume responsibility for performing the servicing functions under this Agreement on the date of such termination. In the event that a Successor Master Servicer has not been appointed and has not accepted its appointment and the Trustee is legally unable or otherwise not capable of assuming responsibility for performing the servicing functions under this Agreement, the Trustee shall petition a court of competent jurisdiction to appoint any established financial institution having a net worth of not less than $100,000,000 and whose regular business includes the servicing of receivables similar to the Pledged Loans or other consumer finance receivables; PROVIDED, HOWEVER, pending the appointment of a Successor Master Servicer, the Trustee will act as the Successor Master Servicer.

(b) DUTIES AND OBLIGATIONS OF SUCCESSOR MASTER SERVICER. Upon its appointment, the Successor Master Servicer shall be the successor in all respects to the Master Servicer with respect to servicing functions under this Agreement and shall be subject to all the responsibilities and duties relating thereto placed on the Master Servicer by the terms and provisions hereof, and all references in this Agreement to the Master Servicer shall be deemed to refer to the Successor Master Servicer.

(c) COMPENSATION OF SUCCESSOR MASTER SERVICER; COSTS AND EXPENSES OF SERVICING TRANSFER. In connection with such appointment and assumption, the Trustee may make such arrangements for the compensation of the Successor Master Servicer as provided in the Series Supplements. The costs and expenses of transferring servicing shall be paid by the Master Servicer which is resigning or being replaced and to the extent such costs and expenses are not so paid, shall be paid from Collections as provided in the Series Supplements.

Section 10.3 NOTIFICATION TO NOTEHOLDERS. Upon the occurrence of any Servicer Default or any event which, with the giving of notice or passage of time or both, would become a Servicer Default, the Master Servicer shall give prompt written notice thereof to the Trustee and the Issuer and the Trustee shall give notice to the Noteholders at their respective addresses appearing in the Note Register. Upon any termination or appointment of a Successor Master

Servicer pursuant to this Article X, the Trustee shall give prompt written notice thereof to the Issuer and to the Noteholders at their respective addresses appearing in the Note Register.

Section 10.4 WAIVER OF PAST DEFAULTS. If a Servicer Default is a Servicer Default as described in subsection 10.1(f), the Majority Holders of the Notes of the Series issued under the Series Supplement containing such Servicer Default may waive such default and, with respect to a Servicer Default described in subsections 10.1(a) through (e), the Majority Holders of all Notes may, on behalf of all Holders, waive any default by the Master Servicer in the performance of its obligations hereunder and its consequences. Upon any such waiver of a past default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default

or impair any right consequent thereon except to the extent expressly so waived.

Section 10.5 TERMINATION OF MASTER SERVICER'S AUTHORITY. All authority and power granted to the Master Servicer under this Agreement shall automatically cease and terminate upon termination of this Agreement pursuant to Section 12.1, and shall pass to and be vested in the Issuer and without limitation the Issuer is hereby authorized and empowered to execute and deliver, on behalf of the Master Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights upon termination of this Agreement. The Master Servicer shall cooperate with the Issuer in effecting the termination of the responsibilities and rights of the Master Servicer to conduct servicing on the Pledged Loans. The Master Servicer shall transfer its electronic records relating to the Pledged Loans to the Issuer in such electronic form as Issuer may reasonably request and shall transfer all other records, correspondence and documents relating to the Pledged Loans to the Issuer in the manner and at such times as the Issuer shall reasonably request. To the extent that compliance with this Section 10.5 shall require the Master Servicer to disclose information of any kind which the Master Servicer deems to be confidential, the Issuer shall be required to enter into such customary licensing and confidentiality agreements as the Master Servicer shall deem necessary to protect its interests and as shall be reasonably satisfactory in form and substance to the Issuer.

Section 10.6 MATTERS RELATED TO SUCCESSOR MASTER SERVICER.

The Successor Master Servicer will not be responsible for delays attributable to the Master Servicer's failure to deliver information, defects in the information supplied by the Master Servicer or other circumstances beyond the control of the Successor Master Servicer.

The Successor Master Servicer will make arrangements with the Master Servicer for the prompt and safe transfer of, and the Master Servicer shall provide to the Successor Master Servicer, all necessary servicing files and records, including (as deemed necessary by the Successor Master Servicer at such time): (i) microfiche loan documentation, (ii) servicing system tapes, (iii) Pledged Loan payment history, (iv) collections history and (v) the trial balances, as of the close of business on the day immediately preceding conversion to the Successor Master Servicer, reflecting all applicable Pledged Loan information. The current Master Servicer shall be obligated to pay the costs associated with the transfer of the servicing files and records to the Successor Master Servicer.

The Successor Master Servicer shall have no responsibility and shall not be in default hereunder nor incur any liability for any failure, error, malfunction or any delay in carrying out any of its duties under this Agreement if any such failure or delay results from the Successor Master Servicer acting in accordance with information prepared or supplied by a Person other than the Successor Master Servicer or the failure of any such Person to prepare or provide such information. The Successor Master Servicer shall have no responsibility, shall not be in default and shall incur no liability (i) for any act or failure to act by any third party, including the Master Servicer, the Issuer or the Trustee or for any inaccuracy or omission in a notice or communication received by the Successor Master Servicer from any third party or (ii) which is due to or results from the invalidity, unenforceability of any Pledged Loan under applicable law or the breach or the inaccuracy of any representation or warranty made with respect to any Pledged Loan.

If the Trustee or any other Successor Master Servicer assumes the role of Successor Master Servicer hereunder, such Successor Master Servicer shall be entitled to appoint subservicers whenever it shall be deemed necessary by such Successor Master Servicer.

ARTICLE XI

THE TRUSTEE; THE COLLATERAL AGENT; THE CUSTODIAN

Section 11.1 DUTIES OF TRUSTEE.

(a) The Trustee, prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge and after the curing of all such Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. If an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge has occurred and has not been cured or waived, the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent institutional trustee would exercise or use under the circumstances in the conduct of such institution's own affairs. The Trustee is hereby authorized and empowered to make the withdrawals and payments from the Accounts in accordance with the instructions set forth in this Agreement and the Series Supplements until the termination of this Agreement in accordance with Section 12.1 unless this appointment is earlier terminated pursuant to the terms hereof.

(b) The Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Trustee which are specifically required to be furnished pursuant to any provision of this Agreement, shall examine them to determine whether they conform to such requirements; PROVIDED, HOWEVER, that the Trustee shall not be responsible for the accuracy or content of any resolution, certificate, statement, opinion, report, document, order or other instrument furnished by the Master Servicer, the Issuer or any other Person hereunder (other than the Trustee). The Trustee shall give prompt written notice to the Noteholders of any material lack of conformity of any such instrument to the applicable requirements of this Agreement discovered by the Trustee.

(c) Subject to Section 11.1(a), no provision of this Agreement shall be construed to relieve the Trustee from liability for its own gross negligence, reckless disregard of its duties, bad faith or misconduct; PROVIDED, HOWEVER, that:

(i) the Trustee shall not be personally liable for an error of judgment made in good faith by a Responsible Officer or employees of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(ii) the Trustee shall not be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with this Agreement or at the direction of the Majority Holders relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising or omitting to exercise any trust or power conferred upon the Trustee, under this Agreement;

(iii) the Trustee shall not be charged with knowledge of any failure by any other party hereto to comply with its obligations hereunder or of the occurrence of any Event of Default or Servicer Default unless a Responsible Officer of the Trustee obtains actual knowledge of such failure based upon receipt of written information or other communication or a Responsible Officer of the Trustee receives written notice of such failure from the Master Servicer or any Noteholder. In the absence of receipt of notice or actual knowledge by a Responsible Officer the Trustee may conclusively assume there is no Event of Default or Servicer Default; and

(iv) Prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge or have received notice and after all the curing of all such Events of Default which may have occurred, the duties and obligations of the Trustee shall be determined solely by the express provisions of this Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, no implied covenants or obligations shall be read into this Agreement against the Trustee and, in the absence of bad faith, willful misconduct or negligence on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement.

(d) The Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it (which adequate indemnity may include, at the Trustee's option, consent by the Series Majority Holders authorizing the Trustee to be reimbursed for any funds from amounts available in the Collection Account for such Series), and none of the provisions contained in this Agreement shall in any event require the Trustee to perform, or be responsible for the manner of performance of, any of the obligations of the Master Servicer under this Agreement except during such time, if any, as the Trustee shall be the successor to, and be vested with the rights, duties, powers and privileges of, the Master Servicer in accordance with the terms of this Agreement.

(e) Except for actions expressly authorized by this Agreement, the Trustee shall take no action reasonably likely to impair the interests of the Issuer in any Pledged Loan now existing or hereafter created or to impair the value of any Pledged Loan now existing or hereafter created.

(f) Except as provided in this Agreement or the applicable Series Supplement, the Trustee shall have no power to dispose of or vary any Series Collateral.

(g) In the event that the Registrar shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the

Registrar, as the case may be, under this Agreement, the Trustee (if it is not then the Registrar) shall be obligated promptly to perform such obligation, duty or agreement in the manner so required.

(h) The Trustee shall have no duty to (A) see to any recording, filing or depositing of this Agreement or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof, (B) see to any insurance, (C) see to the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of any Series Collateral other than from funds available in the related Series Collection Account, or (D) confirm or verify the contents of any reports or certificates of the Master Servicer delivered to the Trustee pursuant to this Agreement believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties.

Section 11.2 CERTAIN MATTERS AFFECTING THE TRUSTEE. Except for its own gross negligence, reckless disregard of its duties, bad faith or misconduct:

(a) the Trustee may rely on and shall be protected from liability to the Issuer and the Noteholders in acting on, or in refraining from acting in accord with, any resolution, Officer's Certificate, certificate of auditors or any other certificate, statement, conversation, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed, sent or made by the proper Person or Persons;

(b) the Trustee may consult with counsel and any advice of counsel (including without limitation counsel to the Issuer or the Master Servicer) shall be full and complete authorization and protection from liability to the Issuer and the Noteholders in respect to any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel;

(c) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any of the Noteholders, pursuant to the provisions of this Agreement, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligations, upon the occurrence of any Servicer Default of which a Responsible Officer of the Trustee shall have actual knowledge or have received notice (which has not been cured), to

exercise such of the rights and powers vested in it by this Agreement, and to use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(d) neither the Trustee nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be personally liable for any action taken, suffered or omitted to be taken by the Trustee or such Person in good faith and believed by such Person to be authorized or within the discretion or rights or powers conferred upon it by this Agreement, nor for any action taken or omitted to be taken by any other party hereto;

(e) the Trustee shall not be bound to make any investigation into the facts of matters stated in any Monthly Servicing Report, any other report or statement delivered to the Trustee by the Master Servicer, resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing so to do by the Majority Holders; PROVIDED, HOWEVER, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not assured to the Trustee by the security afforded to it by the terms of this Agreement, the Trustee may require indemnity satisfactory to the Trustee against such cost, expense or liability as a condition to taking any such action.

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent, attorney or custodian appointed with due care by it hereunder;

(g) except as may be required by Section 11.1(b), the Trustee shall not be required to make any initial or periodic examination of any documents or records related to the Pledged Loans for the purpose of establishing the presence or absence of defects, the compliance by the Master Servicer or the Issuer with their respective representations and warranties or for any other purpose;

(h) the right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty, and the Trustee shall not be answerable for the performance of such act; and

(i) the Trustee shall not be required to give any bond or surety in respect of the powers granted hereunder.

Section 11.3 TRUSTEE NOT LIABLE FOR RECITALS IN NOTES OR USE OF PROCEEDS OF NOTES. The Trustee assumes no responsibility for the correctness of the recitals contained herein and in the Notes (other than the certificate of authentication on the Notes) or for any statements, representations or warranties made herein by any Person other than the Trustee (except as expressly set forth herein). Except as set forth in Section 11.14, the Trustee makes no representations as to the validity, enforceability or sufficiency of this Agreement or of the Notes (other than the certificate of authentication on the Notes) or of any Pledged Loan or related document. The Trustee shall not be accountable for the use or application of funds properly withdrawn from any Account on the instructions of the Master Servicer or for the use or

application by the Issuer of the proceeds of any of the Notes, or for the use or application of any funds paid to the Issuer in respect of the Pledged Loans. The Trustee shall not be responsible for the legality or validity of this Agreement or the validity, priority, perfection or sufficiency of the security for the Notes issued or intended to be issued hereunder. The Trustee shall have no responsibility for filing any financing or continuation statement in any public office at any time or to otherwise perfect or maintain the perfection of any security interest or lien granted to it hereunder or to record this Agreement.

Section 11.4 TRUSTEE MAY OWN NOTES; TRUSTEE IN ITS INDIVIDUAL CAPACITY. Wachovia Bank, National Association, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights as it would have if it were not the Trustee. Wachovia Bank, National Association and its Affiliates may generally engage in any kind of business with the Issuer or the Master Servicer as though Wachovia Bank, National Association were not acting in such capacity hereunder and without any duty to account therefor. Nothing contained in this Agreement shall limit in any way the ability of Wachovia Bank, National Association and its Affiliates to act as a trustee or in a similar capacity for other interval ownership and lot contract and installment note financings pursuant to agreements similar to this Agreement.

Section 11.5 TRUSTEE'S FEES AND EXPENSES; INDEMNIFICATION. The Trustee shall be entitled to receive from time to time pursuant to the Series Supplements and the Trustee Fee Letter, (a) such compensation as shall be agreed to between the Issuer and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by it in the execution of the trust hereby created and in the exercise and performance of any of the powers and duties hereunder as the Trustee and to be reimbursed for its out-of-pocket expenses (including reasonable attorneys' fees), incurred or paid in establishing, administering and carrying out its duties under this Agreement or the Collateral Agency Agreement and (b) subject to Section 8.3, the Issuer and the Master Servicer agree, jointly and severally, to pay, reimburse, indemnify and hold harmless the Trustee (without reimbursement from any Account or otherwise) upon its request for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever (including without limitation fees, expenses and disbursements of counsel) which may at any time (including without limitation at any time following the termination of this Agreement and payment on account of the Notes) be imposed on, incurred by or asserted against the Trustee in any way relating to or arising out of this Agreement, any Series Supplement, the Collateral Agency Agreement or any other Facility Document to which the Trustee is a party or the transactions contemplated hereby or any action taken or omitted by the Trustee under or in connection with any of the foregoing except for those liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the gross negligence, reckless disregard of its duties, bad faith or willful misconduct of the Trustee and except that if the Trustee is appointed Successor Master Servicer pursuant to Section 10.2, the provisions of this Section 11.5 shall not apply to expenses, disbursements and advances made or incurred by the Trustee in its capacity as Successor Master Servicer. The agreements in this Section 11.5 shall survive the termination of this Agreement, the resignation or removal of the Trustee and all amounts payable on account of the Notes.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 11.6 ELIGIBILITY REQUIREMENTS FOR TRUSTEE. The Trustee hereunder

(if other than Wachovia Bank, National Association) shall at all times be an Eligible Institution and a corporation or banking association organized and doing business under the laws of the United States of America or any state thereof authorized under such laws to exercise corporate trust powers, and such Trustee (including Wachovia Bank, National Association) shall have a combined capital and surplus of at least $25,000,000 (or, in the case of a successor to the initial Trustee, $100,000,000) and subject to supervision or examination by federal or state authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of federal or state supervising or examining authority, then for the purpose of this Section 11.6, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.6, the Trustee shall resign immediately in the manner and with the effect specified in Section 11.7.

Section 11.7 RESIGNATION OR REMOVAL OF TRUSTEE.

(a) The Trustee may at any time resign and be discharged from the trust hereby created by giving 60 days prior written notice thereof to the Issuer, the Master Servicer, the Noteholders and each Rating Agency. Upon receiving such notice of resignation, the Issuer shall promptly arrange to appoint a successor trustee meeting the requirements of Section 11.6 and the Master Servicer shall notify the Trustee and each Rating Agency of such appointment by written instrument, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted within 30 days after the giving of such notice of resignation, a successor Trustee shall be appointed by Majority Holders. The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the Trustee. If no successor Trustee shall have been so appointed by the Issuer or the Noteholders and shall have accepted appointment in the manner hereinafter provided, any Noteholder, on behalf of itself and all others similarly situated, or the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(b) If at any time the Trustee shall cease to be eligible in accordance with the provisions of Section 11.6 and shall fail to resign after written request therefor by the Issuer or the Master Servicer, or if at any time the Trustee shall be legally unable to act, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer, the Master Servicer or the Majority Holders may remove the Trustee and promptly appoint a successor Trustee by written instrument, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee.

(c) At any time the Majority Holders may remove the Trustee and promptly appoint a successor Trustee by written instrument, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 11.7 shall not become effective until acceptance of appointment by the successor Trustee as provided in Section 11.8.

Section 11.8 SUCCESSOR TRUSTEE.

(a) Any successor Trustee, appointed as provided in Section 11.7, shall execute, acknowledge and deliver to the Issuer, the Master Servicer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein. The predecessor Trustee shall deliver to the successor Trustee all money, documents and other property held by it hereunder; and Issuer and the predecessor Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Trustee all such rights, power, duties and obligations.

(b) No successor Trustee shall accept appointment as provided in this Section 11.8 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 11.6.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section 11.8, such successor Trustee shall mail notice of such succession hereunder to the Trustee, the Issuer, the Master Servicer and all Noteholders at their addresses as shown in the Note Register.

Section 11.9 MERGER OR CONSOLIDATION OF TRUSTEE. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, PROVIDED, such corporation shall be eligible under the provisions of Section 11.6, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 11.10 APPOINTMENT OF CO-TRUSTEE OR SEPARATE TRUSTEE.

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Series Collateral may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Series Collateral and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Series Collateral, or any part thereof, and subject to the other provisions of this Section 11.10, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable.

No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 11.6 and no notice to the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 11.8.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any laws of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Series Collateral, or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article XI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Master Servicer.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect to this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or a successor trustee.

Section 11.11 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF NOTES. All rights of action and claims under this Agreement or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the

reasonable compensation, expenses, disbursements and advances of the Trustee,

its agents and counsel, be for the Noteholders in respect of which such judgment has been obtained.

Section 11.12 SUITS FOR ENFORCEMENT. If an Event of Default or a Servicer Default shall occur and be continuing, the Trustee, in its discretion, may, subject to the provisions of Article IX and Section 10.1, proceed to protect and enforce its rights and the rights of the Noteholders under this Agreement by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the execution of any power granted in this Agreement or for the enforcement of any other legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Noteholders.

Section 11.13 RIGHTS OF NOTEHOLDERS TO DIRECT THE TRUSTEE. The Majority Holders of a Series shall, with respect to such Series, have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; PROVIDED, HOWEVER, that, subject to Section 11.1, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Trustee in good faith shall, by a Responsible Officer or Responsible Officers of the Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of Noteholders not parties to such direction, or if the Trustee has not been offered reasonable security or indemnity, as contemplated by Section 11.2, by such Holders; AND PROVIDED FURTHER, that nothing in this Agreement shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not inconsistent with such direction by the Noteholders.

Section 11.14 REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE. The Trustee represents and warrants that:

(a) the Trustee is a national banking association with trust powers organized, validly existing and in good standing under the laws of the United States;

(b) the Trustee has full power, authority and right to execute, deliver and perform this Agreement and the Series Supplements and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement and the Series Supplements; and

(c) this Agreement has been duly executed and delivered by the Trustee and constitutes the legal, valid and binding agreement of the Trustee enforceable against the Trustee in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

Section 11.15 MAINTENANCE OF OFFICE OR AGENCY. The Trustee will maintain at its expense in The City of New York, State of New York, an office or offices or agency or agencies where notices and demands to or upon the Trustee in respect of the Notes and this Agreement may be served. The Trustee will give prompt written notice to the Issuer, the Master Servicer and the Noteholders of any change in the location of any such office or agency.

Section 11.16 NO ASSESSMENT. Wachovia Bank, National Association's agreement to act as Trustee hereunder shall not constitute or be construed as Wachovia Bank, National Association's assessment of the Issuer's or any Obligor's creditworthiness or a credit analysis of any Loans.

Section 11.17 UCC FILINGS AND TITLE CERTIFICATES. The Trustee and the Noteholders expressly recognize and agree that the Collateral Agent may be listed as the secured party of record on the various Financing Statements required to be filed under this Agreement and the Series Supplements in order to perfect the security interest in the Series Collateral, that such listings shall be for administrative convenience only in creating a representative of the secured party to take certain actions under the Facility Documents on behalf of one or more secured parties including the Trustee and that such listing will not affect in any way the respective status of the other secured parties under the Collateral Agency Agreement as the holders of their respective interests in other collateral. In addition, such listing shall impose no duties on the Collateral Agent other than those expressly and specifically undertaken in accordance with this Agreement and the Collateral Agency Agreement.

Section 11.18 REPLACEMENT OF THE CUSTODIAN. Each of the Issuer and the Master Servicer agree not to replace either of the Custodians unless the Rating Agency Condition has been satisfied with respect to such replacement.

ARTICLE XII

TERMINATION

Section 12.1 TERMINATION OF AGREEMENT. The respective obligations and responsibilities of the Issuer, the Master Servicer and the Trustee created hereby (other than the obligation of the Trustee to make payments to Noteholders as hereafter set forth) shall terminate (the "TERMINATION DATE") on the day after the Payment Date following the date on which funds shall have been deposited in the appropriate Collection Accounts sufficient to pay the Aggregate Principal Amount of all Series plus all interest accrued on the Notes of all Series accrued through the day preceding such Payment Date; PROVIDED THAT, all amounts required to be paid on such Payment Date pursuant to this Agreement shall have been paid.

Section 12.2 FINAL PAYMENT.

(a) Written notice of any termination of a Series or of all Series shall be given (subject to at least two Business Days' prior notice from the Master Servicer to the Trustee) by the Trustee to the Noteholders and each Rating Agency then rating any Notes mailed not later than the fifth day of the month of such final payment specifying (a) the Payment Date and (b) the amount of any such final payment. The Trustee shall give such notice to the Registrar at the time such notice is given to the Noteholders.

(b) On or after the final Payment Date, upon written request of the Trustee, the Noteholders shall surrender their Notes to the office specified in such request.

Section 12.3 DEFEASANCE. The Issuer's obligations with respect to any Series of Notes may be defeased prior to payment of the Notes of that Series if so provided in the applicable Series Supplement and subject to the terms and conditions contained in that Series Supplement.

Section 12.4 RELEASE OF COLLATERAL. Upon the termination of this Agreement pursuant to Sections 12.1, the Trustee shall release all liens and assign to the Issuer (without recourse, representation or warranty) all right, title and interest of the Trustee in and to the Series Collateral and all proceeds thereof. The Trustee shall execute and deliver such instruments of assignment, in each case without recourse, representation or warranty, as shall be reasonably requested by the Issuer to release the security interest of the Trustee in the Series Collateral.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1 AMENDMENT.

(a) SUPPLEMENTAL INDENTURES AND AMENDMENTS WITHOUT CONSENT OF THE NOTEHOLDERS. The Issuer, the Trustee, the Collateral Agent and the Master Servicer, at any time and from time to time, without the consent of any of the Noteholders, may enter into one or more amendments or indentures supplemental to this Agreement or into a Series Supplement in form satisfactory to the Trustee for any of the following purposes:

(i) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer;

(ii) to Grant any additional property to the Trustee or the Collateral Agent or to be held by the Custodian, in each case, for the benefit of the Trustee and the Holders of the Notes of one or more Series;

(iii) to correct or amplify the description of any property at any time subject to the Lien of a Series Supplement, or to better assure, convey and confirm unto the Trustee or the Collateral Agent or deliver to the Custodian, in each case for the benefit of the Trustee and the Noteholders, any property subject to the Lien of a Series Supplement;

(iv) to cure any ambiguity, correct, modify or supplement any provision which is defective or inconsistent with any other provision herein; PROVIDED THAT, such correction, modification or supplement shall not alter in any material respect, the amount or timing of payments to or other rights of the Noteholders;

(v) to modify transfer restrictions on a Series of Notes, so long as any such modifications comply with the Securities Act and the Investment Company Act;

(vi) to provide for the issuance of a new Series of Notes; or

(vii) make any other changes which do not, in the aggregate, materially and adversely affect the rights of any Noteholders.

PROVIDED THAT, (x) in each case, the Issuer shall have satisfied the Rating Agency Condition with respect to such corrections, amendments, modifications or clarifications and (y), with respect to any changes described in subsection (vii), the Issuer shall have delivered to the Trustee an Officer's Certificate of the Issuer and an Officer's Certificate of the Master Servicer both to the effect that such change will not adversely affect the rights of any Noteholders and evidence that any additional conditions to such amendment contained in one or more Series Supplements have been satisfied.

Subject to Section 13.1(c), the Trustee is hereby authorized to join in the execution of any such amendment or supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained. So long as any of the Notes are outstanding, at the cost of the Issuer, the Trustee shall provide to each Rating Agency then rating any Notes a copy of any proposed amendment or supplemental indenture prior to the execution thereof by the Trustee and, as soon as practicable after the execution by the Issuer, the Trustee and the Collateral Agent of any such amendment or supplemental indenture, provide to each Rating Agency a copy of the executed amendment or supplemental indenture, as the case may be.

(b) AMENDMENTS AND SUPPLEMENTAL INDENTURES WITH CONSENT OF THE NOTEHOLDERS. With the consent of the Majority Holders of each affected Series and upon satisfaction of the Rating Agency Condition, the Issuer and the Trustee may enter into an amendment or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Agreement or any Series Supplement, or modifying in any manner the rights of the Holders of the Notes under this Agreement or any Series Supplement; PROVIDED THAT, no such amendment or supplemental indenture shall, without the consent of all affected Noteholders:

(i) reduce in any manner the amount of, or change the timing of, principal, interest and other payments required to be made on any Note;

(ii) change the application of proceeds of any Series Collateral to the payment of Notes of such Series;

(iii) reduce the percentage of Noteholders required to take or approve any action under this Agreement or any Series Supplement; or

(iv) permit the creation of any lien ranking prior to or on a parity with the lien of this Agreement or any Series Supplement, with respect to any part of the Series Collateral or terminate the lien of this Agreement or any Series Supplement on any property at any time subject thereto or deprive the Noteholders of the security afforded by the lien of this Agreement or any Series Supplement.

It shall not be necessary in connection with any consent of the Noteholders under this Section 13.1(b) for the Noteholders to approve the specific form of any proposed amendment or supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. The Trustee will not be permitted to enter into any such supplemental indenture or amendment if, as a result of such supplemental indenture or amendment, the ratings of any

outstanding Series or Class of Notes (if then rated) would be reduced without the consent of each affected Noteholder.

Promptly after the execution by the Issuer, the Trustee, the Collateral Agent and the Master Servicer of any amendment or supplemental indenture pursuant to this Section 13.1(b), the Trustee, at the expense of the Issuer shall mail to the Noteholders, the Luxembourg Stock Exchange (if and for so long as any Class of Notes is listed thereon) and each Rating Agency rating any of the Notes, a copy thereof.

(c) EXECUTION OF AMENDMENTS AND SUPPLEMENTAL INDENTURES. In executing or accepting the additional trusts created by any amendment or supplemental indenture permitted by this Section 13.1 or the modifications thereby of the trusts created by this Agreement or any Series Supplement, the Trustee shall be entitled to receive, and (subject to Sections 11.1 and 11.2) shall be fully protected in relying in good faith upon, an Opinion of Counsel stating that the execution of such amendment or supplemental indenture is authorized or permitted by this Agreement and that all conditions precedent applicable thereto under this Agreement have been satisfied. The Trustee may, but shall not be obligated to, enter into any such amendment or supplemental indenture which affects the Trustee's own rights, duties or immunities under this Agreement, any Series Supplement, or otherwise.

(d) EFFECT OF AMENDMENTS AND SUPPLEMENTAL INDENTURES. Upon the execution of any amendment or supplemental indenture under this Section 13.1, this Agreement shall be modified in accordance therewith, and such amendment or supplemental indenture shall form a part of this Agreement for all purposes; and every Holder of a Note theretofore and thereafter authenticated and delivered hereunder shall be bound thereby.

(e) REFERENCE IN NOTES TO AMENDMENTS AND SUPPLEMENTAL INDENTURES. Notes executed, authenticated and delivered after the execution of any amendment or supplemental indenture pursuant to this Section 13.1 may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such amendment or supplemental indenture. If the Issuer shall so determine, new Notes, so modified as to conform in the opinion of the Trustee and the Issuer to any such amendment or supplemental indenture, may be prepared and executed by the Issuer and authenticated and delivered by the Trustee or its authenticating agent in exchange for outstanding Notes.

(f) In determining whether the requisite percentage of Noteholders have concurred in any direction, waiver or consent, Notes owned by the Issuer or an Affiliate of the Issuer shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in making such determination or relying on any such direction, waiver or consent, only Notes which a Responsible Officer of the Trustee knows pursuant to written notice (or in the case of the Issuer, by reference to the Note Register if the Trustee is also the Note Registrar) are so owned shall be so disregarded.

Section 13.2 RESERVED.

Section 13.3 LIMITATION ON RIGHTS OF THE NOTEHOLDERS.

(a) The death or incapacity of any Noteholder shall not operate to terminate this Agreement, nor shall such death or incapacity entitle such Noteholder's legal representatives or heirs to claim an accounting or to take any action or commence any proceeding in any court for a partition or winding up of the Series Collateral, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

(b) Nothing herein set forth, or contained in the terms of the Notes, shall be construed so as to constitute the Noteholders from time to time as partners or members of an association; nor shall any Noteholder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 13.4 GOVERNING LAW. This Agreement is governed by and shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 13.5 NOTICES. All communications and notices hereunder shall be in writing and shall be deemed to have been duly given if personally delivered to, or transmitted by overnight courier, or transmitted by telex or telecopy and confirmed by a mailed writing:

If to the Issuer:

SIERRA RECEIVABLES FUNDING COMPANY, LLC
10750 West Charleston Boulevard
Suite _____
Las Vegas, Nevada 89135
Fax number: _____
Attention: [-]
(or such other address as may hereafter be furnished to the Trustee, the Master Servicer and the Collateral Agent in writing by the Issuer).

If to the Master Servicer:

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA
10750 West Charleston Boulevard
Suite 130
Las Vegas, Nevada 89135
Fax number: 702-227-3114
Attention: Ralph E. Turner
(or such other address as may hereafter be furnished to the Trustee, the Issuer and the Collateral Agent in writing by the Master Servicer).

If to the Trustee:

WACHOVIA BANK, NATIONAL ASSOCIATION
401 South Tryon Street
NC - 1179
12th Floor
Charlotte, North Carolina 28288-1179

Fax: Number:704-383-6039

Attention: Structured Finance Trust Services
Re: Sierra Receivables Funding Company, LLC
Series 2002-1
(or such other address as may be furnished to the Master Servicer, the Issuer or the Collateral Agent in writing by the Trustee).

If to the Collateral Agent:

WACHOVIA BANK, NATIONAL ASSOCIATION
401 South Tryon Street
NC - 1179
12th Floor
Charlotte, North Carolina 28288-1179
Fax: Number: 704-383-6039
Attention: Structured Finance Trust Services
Re: Sierra Receivables Funding Company, LLC
Series 2002-1
(or such other address as may be furnished in writing to the Trustee, the Issuer and the Master Servicer by the Collateral Agent).

If to each Rating Agency:

Fitch Ratings, Inc.
One State Street Plaza
New York, New York, 10004
Fax number: 212-480-4438
Attention: Timeshare Asset-Backed Group
(or such other address as may be furnished in writing to the Trustee, the Issuer and the Master Servicer).

Moody's Investor Service, Inc.
99 Church Street
New York, New York 10007
Fax number: 212-553-4392
(or such other address as may be furnished in writing to the Trustee, the Issuer and the Master Servicer).

Standard & Poor's Ratings Services
55 Water Street
New York, New York 10041
Fax number: 212-438-2655
(or such other address as may be furnished in writing to the Trustee, the Issuer and the Master Servicer).

If to the Noteholders:
(to such addresses as may be furnished in writing by any Noteholder to the Trustee).

All communications and notices pursuant hereto to a Noteholder will be given by first-class mail, postage prepaid, to the registered holders of such Notes at their respective address as shown in the Note Register. Any notice so given within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Noteholder receives such notice.

Section 13.6 SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Notes or rights of the Noteholders thereof.

Section 13.7 ASSIGNMENT. Notwithstanding anything to the contrary contained herein, except as provided in Section 10.2, this Agreement may not be assigned by the Issuer or the Master Servicer without the prior consent of the Majority Holders.

Section 13.8 NOTES NON-ASSESSABLE AND FULLY PAID. It is the intention of the Issuer that the Noteholders shall not be personally liable for obligations of the Issuer and that the indebtedness represented by the Notes shall be non-assessable for any losses or expenses of the Issuer or for any reason whatsoever.

Section 13.9 FURTHER ASSURANCES. Each of the Issuer, the Master Servicer and the Collateral Agent agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Trustee more fully to effect the purposes of this Agreement, including without limitation the execution of any financing statements, amendments thereto, or continuation statements relating to the Pledged Loans for filing under the provisions of the UCC of any applicable jurisdiction.

Section 13.10 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Trustee or the Noteholders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of any provision hereof shall be effective unless made in writing. The rights, remedies, powers and privileges therein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 13.11 COUNTERPARTS. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

Section 13.12 THIRD-PARTY BENEFICIARIES. This Agreement will inure to the benefit of and be binding upon the parties hereto, the Noteholders and their respective successors and permitted

assigns. Except as otherwise provided in this Article XIII, no other person will have any right or obligation hereunder.

Section 13.13 ACTIONS BY THE NOTEHOLDERS.

(a) Wherever in this Agreement a provision is made that an action may be taken or a notice, demand or instruction given by the Noteholders, such action, notice or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage of the Noteholders. If, at any time, the request, demand, authorization, direction, consent, waiver or other act of a specific percentage of the Noteholders is required pursuant to this Agreement, written notification of the substance thereof shall be furnished to all Noteholders.

(b) Any request, demand, authorization, direction, consent, waiver or other act by a Noteholder binds such Noteholder and every subsequent holder of such Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by the Trustee, the Issuer or the Master Servicer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 13.14 MERGER AND INTEGRATION. Except as set forth in the Trustee Fee Letter, and except as SPECIFICALLY stated otherwise herein, this Agreement and the other Facility Documents set forth the entire understanding of the parties relating to the subject matter hereof, and, except as set forth in such Trustee Fee Letter, all prior understandings, written or oral, are superseded by this Agreement and the other Facility Documents. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

Section 13.15 NO BANKRUPTCY PETITION. The Trustee, the Master Servicer, the Collateral Agent and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Issuer or the Depositor, or join in instituting against the Issuer or the Depositor, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any Debtor Relief Law.

Section 13.16 HEADINGS. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, Issuer, the Master Servicer, the Trustee and the Collateral Agent have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

SIERRA RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Master Servicer

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Robert Ashbaugh

Name: Robert Ashbaugh
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Robin M. Belanger

Name: Robin M. Belanger
Title: Vice President

[Signature page for Master Indenture and Servicing Agreement]

EXHIBIT 10.62

EXECUTION COPY

SERIES 2002-1 SUPPLEMENT

Dated as of August 29, 2002

to

MASTER INDENTURE AND SERVICING AGREEMENT

Dated as of August 29, 2002

- ---

SIERRA RECEIVABLES FUNDING COMPANY, LLC

LOAN-BACKED

VARIABLE FUNDING NOTES,

SERIES 2002-1

- ---

among

SIERRA RECEIVABLES FUNDING COMPANY, LLC,

as Issuer

FAIRFIELD ACCEPTANCE CORPORATION - NEVADA,

as Master Servicer

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Trustee

and

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Collateral Agent

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SERIES 2002-1 SUPPLEMENT, dated as of August 29, 2002, among SIERRA RECEIVABLES FUNDING COMPANY, LLC, a limited liability company formed under the laws of the State of Delaware, as Issuer, FAIRFIELD ACCEPTANCE CORPORATION - NEVADA, a Delaware corporation, as Master Servicer, WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, but solely as Trustee under the Agreement, and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Collateral Agent.

Section 2.10 of the Agreement provides that the Issuer may, pursuant to one or more Supplements, issue one or more Series of Notes and set forth the terms of such Series.

Pursuant to this Supplement, the Issuer creates the Series 2002-1 Notes and specifies the terms thereof.

All things necessary to make this Supplement a valid agreement of the Issuer, the Master Servicer, the Trustee and the Collateral Agent in accordance with its terms have been done.

GRANTING CLAUSES

The Issuer hereby Grants to the Collateral Agent, for the benefit of the Trustee for the benefit of the Series 2002-1 Noteholders, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in, to and under the following:

(a) all Series 2002-1 Pledged Loans, together with all other Series 2002-1 Pledged Assets;

(b) the Collection Account and all money, investment property, instruments and other property credited to, carried in or deposited in the Collection Account including any sub-accounts within the Collection Account;

(c) all money, investment property, instruments and other property credited to, carried in or deposited in a Lockbox Account or any other bank or similar account into which Series 2002-1 Collections are deposited, to the extent such money, investment property, instruments and other property constitutes Series 2002-1 Collections;

(d) the Reserve Account and all moneys, investment property, instruments and other property credited to, carried in or deposited in the Reserve Account including any sub-accounts within the Reserve Account;

(e) the Hedge Agreement and all rights and interests therein and thereto;

(f) all rights, remedies, powers, privileges and claims of the Issuer under or with respect to the Series 2002-1 Pool Purchase Supplement and each Series 2002-1 Purchase Supplement including, without limitation all rights to enforce payment obligations of the Issuer, the Depositor and each Seller and all rights to collect all monies due and to become due to the Issuer

from the Depositor or any Seller under or in connection with the Series 2002-1 Pool Purchase Supplement or any Series 2002-1 Purchase Supplement (including without limitation all interest and finance charges for late payments accrued thereon and proceeds of any liquidation or sale of Series 2002-1 Pledged Loans or resale of Timeshare Properties or Vacation Credits and

all other Collections on the Series 2002-1 Pledged Loans) and all other rights of the Issuer to enforce the Series 2002-1 Pool Purchase Supplement and each Series 2002-1 Purchase Supplement;

(g) to the extent related to the Series 2002-1 Pledged Loans or the Series 2002-1 Pledged Assets, all rights, remedies, powers, privileges and claims of the Issuer under or with respect to the Pool Purchase Agreement and the each of the Purchase Agreements including, without limitation all rights to enforce payment obligations of the Issuer, the Depositor and each Seller and all rights to collect all monies due and to become due to the Issuer from the Depositor or any Seller under or in connection with the Series 2002-1 Pledged Loans (including without limitation all interest and finance charges for late payments accrued thereon and proceeds of any liquidation or sale of Series 2002-1 Pledged Loans or resale of Timeshare Properties or Vacation Credits and all other Collections on the Series 2002-1 Pledged Loans) and all other rights of the Issuer to enforce the Pool Purchase Agreement and each Purchase Agreement;

(h) all certificates and instruments if any, from time to time representing or evidencing any of the foregoing property described in clauses (a) through (g) above;

(i) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing;

(j) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas and other minerals, consisting of, arising from, or relating to, any of the foregoing; and

(k) all proceeds of the foregoing property described in clauses (a) through (j) above, any security therefor, and all interest, dividends, cash, instruments, financial assets and other investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for or on account of the sale, condemnation or other disposition of, any or all of the then existing Series 2002-1 Collateral, and including all payments under Insurance Policies (whether or not a Seller or an Originator, the Depositor, the Issuer, the Collateral Agent or the Trustee is the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any of the Series 2002-1 Collateral; and

(l) all proceeds of the foregoing.

The property described in the preceding sentence is collectively referred to as the "SERIES 2002-1 COLLATERAL." The Grant of the Series 2002-1 Collateral to the Collateral Agent is for the benefit of the Trustee to secure the Series 2002-1 Notes equally and ratably without prejudice, priority or distinction among any Series 2002-1 Notes by reason of difference in time of issuance or otherwise, except as otherwise expressly provided in the Agreement or in this Supplement and to secure (i) the payment of all amounts due on the Series 2002-1 Notes in accordance with their respective terms, (ii) the payment of all other sums payable by the Issuer under the Series 2002-1 Documents or the Series 2002-1 Notes and (iii) compliance by the Issuer with the provisions of the Series 2002-1 Documents. This Supplement is a security agreement within the meaning of the UCC.

The Collateral Agent and the Trustee acknowledge the Grant of the Series 2002-1 Collateral, and the Collateral Agent accepts the Series 2002-1 Collateral in trust hereunder in accordance with the provisions hereof and agrees to perform the duties herein to the end that the interests of the Series 2002-1 Noteholders may be adequately and effectively protected.

The Trustee and the Collateral Agent are directed to enter into the Collateral Agency Agreement pursuant to which the Collateral Agent will act as agent for the benefit of the Trustee for the purpose of maintaining a security interest in the Series 2002-1 Collateral. The Trustee and Series 2002-1 Noteholders shall be bound by the terms of the Collateral Agency Agreement upon the Trustee's execution thereof on their behalf. The Series 2002-1 Collateral shall not secure the payment by or performance by the Issuer of any obligations related to any other Series.

ARTICLE I

DESIGNATION OF THE SERIES 2002-1 NOTES

Section 1.01. DESIGNATION.

(a) There is hereby created and designated a Series of Notes to be issued pursuant to the Agreement and this Supplement to be known as "SIERRA RECEIVABLES FUNDING COMPANY, LLC, Loan-Backed Variable Funding Notes, Series 2002-1," the "SERIES 2002-1 NOTES" or the "NOTES."

(b) The terms of the Series 2002-1 Notes shall be as set forth in this Supplement.

(c) In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Agreement, the terms and provisions of this Supplement shall be controlling.

ARTICLE II

DEFINITIONS

Section 2.01. DEFINITIONS.

Terms used herein, but not defined herein, shall have the meaning assigned to such terms in the Agreement or if not defined in the Agreement, the meaning assigned to such terms in the applicable Purchase Agreement or the applicable Series 2002-1 Purchase Supplement. Each capitalized term defined herein shall relate only to the Series 2002-1 Notes and no other Series issued by the Issuer. Whenever used in this Supplement, the following words and phrases shall have the following meanings, and the definitions of such terms are applicable to the singular as well as the plural forms of such terms and the masculine as well as the feminine and neuter genders of such terms.

"ACCRUAL PERIOD" means, with respect to the Series 2002-1 Notes for any Payment Date, the period beginning on and including the immediately preceding Payment Date and ending on and excluding the current Payment Date, except that the first Accrual Period will begin on and include the Closing Date and end on and exclude the September 2002 Payment Date.

"ACQUIRED PORTFOLIO LOAN" means a loan (which shall be a loan, installment contract or other contractual obligation incurred to finance the acquisition of an interest in a vacation property or rights to use vacation properties or otherwise substantially similar to Loans) which a Seller has acquired either by purchase of a portfolio or by acquisition of an entity which owns the portfolio and new loans originated with respect to such entity, program or portfolio during the Transition Period; provided that, except for purposes of calculating the Transaction Period Excess Amount, the term Acquired Portfolio Loan shall not include loans acquired from Kona.

"ADDITION CUT-OFF DATE" means, with respect to Additional 2002-1 Pledged Loans, the cut-off date stated in the related Supplemental Grant.

"ADDITION DATE" means, with respect to Additional 2002-1 Pledged Loans, the date designated in the related Supplemental Grant as the Addition Date.

"ADDITIONAL 2002-1 PLEDGED LOANS" means Loans (including Qualified Substitute Loans) pledged under this Supplement and a Supplemental Grant subsequent to the Closing Date.

"ADVANCE RATE" means:

(i) 83% if the Three Month Default Percentage calculated as of the last day of each of the immediately preceding three Due Periods is less than 1.15%, or

(ii) 80% if the Three Month Default Percentage calculated as of the last day of any of the immediately preceding three Due Periods is 1.15% or more.

"AGREEMENT" means the Master Indenture and Servicing Agreement dated as of August 29, 2002 among the Issuer, the Master Servicer, the Trustee and the Collateral Agent, as amended, supplemented and restated from time to time.

"ALTERNATE INVESTOR" has the meaning assigned to that term in the Note Purchase Agreement.

"AMORTIZATION EVENT" has the meaning specified in Section 9.01.

"AVAILABLE FUNDS" for any Payment Date means (i) all payments (including prepayments) of principal, interest and fees collected from or on behalf of the Obligors during the related Due Period on the Series 2002-1 Pledged Loans; (ii) all Master Servicer Advances made on or prior to the Payment

Date with respect to payments due from the Obligors on the Series 2002-1 Loans during the related Due Period; (iii) the Release Price paid to the Trustee for the release of any Series 2002-1 Pledged Loan and the related Series 2002-1 Pledged Assets; (iv) all Net Liquidation Proceeds from the disposition of a Series 2002-1 Defaulted Loan; (v) any Net Hedge Receipts; and (vi) any amount withdrawn from the Reserve Account under subsection 6.06(b) of this Supplement and deposited into the Collection Account to be included as Available Funds on or in respect of such Payment Date.

"BANK BASE RATE" has the meaning assigned to that term in the Note Purchase Agreement.

"BORROWING BASE" means, at any time, the product of

(i) the remainder of (A) the Series 2002-1 Adjusted Loan Balance at such time minus (B) the Excess Concentration Amount at such time multiplied by

(ii) the Advance Rate.

"BORROWING BASE SHORTFALL" means, at any time, the amount, if any, by which the Notes Principal Amount exceeds the Borrowing Base then if effect.

"CANCELLED LOAN" means a Loan with respect to which cancellation or foreclosure actions have or should have been commenced in accordance with Customary Practices and/or Credit Standards and Collection Policies by reason of (a) uncollectibility in whole or in part, (b) relinquishment by the Obligor of its rights in and to the related Timeshare Property or (c) termination in connection with the origination of a new Loan.

"CARRYING COSTS" has the meaning assigned to that term in the Note Purchase Agreement.

"CENDANT RATINGS REQUIREMENT" means that long-term senior secured debt ratings of Cendant be not less than Baa3 by Moody's and BBB- by S&P.

"CHANGE OF CONTROL" means that any of the Issuer, the Depositor, or any Seller of Series 2002-1 Pledged Loans ceases to be wholly owned, directly or indirectly, by Cendant.

"CLASS" has the meaning assigned to that term in the Note Purchase Agreement.

"CLASS AGENT" has the meaning assigned to that term in the Note Purchase Agreement.

"CLOSING DATE" means August 30, 2002.

"COLLECTION ACCOUNT" means the account established pursuant to Section 6.05 of this Supplement.

"COLLATERAL AGENT" means Wachovia Bank, National Association, a national banking association, as Collateral Agent, its successors and assigns and any entity which is substituted as Collateral Agent under the terms of the Collateral Agency Agreement.

"CONDUIT" has the meaning assigned to that term in the Note Purchase Agreement.

"CONSOLIDATED EXTRAPOLATED CUMULATIVE CANCELLATION RATE" or "CECCR" means the weighted average of the individual Extrapolated Cumulative Cancellation Rate for each Seller.

"CONTRACT RATE" means, with respect to any Series 2002-1 Pledged Loan, the annual rate at which interest accrues on such Loan, as modified from time to time only in accordance with the terms of PAC or Credit Card Account (if applicable).

"CUT-OFF DATE" means (a) with respect to the Initial Series 2002-1 Pledged Loans, the Initial Cut-Off Date, (b) with respect to any Additional Series 2002-1 Pledged Loan including any Qualified Substitute Loan such date as is set forth in the Supplemental Grant.

"DEAL AGENT" means Fleet Securities, Inc. in its capacity as "Deal Agent" under the Note Purchase Agreement or any successor to or assignee thereof (to the extent such assignment is permitted under the Note Purchase Agreement).

"DEFAULT PERCENTAGE" means for any Due Period a fraction (i) the numerator of which is the aggregate outstanding Loan Balance of all Series 2002-1 Pledged Loans which became Defaulted Loans during such Due Period and (ii) the denominator of which is the Series 2002-1 Aggregate Loan Balance as of the last day of such Due Period.

"DEFAULTED LOAN" means any Series 2002-1 Pledged Loan (a) with any portion of a Scheduled Payment delinquent more than 60 days, (b) with respect to which the Master Servicer shall have determined in good faith that the Obligor will not resume making Scheduled Payments, (c) for which the related Obligor shall have become the subject of a proceeding under a Debtor Relief Law or (d) for which cancellation or foreclosure actions have been commenced.

"DEFECTIVE LOAN" means any Series 2002-1 Pledged Loan which is a Defective Loan as such term is defined in the Purchase Agreement under which such Series 2002-1 Pledged Loan was sold to the Depositor.

"DEFERRED LOAN" means a Loan with respect to which the Obligor has been granted an extension of the time required to pay the amounts due thereon.

"DELAYED COMPLETION GREEN LOANS" means Series 2002-1 Pledged Loans which are Green Loans and which have been Series 2002-1 Pledged Loans for six months or more and the Green Timeshare Property is still subject to completion.

"DELAYED COMPLETION GREEN LOANS EXCESS AMOUNT" means, at any time, the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are Delayed Completion Green Loans.

"DELINQUENCY RATIO" means for any Due Period, a fraction the numerator of which is the aggregate outstanding Loan Balance of all 2002-1 Pledged Loans which are Delinquent Loans at the end of such Due Period and the denominator of which is the Series 2002-1 Aggregate Loan Balance as of the last day of such Due Period.

"DELINQUENT LOAN" means a Series 2002-1 Pledged Loan with any Scheduled Payment or portion of a Scheduled Payment delinquent more than 30 days other than a Loan that is a Defaulted Loan.

"DETERMINATION DATE" means with respect to any Payment Date, the second Business Day prior to such Payment Date.

"DUE DATE" has, with respect to any Series 2002-1 Pledged Loan, the meaning assigned to the term in the applicable Purchase Agreement.

"DUE PERIOD" means for any Payment Date, the immediately preceding calendar month; provided that for the Payment Date occurring in September 2002, with respect to Series 2002-1, the Due Period shall be the period from and including the Closing Date through and including the last day of August, 2002.

"EFI EXCESS AMOUNT" means, at any time, the amount by which (i) the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are EFI Originated Loans, exceeds (ii) ten percent (10%) of the Series 2002-1 Adjusted Loan Balance.

"EFI LOANS" means Series 2002-1 Pledged Loans which were sold to the Depositor under the terms of the Master Loan Purchase Agreement dated as of August 29, 2002 between EFI and the Depositor and the Series 2002-1 Purchase Supplement thereto and transferred to the Issuer under the terms of the Pool Purchase Agreement.

"EFI ORIGINATED LOANS" means any Loan which was originated by EFI or by any successor in accordance with EFI's Credit Standards and Collection Policies.

"ELIGIBLE ACCOUNT" means either (a) a segregated account (including a securities account) with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so

long as any of the securities of such depository institution shall have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade.

"ELIGIBLE LOAN," with respect to any Series 2002-1 Loan, has the meaning assigned to that term in the Series 2002-1 Purchase Supplement pursuant to which such Loan was transferred to the Depositor.

"ESTIMATED FEES" means an amount to be stated by the Master Servicer each month in the Monthly Servicer Report and used to calculate the Reserve Required Amount which Estimated Fees amount shall be the Master Servicer's good faith estimate of the sum of the Monthly Trustee Fee for the immediately following three months, the Monthly Master Servicer Fee for the immediately following three months and the fees to become due under the Fee Letters for the

immediately following three months.

"EVENT OF DEFAULT" means one or more of the events described in Section 10.1 of this Supplement.

"EXCESS CONCENTRATION AMOUNT" means on any day, an amount equal to the sum of (i) the Non-US Excess Amount, (ii) the Green Loans Excess Amount, (iii) the EFI Excess Amount, (iv) Delayed Completion Green Loans Excess Amount, (v) the Single Development Excess Amount, (vi) the New Seller Excess Amount, (vii) the Transition Period Excess Amount, (viii) the Large Loans Excess Amount, and (ix) the Geographic Concentration Excess Amount.

"EXTRAPOLATED CUMULATIVE CANCELLATION RATE" or "ECCR" has the meaning assigned thereto in Section 9.01.

"FACILITY LIMIT" means $550,000,000, as such amount may be reduced from time to time in accordance with Section 4.08 hereof and the Note Purchase Agreement or increased in accordance with Section 4.09 hereof and the Note Purchase Agreement.

"FAC SERIES 2002-1 PLEDGED LOANS" means Series 2002-1 Pledged Loans sold to the Depositor by FAC.

"FEE LETTER" has the meaning assigned to such term in the Note Purchase Agreement.

"GEOGRAPHIC CONCENTRATION EXCESS AMOUNT" means at any time, if, with respect to the locations and jurisdictions listed in any one of the following numbered categories of

(1) Daytona Beach, Florida,

(2) Destin, Florida,

(3) Fort Lauderdale/Pompano, Florida,

(4) Orlando, Florida,

(5) State of California,

(6) State of Nevada,

(7) States of Arizona or Colorado,

(8) State of Missouri,

(9) States of Arkansas or Tennessee,

(10) States of North Carolina, South Carolina or Georgia,

(11) State of Hawaii,

(12) Washington, D.C. or

(13) the Commonwealth of Virginia,

the Loan Balances of all FAC Series 2002-1 Pledged Loans which relate to Resorts located in the such category exceed twenty-five percent (25%) of the Series 2002-1 Adjusted Loan Balance, then the Geographic Concentration Excess Amount shall be the sum of the excess amounts for all of the categories for which an excess exists.

"GREEN LOAN" means a Loan the proceeds of which are used to finance the purchase of a Timeshare Property for which construction on the related Resort has not yet begun or is subject to completion.

"GREEN LOANS EXCESS AMOUNT" means, at any time, (A) if the Cendant Ratings Requirement is then met, an amount by which (i) the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are Green Loans exceeds (ii) ten percent (10%) of the Series 2002-1 Adjusted Loan Balance of the Series 2002-1 Pledged Loans or (B) if the Cendant Ratings Requirement is not then met, the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are Green Loans.

"GROSS EXCESS SPREAD" means for any Payment Date the Series 2002-1 Interest Collections for the immediately preceding Due Period, MINUS the sum of (i) the aggregate amount of Notes Interest due on such Payment Date and (ii) the Monthly Master Servicer Fee due on such Payment Date.

"GROSS EXCESS SPREAD PERCENTAGE" means for any Due Period the percentage equivalent of a fraction, the numerator of which is the product of 12 times the Gross Excess Spread for the related Payment Date and the denominator of which is the average daily Series 2002-1 Aggregate Loan Balance.

"HEDGE AGREEMENT" means the cap confirmation originally dated on or about the Closing Date between the Issuer and the counterparty as Hedge Provider and as such Hedge Agreement may be amended, modified, adjusted or replaced.

"HEDGE PROVIDER" means any entity which enters into a Hedge Agreement with the Issuer.

"INITIAL CUT-OFF DATE" means the close of business on August 27, 2002.

"INITIAL NOTES PRINCIPAL AMOUNT" means the principal amount of the Series 2002-1 Notes issued on the Closing Date, being in the aggregate $232,506,160.43 and, with respect to each Note, the amount set forth in Exhibit C.

"INITIAL SERIES 2002-1 PLEDGED LOANS" means those Loans listed on the Series 2002-1 Loan Schedule delivered to the Collateral Agent as of the Closing Date.

"ISSUER" means Sierra Receivables Funding Company, LLC, a Delaware limited liability company and its successors and assigns.

"KONA" means Kona Hawaiian Vacation Ownership, LLC, a Hawaii limited liability company, and its successors and assigns.

"LARGE LOANS EXCESS AMOUNT" means, at any time, the sum of (a) the combined amount of the Loan Balances of all Series 2002-1 Pledged Loans which have a Loan Balance at such time greater than $100,000 plus (b) the amount by which (i) the combined amount of the Loan Balances of all Series 2002-1 Pledged Loans which have a Loan Balance at such time of $75,000 or more (but not more than $100,000) exceeds (ii) five percent (5%) of the Series 2002-1 Adjusted Loan Balance.

"LIQUIDITY AGREEMENT" has the meaning assigned to such term in the Note Purchase Agreement.

"LIQUIDITY FEES" means with respect to any Class, the liquidity fees described in the Fee Letter for that Class.

"LIQUIDITY REDUCTION AMORTIZATION PERIOD" means the period beginning with the Payment Date occurring in the first calendar month following the occurrence of a Liquidity Reduction Date and continuing through the earlier of (i) the Payment Date on which the Liquidity Reduction Amount has been paid in full or (ii) the last Payment Date prior to the occurrence of an Amortization Event.

"LIQUIDITY REDUCTION AMOUNT" means, if a Liquidity Reduction Event has occurred with respect to a Conduit, the principal amount of Notes held by such Class as of the Payment Date immediately following the applicable Liquidity Reduction Date.

"LIQUIDITY REDUCTION DATE" means the date on which a Liquidity Reduction Event occurs.

"LIQUIDITY REDUCTION EVENT" means the Liquidity Agreement of a Conduit or Alternate Investor shall be terminated for any reason (whether at the stated maturity or earlier) or shall otherwise cease to be in full force and effect.

"LIQUIDITY TERMINATION DATE" has the meaning assigned to that term in the Note Purchase Agreement.

"MAJORITY FACILITY INVESTORS" has the meaning assigned to that term in the Note Purchase Agreement.

"MARKET SERVICING RATE" means the rate calculated by the Trustee following a Servicer Default and which rate shall be calculated as follows: (1) the Trustee shall, within 10 Business Days after the occurrence of a Servicer Default, solicit bids from entities which are experienced in servicing loans similar to the Pledged Loans and shall request delivery of such bids to the Trustee within 30 days of the delivery of the notice to potential Successor Servicer, and such bids shall state a servicing fee as part of the bid and (2) upon the receipt of three arms length bids, the Trustee shall disregard the highest bid and the lowest bid and select the remaining middle bid, and the servicing fee rate bid by such bidder shall be the Market Servicing Rate.

"MASTER SERVICER" means Fairfield Acceptance Corporation-Nevada, a Delaware corporation, or if a change in Master Servicer has occurred in accordance with the terms of subsection 5.12(b) of the Agreement and Section 11.03 of this Supplement, Trendwest and, in each case, its successors and assigns, as Master Servicer under the Agreement or if any Service Transfer

occurs under the Agreement, and thereafter means the Successor Master Servicer appointed pursuant to Section 10.2 of the Agreement.

"MASTER SERVICER ADVANCE" means amounts, if any, advanced by the Master Servicer, at its option, pursuant to Section 11.01 to cover any shortfall between (i) the Scheduled Payments on the Series 2002-1 Pledged Loans for a Due Period, and (ii) the amounts actually deposited in the Collection Account on account of such Scheduled Payments on or prior to the Payment Date immediately following such Due Period.

"MATURITY DATE" means August 15, 2005.

"MONTHLY INTEREST" for each Note means the Notes Interest due and payable on any Payment Date.

"MONTHLY PRINCIPAL" has the meaning specified in Section 6.02.

"MONTHLY MASTER SERVICER FEE" means, in respect of any Due Period (or portion thereof), an amount equal to one-twelfth of the product of (a) 1.0% and (b) the Series 2002-1 Aggregate Loan Balance at the beginning of such Due Period (or portion thereof) or if a Successor Master Servicer has been appointed and accepted the appointment or if the Trustee is acting as Master Servicer, an amount equal to one-twelfth of the product of (x) the lesser of 3.5% and the Market Servicing Rate and (y) the Series 2002-1 Aggregate Loan Balance at the beginning of such Due Period.

"MONTHLY TRUSTEE FEE" means, in respect of any Due Period, an amount equal to one-twelfth of 0.01% of the Notes Principal Amount as of the first day of such Due Period.

"NET HEDGE PAYMENT" means with respect to any Payment Date, the aggregate amount, if any, which the Issuer is obligated to pay as an additional premium to the Hedge Provider on such Payment Date as a result of an increase in the notional amount of the Hedge Agreement and/or any other change in the terms or adjustments of the Hedge Agreement which

require payment of an increased or additional premium; the amount of any such Net Hedge Payment shall be calculated by the Master Servicer and provided in writing to the Trustee and the Deal Agent.

"NET HEDGE RECEIPT" means with respect to any Payment Date, the aggregate amount, if any, paid on the Payment Date to the Trustee under the terms of the Hedge Agreement then in effect including payments for termination or sale of all or a portion of the Hedge Agreement.

"NET LIQUIDATION PROCEEDS" means, with respect to any Defaulted Loan which is a Series 2002-1 Pledged Loan and which has not been released from the Lien of this Supplement, the proceeds of the sale, liquidation or other disposition of the Defaulted Loan and/or related Series 2002-1 Pledged Assets.

"NEW SELLER" means an entity other than FAC, EFI or Trendwest which (a) is a subsidiary of Cendant, (b) performs its own loan origination and servicing, (c) has entered into a Purchase Agreement and Series 2002-1 Purchase Supplement as provided in Section 5.03 and, (d) with respect to any Loan Granted under this Supplement has complied with all conditions set forth in Section 5.03.

"NEW SELLER EXCESS AMOUNT" means, at any time, an amount equal to the sum of (a) the amount by which the sum of the Loan Balances for Series 2002-1 Pledged Loans that were sold to the Depositor by any one New Seller exceeds 10% of the Series 2002-1 Adjusted Loan Balance plus, without duplication and (b) the amount by which the sum of the Loan Balances for Series 2002-1 Pledged Loans that were sold to the Depositor by all New Sellers exceeds 15% of the Series 2002-1 Adjusted Loan Balance.

"NEW SELLER LOANS" means Loans sold by a New Seller to the Depositor under a Purchase Agreement.

"NON-US EXCESS AMOUNT" means, at any time, the amount by which (i) the sum of the Loan Balances for all Series 2002-1 Loans with Obligors with billing addresses not located in the United States of America exceeds (ii) five percent (5%) of the Series 2002-1 Adjusted Loan Balance.

"NOTE PURCHASE AGREEMENT" means the Note Purchase Agreement dated as of August 29, 2002 which relates to the sale of the Series 2002-1 Notes by the Issuer and which is by and among the Issuer, the Depositor, the Master Servicer, the Performance Guarantor, the Deal Agent, the Conduits, the Alternate Investors and the Class Agents (each such term not defined herein has the meaning set forth in the Note Purchase Agreement) as amended, restated, supplemented or otherwise modified.

"NOTES" means the Series 2002-1 Notes and "Note" means any one of the Series 2002-1 Notes.

"NOTES INCREASE" means a draw on the Series 2002-1 Notes resulting in an increase in the Notes Principal Amount outstanding.

"NOTES INCREASE DATE" means with respect to a Notes Increase, the Payment Date on which the Notes Increase occurs pursuant to Section 4.07 of this Supplement.

"NOTES INTEREST" means for any Payment Date and for each Note outstanding during the related Accrual Period, an amount equal to the Carrying Costs of the related Class due on such Payment Date as such amount is reported to the Trustee by the Deal Agent or the Master Servicer; PLUS the Liquidity Fees and Program Fees due on such Payment Date under the terms of the related Fee Letter as such amounts are reported to the Trustee by the Deal Agent or the Master Servicer.

"NOTES PRINCIPAL AMOUNT" means as of the close of business on any date, with respect to any Note, the Initial Notes Principal Amount of that Note, less the aggregate amount of principal payments made on that Note on or prior to such date plus the sum of all increases in that Note occurring pursuant to Section 4.07 on or prior to such date; PROVIDED that any principal payments required to be returned to the Issuer in connection with any Insolvency Proceeding shall be reinstated to the Notes Principal Amount.

"NOTEHOLDER" or "HOLDER" means the Person in whose name a Series 2002-1 Note is registered in the Note Register.

"NOTICE OF INCREASE" means the notice presented by the Issuer to the Deal Agent, Master Servicer and Trustee to request a Notes Increase.

"NPA COSTS" means at any time, the Breakage and Other Costs as defined in the Note Purchase Agreement.

"OVERDUE INTEREST" means, as of any Payment Date, the amount, if any, by which Monthly Interest in respect of all prior Payment Dates exceeds the amount paid to Noteholders on such prior Payment Dates, together with interest thereon for each Accrual Period at the rate of the Bank Base Rate plus 2%.

"PAYMENT DATE" means the 13th day of each calendar month, or, if such 13th day is not a Business Day, the next succeeding Business Day, commencing in September 2002.

"PERFORMANCE GUARANTY" means the performance guaranty dated as of August 29, 2002 made by Performance Guarantor in favor of the Trustee.

"PERMITTED ENCUMBRANCE" with respect to any Series 2002-1 Pledged Loan has the meaning assigned to that term under the Purchase Agreement pursuant to which such Loan is sold to the Depositor.

"POTENTIAL AMORTIZATION EVENT" means an event which, but for the lapse of time or the giving of notice or both, would constitute an Amortization Event.

"POTENTIAL EVENT OF DEFAULT" means an event which, but for the lapse of time or the giving of notice or both, would constitute an Event of Default.

"POTENTIAL SERVICER DEFAULT" means an event which, but for the lapse of time or the giving of notice or both, would constitute a Servicer Default.

"PRINCIPAL DISTRIBUTION AMOUNT" means for any Payment Date an amount equal to the Borrowing Base Shortfall as of the last day of the preceding Due Period less the amount by which the Borrowing Base is increased on such Payment Date.

"PRIORITY OF PAYMENTS" means the application of Available Funds in accordance with Section 6.01.

"PROGRAM FEES" means with respect to any Class, the program fees described in the Fee Letter for that Class.

"PURCHASE AGREEMENT" means a Master Loan Purchase Agreement between a Seller and the Depositor pursuant to which the Seller sells Loans to the Depositor.

"PURCHASERS" has the meaning assigned to that term in the Note Purchase Agreement.

"QUALIFIED HEDGE PROVIDER" means an entity which provides a Hedge Agreement and which provider has a long term unsecured debt rating of at least A from each of Moody's and S&P and a short-term unsecured debt rating of at least A-1 from S&P and P-1 from Moody's.

"QUALIFIED SUBSTITUTE LOAN" means a substitute Series 2002-1 Pledged Loan that is an Eligible Loan on the applicable date of substitution and that on such date of substitution has a coupon rate not less than the coupon rate of the substituted Pledged Loan.

"RATING AGENCY" means each of Fitch, S&P or Moody's as appropriate and their respective successors in interest.

"RATING AGENCY CONDITION" means, with respect to Series 2002-1, the written consent of the Deal Agent.

"RECORD DATE" means as to any Payment Date the last day of the preceding Due Period.

"RELEASE DATE" means the date on which Series 2002-1 Pledged Loans are released from the Lien of this Supplement.

"RELEASE PRICE" means an amount equal to the outstanding Loan Balance of the Series 2002-1 Pledged Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the release is to be made, plus accrued and unpaid interest thereon to the date of such release.

"RELEASED SERIES 2002-1 PLEDGED LOAN" means any Loan which was included as a Series 2002-1 Pledged Loan, but which has been released from the Lien of this Supplement pursuant to the terms hereof.

"REQUIRED CAP RATE" means, for any Accrual Period the Weighted Average Series 2002-1 Loans Rate less 7.50%.

"REQUIRED CLASS AGENTS" has the meaning assigned to that term in the Note Purchase Agreement.

"RESERVE ACCOUNT" means the account established pursuant to Section 6.06 of this Supplement.

"RESERVE ACCOUNT EXCESS" has the meaning specified in Section 6.06 of this Supplement.

"RESERVE REQUIRED AMOUNT" as of the Closing Date means $8,403,837.12 and (i) thereafter so long as no Amortization Event has occurred, means as of each Payment Date an amount equal to the greater of (x) 3.0% of the Series 2002-1 Aggregate Loan Balance as of the end of the prior Due Period and (y) the Estimated Fees and (ii) from and after the first Payment Date following an Amortization Event, the Reserve Required Amount shall be $0.

"SELLER OF SERIES 2002-1 LOANS" means a Seller which has sold a Loan to the Depositor and such Loan is a Series 2002-1 Pledged Loan.

"SERIES 2002-1 ACCOUNT" means either of the Collection Account or the Reserve Account and "SERIES 2002-1 ACCOUNTS" mean both of such accounts.

"SERIES 2002-1 ADJUSTED LOAN BALANCE" means the Series 2002-1 Aggregate Loan Balance minus the sum of (i) the Loan Balances of any Series 2002-1 Pledged Loans which are Defaulted Loans, (ii) the Loan Balances of any Series 2002-1 Pledged Loans which are Delinquent Loans on the last day of the immediately preceding Due Period, (iii) the Loan Balances of any Series 2002-1 Pledged Loans which are Defective Loans and (iv) the Loan Balances of any Series 2002-1 Pledged Loans which are Deferred Loans.

"SERIES 2002-1 AGGREGATE LOAN BALANCE" means, as of any time, the sum of the Loan Balances for the Series 2002-1 Pledged Loans.

"SERIES 2002-1 COLLATERAL" has the meaning specified in the Granting Clause of this Supplement.

"SERIES 2002-1 COLLECTIONS" means Collections, as defined in the Agreement, with respect to all Series 2002-1 Pledged Loans.

"SERIES 2002-1 DOCUMENTS" means the Series 2002-1 Notes, this Supplement, the Note Purchase Agreement and the Fee Letters.

"SERIES 2002-1 INTEREST COLLECTIONS" means Collections on the Series 2002-1 Pledged Loans which are allocable to interest on such Loans in accordance with the terms thereof.

"SERIES 2002-1 LOAN POOL" means all Loans identified in the Series 2002-1 Loan Schedule.

"SERIES 2002-1 LOAN SCHEDULE" means a Loan Schedule, as defined in the

Agreement, containing information about the Series 2002-1 Pledged Loans, which Loan Schedule is as delivered by the Issuer to the Collateral Agent as of the Closing Date and as amended each month by delivery of an amendment describing the Series 2002-1 Pledged Loans added and released.

"SERIES 2002-1 NOTES" has the meaning specified in Section 1.01 of this Supplement.

"SERIES 2002-1 PLEDGED ASSETS" with respect to each Series 2002-1 Pledged Loan, means the related "Pool Assets" as defined in the Pool Purchase Agreement.

"SERIES 2002-1 PLEDGED LOANS" means the Initial Series 2002-1 Pledged Loans and any Additional 2002-1 Pledged Loans, but excluding any Released Series 2002-1 Pledged Loans.

"SERIES 2002-1 POOL PURCHASE SUPPLEMENT" means the Series 2002-1 Supplement to the Pool Purchase Agreement which supplement is dated as of August 29, 2002 and is by and between the Depositor and the Issuer and provides for the transfer of the Series 2002-1 Pledged Loans from the Depositor to the Issuer.

"SERIES 2002-1 PURCHASE SUPPLEMENTS" means each supplement to a Purchase Agreement pursuant to which Series 2002-1 Pledged Loans are transferred from the respective Seller to the Depositor.

"SETTLEMENT STATEMENT" means the information furnished by the Master Servicer to the Trustee for distribution to the Noteholders pursuant to Section 8.01 of this Supplement.

"SINGLE DEVELOPMENT EXCESS AMOUNT" means, at any time, the amount by which (i) the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are Loans secured by Liens on Timeshare Properties in any one Resort exceeds (ii) fifteen percent (15%) of the Series 2002-1 Adjusted Loan Balance.

"SUBSTITUTION ADJUSTMENT AMOUNT" has the meaning specified in the Series 2002-1 Pool Purchase Supplement.

"SUPPLEMENT" means this Series 2002-1 Supplement as amended from time to time.

"SUPPLEMENTAL GRANT" means, with respect to any Additional 2002-1 Pledged Loans Granted as provided in Section 3.5 of the Agreement, a Supplemental Grant substantially in the form of Exhibit A hereto which shall be accompanied by an amendment which amends the Series 2002-1 Loan Schedule listing such Loans and which shall be deemed to be incorporated into and made a part of this Supplement.

"THREE MONTH DEFAULT PERCENTAGE" means (i) with respect to the September 2002 Payment Date the Default Percentage for the August 2002 Due Period, (ii) with respect to the October 2002 Payment Date, (a) the sum of the Default Percentage for the August 2002 Due Period plus the Default Percentage for the September 2002 Due Period divided by (b) two; (iii) with respect to the November Payment Date, (a) the sum of the Default Percentage for the August 2002 Due Period plus the Default Percentage for the September 2002 Due Period, plus the Default Percentage for the October 2002 Due Period divided by (b) three; and (iv) for the December 2002 Payment Date and each Payment Date thereafter, the sum of the Default Percentages for each of the three immediately preceding Due Periods divided by three.

"THREE MONTH ROLLING AVERAGE DELINQUENCY RATIO" means (i) with respect to the September 2002 Payment Date the Delinquency Ratio for the August 2002 Due Period; (ii) with respect to the October 2002 Payment Date, (a) the sum of the Delinquency Ratio for the August 2002 Due Period plus the Delinquency Ratio for the September 2002 Due Period divided by (b) two; (iii) with respect to the November Payment Date, (a) the sum of the Delinquency Ratio for the August Due Period plus the Delinquency Ratio for the September Due Period, plus the Delinquency Ratio for the October Due Period divided by (b) three; and (iv) for the December 2002 Payment Date and each Payment Date thereafter, the sum of the Delinquency Ratio for each of the three immediately preceding Due Periods divided by three.

"TRANSITION PERIOD" means the period from the date a Seller acquires an organization, facility or program from an unrelated entity to the date on which the Seller has fully converted the origination and servicing of Loans related to such organization, facility or program to the Seller's Credit Standards and Collection Policies and such Loans are originated using the forms and documents of the Seller.

"TRANSITION PERIOD EXCESS AMOUNT" means, at any time, an amount equal to the Loan Balances of all Series 2002-1 Loans which are Acquired Portfolio Loans (including, for such purposes, Loans acquired from Kona) and for which the Transition Period has extended beyond 120 days and the Transition Period has not been completed.

"TRENDWEST LOANS" means Series 2002-1 Pledged Loans which were sold to the Depositor under the terms of the Master Loan Purchase Agreement dated as of August 29, 2002 between Trendwest and the Depositor and the Series 2002-1 Purchase Supplement thereto and transferred to the Issuer under the terms of the Pool Purchase Agreement.

"TRUSTEE" means Wachovia Bank, National Association, or its successor in interest, or any successor trustee appointed as provided in the Agreement.

"WEIGHTED AVERAGE SERIES 2002-1 LOANS RATE" means as of the last day of any Due Period, the weighted average of the Contract Rates for all Series 2002-1 Pledged Loans as of such date.

"WORLDMARK" means WorldMark, The Club, a California non-profit mutual benefit corporation, and its successors in interest.

Section 2.02. OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in this Supplement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 2.01 or in the Agreement and accounting terms partly defined in Section 2.01 or in the Agreement, to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Supplement shall refer to this Supplement as a whole and not to any particular provision of this Supplement; and Article, Section, subsection, Schedule and Exhibit references contained in this Supplement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this Supplement unless otherwise specified.

ARTICLE III

SERVICING COMPENSATION

Section 3.01. SERVICING COMPENSATION. As compensation for its servicing activities with respect to the Series 2002-1 Pledged Loans, the Master Servicer shall be entitled to receive the Monthly Master Servicer Fee which shall be paid to the Master Servicer pursuant to Section 6.01 of this Supplement. On the first Payment Date, the Monthly Master Servicer Fee shall be $7,781.33.

ARTICLE IV

THE SERIES 2002-1 NOTES

Section 4.01. FORMS GENERALLY. The Series 2002-1 Notes and the Trustee's or Authentication Agent's certificate of authentication thereon (the "CERTIFICATE OF AUTHENTICATION") shall be in substantially the forms set forth as Exhibit B to this Supplement, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Agreement and this Supplement, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistently herewith, be determined by the Authorized Officers of the Issuer executing such Series 2002-1 Notes as evidenced by their execution of such Series 2002-1 Notes. Any portion of the text of any Note may be set forth on the reverse or subsequent pages thereof, with an appropriate reference thereto on the face of the Series 2002-1 Note.

Each Note shall have a grid attached to it on which there shall be recorded the initial Notes Principal Amount, each Notes Increase for that Note and all principal payments made on that Note; PROVIDED, that such amounts may instead be recorded in the Purchaser's or

Class Agent's records and the failure to make such recordings shall not affect the obligations of the Issuer hereunder or under such Note.

One Note shall be issued for each Class and be registered in the name of the Class Agent for that Class as set forth in Exhibit C to this Supplement.

Section 4.02. AUTHORIZED AMOUNT; CONDITIONS TO INITIAL ISSUANCE. (a) The Initial Notes Principal Amount shall be $232,506,160.43. The Notes Principal

Amount may be increased from time to time as provided in Section 4.07 of this Supplement; provided, however, that the Notes Principal Amount shall at no time exceed the then effective Facility Limit. The Initial Notes Principal Amount of the Note issued to each Class shall be as set forth in Exhibit C. Any Notes Increase shall be allocated pro rata to each Note on the basis of the Initial Notes Principal Amount, except that if any Note is then subject to a Liquidity Reduction Amortization Period, such Note shall not be included in calculating the pro rata allocation of the Notes Increase.

(b) The following shall be conditions to the issuance of the Series 2002-1 Notes:

(i) There shall have been delivered to the Trustee a Performance Guaranty under which the Performance Guarantor will guarantee to the Depositor, the Issuer, the Trustee and the Collateral Agent on behalf of all holders of Notes issued under the Agreement, the full and punctual payment and performance of all covenants, agreements, terms, conditions and other obligations to be performed and observed by each of FAC, as Seller and Master Servicer, EFI and Trendwest under and pursuant to the Agreement and this Series Supplement and all amounts related to the enforcement of the Performance Guaranty;

(ii) The Issuer shall enter into and Grant to the Trustee the Hedge Agreement with terms described in Section 6.07;

(iii) The premium due for the Hedge Agreement as of the Closing Date shall have been paid as of the Closing Date;

(iv) On or immediately prior to the Closing Date the Custodian has possession of each original Series 2002-1 Pledged Loan and the related Loan File and has acknowledged to the Trustee and the Deal Agent such receipt and its undertaking to hold each such original Series 2002-1 Pledged Loan and the related Loan File for purposes of perfection of the Collateral Agent's interests in such original Series 2002-1 Pledged Loans and the related Loan File; provided that the fact that any document not required to be in its respective Loan File pursuant to the applicable Purchase Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a failure to satisfy this condition;

(v) The Issuer shall have delivered the Series 2002-1 Loan Schedule to the Collateral Agent and each of the Initial Series 2002-1 Pledged Loans listed on

such Loan Schedule shall be Loans sold by a Seller to the Depositor under a Purchase Agreement and Series 2002-1 Purchase Supplement;

(vi) On the Closing Date, the Initial Notes Principal Balance shall not exceed the Borrowing Base which shall for this purpose be calculated by the Master Servicer as of the Initial Cut-Off Date; and

(vii) Any additional conditions set forth in Section 3.3 of the Note Purchase Agreement shall have been satisfied.

Section 4.03. PRINCIPAL, INTEREST AND NPA COSTS. (a) PRINCIPAL. Each Note shall be issued on the Closing Date and shall have a Maturity Date of August 15, 2005.

Each Note shall be subject to prepayment in whole or in part as required or permitted by the terms of this Supplement.

(b) INTEREST. Interest on each Note shall be due and payable on each Payment Date in the amount of the Notes Interest calculated for that Note for that Payment Date. On the Determination Date prior to each Payment Date, the Deal Agent shall provide written notice to the Issuer, the Master Servicer and the Trustee of the aggregate amount of Notes Interest to be paid on such Payment Date on all Notes and the components used in calculating the Notes Interest including the amount of Carrying Costs, Program Fees and Liquidity Fees for each Class for such Payment Date.

(c) NPA COSTS. NPA Costs shall be due and payable to each Class Agent on each Payment Date. On the Determination Date prior to each Payment Date, the Deal Agent shall provide written notice to Issuer, the Master Servicer and the Trustee of the aggregate amount of NPA Costs due on such Payment Date and the amount due to each Class.

Section 4.04. NONRECOURSE TO THE ISSUER. The Series 2002-1 Notes are limited obligations of the Issuer payable only from and to the extent of the Series 2002-1 Collateral. The Holders of the Notes shall have recourse to the Issuer only to the extent of the Series 2002-1 Collateral, and to the extent such Series 2002-1 Collateral is not sufficient to pay the Series 2002-1 Notes and the Notes Interest thereon in full and all other obligations of the Issuer

under this Series 2002-1 Supplement and the other Series 2002-1 Documents, the Holders of the Series 2002-1 Notes and holders of other obligations payable from the Series 2002-1 Collateral shall have no rights in any other assets which the Issuer may have including, but not limited to any assets of the Issuer which may be Granted to secure other obligations. To the extent any Noteholder is deemed to have any interest in any assets of the Issuer which assets have been Granted to secure other obligations such Noteholder agrees that its interest in those assets is subordinated to claims or rights of such other debtholders with respect to those assets. Further such Noteholders agree that such agreement constitutes a subordination agreement for purposes of Section 510(a) of the Bankruptcy Code.

Section 4.05. DATING OF THE NOTES. The Series 2002-1 Notes shall be executed and authenticated as provided in the Agreement.

Each Series 2002-1 Note authenticated and delivered by the Trustee or the Authentication Agent to or upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Series 2002-1 Notes that are authenticated after the Closing Date for any other purpose under this Agreement shall be dated the date of their authentication.

Notes issued upon transfer, exchange or replacement of other Series 2002-1 Notes shall represent the outstanding principal amount of the Notes so transferred, exchanged or replaced. If any Series 2002-1 Note is divided into more than one Series 2002-1 Note in accordance with this Article IV the aggregate principal amount of the Series 2002-1 Notes delivered in exchange shall, in the aggregate be equal to the principal amount of the divided Series 2002-1 Note.

Section 4.06. PAYMENTS ON THE SERIES 2002-1 NOTES; PAYMENT OF NPA COSTS.

(a) The Notes Interest calculated for each Payment Date will be due and payable on that Payment Date.

(b) To the extent of Available Funds distributed as provided in provision SIXTH of Section 6.01, principal of the Series 2002-1 Notes will be subject to mandatory prepayment on each Payment Date in the amount of the Monthly Principal. Except with respect to any Notes which are subject to a Liquidity Reduction Amortization Period, all payments of principal on the Notes shall be made pro rata based on the outstanding principal amount of the Notes. All outstanding principal of the Notes (unless sooner paid) will be due and payable on the Maturity Date.

(c) As a condition to the payment of principal of and interest on any Series 2002-1 Note without the imposition of U. S. withholding tax, the Issuer shall require certification acceptable to the Trustee to enable the Issuer, the Trustee or any Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to deduct or withhold from payments in respect of such Note under any present or future law or regulation of the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirement under any such law or regulation.

(d) Payments in respect of interest on and principal of and any other amount payable on or in respect of any Notes including NPA Costs shall be made on each Payment Date (i) by wire transfer in immediately available funds sent by the Trustee on or prior to 11:00 a.m. New York City time on the Payment Date with respect to any Note to a United States dollar account specified for such Note in the Note Register and in accordance with wire transfer instructions received by the Trustee on or before the Record Date applicable to such Payment Date or, with respect to the first Payment Date, specified on the Closing Date or, (ii) if no wire transfer instructions are received by a Paying Agent, by a U. S. dollar check drawn on a United States bank and delivered by first-class mail, postage prepaid to each Holder at the address shown in the Note Register.

Section 4.07. INCREASES IN NOTES PRINCIPAL AMOUNT. The Noteholders agree, by acceptance of the Notes that the Issuer may from time to time by irrevocable written notice

substantially in the form attached to the Note Purchase Agreement given to the Deal Agent, the Trustee and the Master Servicer and subject to the terms and conditions of this Section 4.07, request that the Series 2002-1 Noteholders on the following Payment Date fund an increase in the outstanding principal balance of the Series 2002-1 Notes in the aggregate amount specified in the notice; provided that, with respect to any Notes Increase related to the initial purchase of Loans from a Seller, such Note Increase may occur on any Business Day whether or not such day is a Payment Date. If the terms and conditions to the Note Increase set forth in this Section 4.07 and in the Note Purchase Agreement are satisfied or waived, then the Noteholders shall fund an increase

by payment, in same day funds, to the Issuer of the amount of such increase in accordance with the payment instructions specified in the Notice of Increase. In addition to conditions set forth in the Note Purchase Agreement, the following shall be conditions to each Note Increase:

(a) The Issuer and the Master Servicer shall have complied in all material respects with all of their respective covenants and agreements contained in the Agreement, this Supplement and the Note Purchase Agreement.

(b) No Amortization Event, Event of Default, Potential Amortization Event or Potential Event of Default shall have occurred and be continuing.

(c) At least two (2) Business Days preceding the proposed Note Increase Date, the Issuer shall have delivered to the Deal Agent, the Master Servicer and the Trustee an electronic copy of a "Notice of Increase" in substantially the form of Exhibit __ to the Note Purchase Agreement.

(d) After giving effect to the funding on such proposed Note Increase Date, the Notes Principal Amount will not exceed the Borrowing Base; provided, however, that, for such purposes, if the Cendant Ratings Requirement is not met as of the Notes Increase Date, the Borrowing Base, as it was calculated on the last day of the preceding Due Date, shall be reduced to remove from the Borrowing Base the Loan Balances of all Series 2002-1 Pledged Loans which are Green Loans.

(e) After giving effect to the funding on such proposed Note Increase Date, the Notes Principal Amount will not exceed the Facility Limit.

(f) After giving effect to the funding on such proposed Note Increase Date and the deposit of Available Funds, the amount in the Reserve Account will be equal to the Reserve Required Amount.

(g) The Hedge Agreement shall have been adjusted, if required, so that the notional amount is equal to 90% of the Notes Principal Amount after giving effect to such Notes Increase and the amortization schedule on the Hedge Agreement has been adjusted in accordance with a schedule prepared by the Master Servicer and by the Deal Agent.

Section 4.08. REDUCTION OF THE FACILITY LIMIT. In accordance with the Note Purchase Agreement, the Issuer may, upon at least five Business Days' written notice to the Deal Agent reduce, in part, the Facility Limit to (but not below) the Notes Principal Amount. Any such reduction in the Facility Limit shall be made pro rata to each of the Classes and in the

aggregate for a reduction of not less than $20 million and in increments of $1 million in excess thereof.

Section 4.09. INCREASE OF THE FACILITY LIMIT.

(a) So long as no Amortization Event shall have occurred and be continuing, the Issuer may, on any Business Day, by written notice to the Deal Agent request an increase in the Facility Limit. The written notice to the Deal Agent shall specify:

(i) the amount of the requested increase in the Facility Limit; and

(ii) the date on which such increase is proposed to occur.

(b) Any increase in the Facility Limit shall occur only if approved by each of the Conduits and Alternate Investors as provided in the Note Purchase Agreement and shall be evidenced by a notice from the Issuer and the Deal Agent delivered to the Trustee which shall state the increased Facility Limit and the date on which such increase shall be effective.

Section 4.10. REPAYMENT OBLIGATION. (a) On any Payment Date the Issuer shall be obligated to prepay the Notes in an amount determined in a written notice from the Deal Agent. The Deal Agent may, or at the direction of the Majority Facility Investors shall, provide the Issuer with such written notice of such prepayment obligation, and shall specify that such prepayment be made from the proceeds of a sale of an additional Series which additional Series will be secured by and payable from some or all of the assets then pledged as Series 2002-1 Collateral. Upon receipt of such notice, the Issuer shall use its reasonable best efforts to issue and sell an additional Series and use the proceeds to prepay the Series 2002-1 Notes or a portion thereof in accordance with the notice received from the Deal Agent, and upon the issuance of such new Series and the repayment of the Series 2002-1 Notes in the amounts set forth in the Deal Agent's notice, release Series 2002-1 Pledged Loans and related Series 2002-1 Pledged Assets from the Lien of this Supplement and Grant such Loans and related assets to secure the new Series, provided, that such sale of Notes and prepayment shall not be required or permitted unless the following conditions are met: (i) the Deal Agent shall provide the Issuer with a letter evidencing the intent of a Person to enter into a purchase agreement or to arrange for the

purchase or placement of the new Series (such a letter, a "Letter of Intent"), (ii) Cendant shall fail to exercise or waive the right of first refusal (as described in subsection (b) below) to arrange for the purchase or placement of a new Series by an alternative third party, (iii) after giving effect to such prepayment and release of Series 2002-1 Collateral, no Borrowing Base Shortfall shall exist and no Amortization Event or Event of Default shall exist, (iv) each of the Issuer and the Master Servicer shall have delivered to the Deal Agent a certificate to the effect that the Series 2002-1 Pledged Loans to be released from the Lien of this Supplement were not selected in a manner involving any adverse selection procedures and that the release of such Loans would not reasonably be expected to cause a Potential Amortization Event or an Amortization Event, and (v) the proceeds of the sale of the new Series shall be adequate to pay all amounts required to be paid under this Section 4.10. The proceeds of any such sale shall be deposited into the Collection Account and used by the Trustee, at the direction of the Master Servicer, to prepay principal on the Series 2002-1 Notes in the amount directed by the Master Servicer which shall

be at least equal to the amount required to be paid in accordance with the written notice described in the first sentence of this paragraph.

(b) Simultaneously with the delivery of the notice of prepayment obligation described in subsection (a) immediately above, the Deal Agent shall deliver a notice to Cendant (such notice, a "Purchase Notice") containing (i) the amount of the principal prepayment being required by the Deal Agent, (ii) the identity of the Person providing the Letter of Intent, along with a copy of such Letter of Intent and (iii) other material terms and conditions of the proposed transaction. Within 60 calendar days after receipt of such notice, or such lesser amount of time as Cendant may agree to in writing, Cendant may elect to locate an alternative Person to purchase or place the additional Series provided, that, Cendant shall have no right to acquire the additional Series or the Loans or Pledged Assets for its own account. If Cendant does not elect to locate an alternative purchaser or placement agent, such new Series shall be sold in accordance with the terms provided in the Purchase Notice, provided, that, unless waived by Cendant, any such transaction must be made for the consideration and upon the terms and conditions set forth in the Purchase Notice and in no event will the terms and conditions of the transaction be less favorable to the Issuer than the terms, taken as a whole, stated in such Purchase Notice. If the transaction is not consummated pursuant to the Letter of Intent within 90 calendar days of the expiration of the above referenced 60 day period, or, if earlier, the waiver by Cendant of its right of first refusal, the prepayment rights and sale obligations provided under subsection (a) above shall cease and the new Series shall not be sold unless first reoffered to Cendant in accordance herewith.

(c) Upon the sale of a new Series and prepayment of the Notes in accordance with subsections (a) and (b) immediately above, the Issuer shall terminate the existing Hedge Agreement and, if any Series 2002-1 Notes remain outstanding, replace it with a new Hedge Agreement in a notional amount equal to 90% of the Series 2002-1 Notes Principal Amount after the sale of the new Series and the application of the proceeds. Any amounts received by the Issuer upon the termination to the extent not used to acquire a new Hedge Agreement, shall be deposited into the Collection Account. Such new Hedge Agreement shall have all of the terms described in Section 6.07.

(d) If, after the date of this Supplement, there occurs a change in generally accepted accounting principles in the United States and as a result the terms of this Section 4.10, in the reasonable belief of the Issuer, may cause an adverse change in accounting treatment with respect to the transfer of the Series 2002-1 Pledged Loans from the Seller or Sellers thereof to the Depositor, then the terms of this Section 4.10 may be amended by the parties to this Supplement to the extent appropriate to preserve such accounting treatment. If the Issuer requests that the Master Servicer, the Trustee and the Collateral Agent enter into such amendment, it shall be deemed to be an amendment made under the terms of and subject to the provisions of Section 13.01 of the Agreement.

Section 4.11. TRANSFER RESTRICTIONS.

(a) The Series 2002-1 Notes have not been registered under the Securities Act or any state securities law. Neither the Issuer nor the Trustee nor any other Person is obligated to register the Series 2002-1 Notes under the Securities Act or any other securities or "Blue Sky"

laws or to take any other action not otherwise required under the Agreement or this Supplement to permit the transfer of the Series 2002-1 Notes without registration.

(b) No transfer of the Series 2002-1 Notes or any interest therein (including without limitation by pledge or hypothecation) shall be made except

in compliance with the restrictions on transfer set forth in this Section 4.11 (including the applicable legend to be set forth on the face of the Series 2002-1 Notes as provided in Exhibit B), in a transaction exempt from the registration requirements of the Securities Act and applicable state securities or "Blue Sky" laws (i) to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning thereof in Rule 144A (a "QIB") and (B) that is aware that the resale or other transfer is being made in reliance on Rule 144A.

(c) Each Holder of a Series 2002-1 Note, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and, in the case of any transferee of a Purchaser, such Purchaser as follows:

(i) It understands that the Series 2002-1 Notes may be offered and may be resold by a Noteholder of a Series 2002-1 Note only to QIBs pursuant to Rule 144A.

(ii) It understands that the Series 2002-1 Notes have not been and will not be registered under the Securities Act or any state or other applicable securities law and that the Series 2002-1 Notes, or any interest or participation therein, may not be offered, sold, pledged or otherwise transferred unless registered pursuant to, or exempt from registration under, the Securities Act and any other applicable securities law.

(iii) It acknowledges that none of the Issuer or any Purchaser or any person representing the Issuer or a Purchaser has made any representation to it with respect to the Issuer or the offering or sale of any Series 2002-1 Notes. It has had access to such financial and other information concerning the Issuer, the Series 2002-1 Notes and the source of payment for the Series 2002-1 Notes as it has deemed necessary in connection with its decision to purchase the Series 2002-1 Notes.

(iv) It is purchasing the Series 2002-1 Notes for its own account, or for one or more investor accounts for which it is acting as fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirements of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Series 2002-1 Notes, or any interest or participation therein, as described herein, in the Agreement and in the Note Purchase Agreement.

(v) It acknowledges that the Issuer, the Purchaser and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and

agreements, and agrees that if any of the foregoing acknowledgments, representations and agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuer.

(vi) It is not and is not acquiring the Series 2002-1 Notes by or on behalf of, or with "plan assets" of, (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not subject to Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code"); (iii) (an entity whose underlying assets include "plan assets" by reason of a Plan's investment in the Purchaser; or (iv) a person who is otherwise a "benefit plan investor," as defined in U.S. Department of Labor ("DOL") Regulation Section 2510.3-101 (a "Benefit Plan Investor"), including any insurance company general account or a governmental or foreign plan that is generally not subject to ERISA or Section 4975(e) of the Code.

(vii) With respect to any foreign purchaser claiming an exemption from United States income or withholding tax, that it has delivered to the Trustee a true and complete Form W-8 BEN, Form 1001 or Form 4224, indicating such exemption or any other forms and documentation as may be sufficient under the applicable regulations for claiming such exemption.

Except as provided in subsection (d) below, any transfer, resale, pledge or other transfer of the Series 2002-1 Notes contrary to the restrictions set forth above and in the Agreement shall be deemed void ab initio by the Trustee.

(d) Notwithstanding anything to the contrary herein, each Conduit (as defined in the Note Purchase Agreement), under the terms of its Liquidity Agreement or the Note Purchase Agreement, may at any time sell or grant to one or more Liquidity Providers party to the Liquidity Agreement or one or more

Alternative Investors party to the Note Purchase Agreement, participating interests or security interests in the Series 2002-1 Notes provided that each Liquidity Provider or Alternate Investor shall, by any such purchase be deemed to have acknowledged and agreed to the provisions of subsection 4.11(c) hereof.

Section 4.12. TAX TREATMENT. The Issuer has structured the Agreement and this Supplement and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer, and the Issuer and each Noteholder by acceptance of its Note agree to treat the Notes (or beneficial interest therein) as indebtedness for purposes of federal, state and local income or franchise taxes or any other tax imposed on or measured by income.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER; ASSIGNMENT OF REPRESENTATIONS AND WARRANTIES

Section 5.01. REPRESENTATIONS AND WARRANTIES OF THE ISSUER. The Issuer hereby represents and warrants to the Trustee, the Collateral Agent and the Series 2002-1 Noteholders

on the date of execution of this Series Supplement, on the Initial Closing Date and any date of an increase in the Facility Limit or a Notes Increase Date as follows:

(a) PERFECTION OF SECURITY INTERESTS IN SERIES 2002-1 COLLATERAL.

(i) Payment of principal and interest on the Series 2002-1 Notes and the prompt observance and performance by the Issuer of all of the terms and provisions of this Supplement are secured by the Series 2002-1 Collateral. Upon the issuance of the Series 2002-1 Notes and at all times thereafter so long as any Series 2002-1 Notes are outstanding, this Supplement creates a security interest (as defined in the applicable UCC) in the Series 2002-1 Collateral in favor of the Collateral Agent for the benefit of the Trustee and the Series 2002-1 Noteholders to secure amounts payable under the Series 2002-1 Notes and the Series 2002-1 Documents, which security interest is perfected and prior to all other Liens (other than any Permitted Encumbrances) and is enforceable as such against all creditors of and purchasers from the Issuer; and

(ii) the Series 2002-1 Collateral constitutes either "accounts," "chattel paper," "instruments" or "general intangibles" within the meaning of the applicable UCC.

(b) ELIGIBLE LOANS. Each Series 2002-1 Pledged Loan, on the date on which it becomes a Series 2002-1 Pledged Loan, is an Eligible Loan and is a Loan sold by a Seller to the Depositor under a Purchase Agreement and Series 2002-1 Purchase Supplement.

(c) SERVICER DEFAULT. No Servicer Default has occurred and is continuing.

(d) EVENTS OF DEFAULT; AMORTIZATION EVENTS. No Event of Default has occurred and is continuing, no Amortization Event has occurred and is continuing, no Potential Event of Default has occurred and is continuing and no Potential Amortization Event has occurred and is continuing.

Section 5.02. ASSIGNMENT OF REPRESENTATIONS AND WARRANTIES. The Issuer hereby assigns to the Trustee its rights relating to the Series 2002-1 Pledged Loans under the Pool Purchase Agreement including the rights assigned to the Issuer by the Depositor of the Depositor's rights to payment due from the related Seller for repurchases of Defective Loans (as such term is defined in such Purchase Agreement) resulting from the breach of representations and warranties under such Purchase Agreement.

Section 5.03. ADDITION OF NEW SELLERS. Loans sold to the Depositor by a New Seller and sold by the Depositor to the Issuer may be Granted as Series 2002-1 Pledged Loans under the terms of Section 7.01 provided that the following conditions have been met:

(i) The New Seller has entered into a Purchase Agreement with the Depositor substantially in the form attached hereto as Exhibit F-1 but with such revisions as shall be necessary to accommodate the type of Loans and related assets of the New Seller;

(ii) The New Seller has entered into a Series 2002-1 Purchase Supplement substantially in the form attached hereto as Exhibit F-2 but with such

revisions as shall be necessary to accommodate the type of Loans and

related assets of the New Seller;

(iii) The Guaranty Agreement has been amended to included the New Seller as a party whose performance is guarantied or the Performance Guarantor shall have provided a new guaranty agreement under which the Performance Guarantor guaranties the performance of the New Seller;

(iv) One or more of the Custodial Agreements shall have been amended to provide that the New Seller may deliver Loan Files to the Custodian to be held for the benefit of the Collateral Agent;

(v) The New Seller shall have provided a Lockbox Agreement which provides for the receipt of Collections on the Series 2002-1 Pledged Loans sold by such Seller and the delivery of such Collections to the Collateral Agent;

(vi) The New Seller shall have provided to counsel for the Deal Agent copies of search reports certified by parties acceptable to counsel for the Deal Agent dated a date reasonably prior to the date on which the entity becomes a New Seller (A) listing all effective financing statements which name the New Seller (under its present name and any previous names) as debtor or seller and which are filed with respect to the New Seller in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of the Series 2002-1 Pledged Loans sold by such New Seller to the Depositor except as contemplated by the Facility Documents);

(vii) Copies of proper UCC financing statement amendments (Form UCC3), if any, necessary to terminate all security interests and other rights of any Person previously granted by the New Seller in the Loans of the New Seller to the extent such Loans are to become Series 2002-1 Pledged Loans and the related Pledged Assets;

(viii) An Opinion of Counsel with respect to true sale and federal bankruptcy matters similar in substance to the opinions delivered to the Trustee on the Closing Date shall have been delivered to the Trustee, the Class Agents, the Purchasers with respect to sales of the Loans by the New Seller to the Depositor;

(ix) The Issuer shall have delivered to the Trustee and the Collateral Agent and the Deal Agent copies of UCC financing statements with respect to the sale of the Loans from the New Seller to the Depositor, from the Depositor to the Issuer and the Grant to the Collateral Agent together with Opinions of Counsel to the effect that such transfer or security interests have been perfected and are of a first priority;

(x) Each of the items described in provisions (i) through (ix) above shall have been reviewed by counsel to the Deal Agent and such counsel shall have notified the Deal Agent that such items are in the reasonable opinion of such counsel acceptable in form and substance to permit the addition of Loans of the New Seller; and

(xi) Either:

(A) The New Seller shall have delivered to the Deal Agent and Bank of America, N.A. documentation which documentation shall, as to the method of calculating the information contained therein and the quality of the information provided, be subject to the approval of the Deal Agent and the Bank of America, N.A., which approval will not be unreasonably withheld and such documentation shall provide evidence that for a period of not less than five years immediately preceding the date on which the entity becomes a New Seller, the Extrapolated Cumulative Cancellation Rate is less than 17%; or

(B) the Deal Agent and Bank of America, N.A. have each delivered to the Issuer its written consent to the addition of the New Seller and the inclusion of Loans sold by such New Seller as Series 2002-1 Pledged Loans.

ARTICLE VI

PAYMENTS, SECURITY AND ALLOCATIONS

Section 6.01. PRIORITY OF PAYMENTS.

The Master Servicer shall apply, or by written instruction to the Trustee shall cause the Trustee to apply on each Payment Date Available Funds for that Payment Date on deposit in the Collection Account to make the following payments and in the following order of priority:

FIRST, to the Trustee in payment of the Monthly Trustee Fees and in reimbursement of the reasonable expenses of the Trustee under each

of the Facility Documents to which the Trustee is a party, provided that such expenses relate to Series 2002-1; in the event of a Servicer Default and the replacement of the Master Servicer with the Trustee or a Successor Master Servicer, the actual costs and expenses of replacing the Master Servicer shall be permitted expenses of the Trustee; provided that such costs and expenses relate to Series 2002-1;

SECOND, if the Master Servicer is not Fairfield Acceptance Corporation-Nevada or an affiliate of Cendant, to the Master Servicer, in payment of the Monthly Master Servicer Fee and, whether or not Fairfield Acceptance Corporation-Nevada or another affiliate of Cendant is then the Master Servicer, to the Master Servicer in reimbursement of any unreimbursed Master Servicer Advances;

THIRD, to the Hedge Provider under the Hedge Agreement, Net Hedge Payments;

FOURTH, to each Noteholder, the Notes Interest for the current Payment Date and NPA Costs payable to such Noteholder to the extent due and payable and not included in the Monthly Interest and any Overdue Interest from prior periods (and interest thereon);

FIFTH, if the Master Servicer is Fairfield Acceptance Corporation-Nevada or another affiliate of Cendant, to the Master Servicer, the Monthly Servicing Fee;

SIXTH, to the Noteholders, the Monthly Principal for such Payment Date, as described in Section 6.02;

SEVENTH, if the amount on deposit in the Reserve Account is less than the Required Reserve Amount, to the Reserve Account, all remaining Available Funds until the amount on deposit in the Reserve Account is equal to the Reserve Required Amount;

EIGHTH, during a Liquidity Reduction Amortization Period, with respect to each Note to which a Liquidity Reduction Event has occurred the lesser of (i) the aggregate outstanding principal amount of such Note and (ii) such Notes' pro rata share of the remaining Available Funds; for such purposes the pro rata share shall be determined on the basis of the outstanding principal amounts of such Notes as of the dates their respective Liquidity Reduction Amortization Period commenced and the sum of the Notes Principal Amount of all Notes then in a Liquidity Reduction Amortization Period calculated as of the dates their respective Liquidity Reduction Amortization Periods commenced; and

FINALLY, to the Issuer, any remaining amounts free and clear of the lien of this Supplement.

Section 6.02. DETERMINATION OF MONTHLY PRINCIPAL. The amount of Available Funds required to be distributed for the payment of principal on the Notes on any Payment Date is the "MONTHLY PRINCIPAL" for that Payment Date and shall be calculated as follows:

(i) so long as no Amortization Event has occurred and the Maturity Date has not occurred, the Monthly Principal for any Payment Date shall be an amount equal to the Principal Distribution Amount for that Payment Date;

(ii) on the Maturity Date of the Series 2002-1 Notes, the Monthly Principal for such Payment Date shall be the Notes Principal Amount; and

(iii) if an Amortization Event has occurred or if the Liquidity Termination Date has occurred, then for each Payment Date after the occurrence of such Amortization Event or Liquidity Termination Date, the Monthly Principal shall be equal to the entire amount of the remaining Available Funds after making provision for the payments and distributions required under clauses FIRST through FIFTH in the Priority of Payments.

Section 6.03. INFORMATION PROVIDED TO TRUSTEE. The Master Servicer shall promptly provide the Trustee in writing with all information necessary to enable the Trustee to make the payments and deposits required pursuant to Section 6.01.

Section 6.04. PAYMENTS. On each Payment Date, the Trustee, as Paying Agent, shall distribute to the Holders the amounts due and payable under this Supplement and the Notes. Such payments shall be made as provided in subsection 4.06(d) hereof.

Section 6.05. COLLECTION ACCOUNT.

(a) COLLECTION ACCOUNT. The Trustee, for the benefit of the Series 2002-1 Noteholders, shall establish and maintain in the name of the Trustee, a segregated account designated as the "Sierra Receivables Funding Company, LLC Series 2002-1 Collection Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders pursuant to this Supplement.

(b) WITHDRAWALS. The Trustee shall have the sole and exclusive right to withdraw or order a transfer of funds from the Collection Account, in all events in accordance with the terms and provisions of this Supplement and the information most recently delivered to the Trustee pursuant to Section 8.01; provided, however, that the Trustee shall be authorized to accept and act upon instructions from the Master Servicer regarding withdrawals or transfers of funds from the Collection Account, in all events in accordance with the provisions of this Supplement and the information most recently delivered pursuant to Section 8.01. In addition, notwithstanding anything in the foregoing to the contrary, the Trustee shall be authorized to accept instructions from the Master Servicer on a daily basis regarding withdrawals or order transfers of funds from the Collection Account, to the extent such funds either (i) have been mistakenly deposited into the Collection Account (including without limitation funds representing Assessments or dues payable by Obligors to POAs or other entities) or (ii) relate to items subsequently returned for insufficient funds or as a result of stop payments. In the case of any withdrawal or transfer pursuant to the foregoing sentence, the Master Servicer shall provide the Trustee with notice of such withdrawal or transfer, together with reasonable supporting details, on the next Servicer's Monthly Report to be delivered by the Master Servicer following the date of such withdrawal or transfer (or in such earlier written notice as may be required by the Trustee from the Master Servicer from time to time). Notwithstanding anything therein to the contrary, the Trustee shall be entitled to make withdrawals or order transfers of funds from the Collection Account, in the amount of all reasonable and appropriate out-of-pocket costs and expenses incurred by the Trustee in connection with any misdirected funds described in clause (i) and (ii) of the second foregoing sentence. Within two Business Days of receipt, the Master Servicer shall transfer all Collections processed by the Master Servicer to the Trustee for deposit into the Collection Account. The Trustee shall deposit or cause to be deposited into the Collection Account upon receipt all amounts in respect of releases of Series 2002-1 Pledged Loans by the Issuer. On each Payment Date, the Trustee shall apply amounts in the Collection Account to make the payments and disbursements described in this Supplement.

(c) ADMINISTRATION OF THE COLLECTION ACCOUNT. Funds in the Collection Account shall, at the direction of the Issuer, at all times be invested in Permitted Investments; provided, however, that all Permitted Investments shall mature on or before the next Payment Date, in order to ensure that funds on deposit therein will be available on such Payment Date. The Trustee shall maintain or cause to be maintained possession of the negotiable instruments or securities evidencing the Permitted Investments from the time of purchase thereof until the time of sale or maturity. Subject to the restrictions set forth in the first sentence of this paragraph, the Issuer shall instruct the Trustee in writing regarding the investment of funds on deposit in the Collection Account. All investment earnings on such funds shall be deemed to be available to the Trustee for the uses specified in this Supplement. The Trustee shall be fully protected in following the investment instructions of the Issuer, and shall have no obligation for keeping the

funds fully invested at all times or for making any investments other than in accordance with such written investment instructions. If no investment instructions are received from the Issuer, the Trustee is authorized to invest the funds in Permitted Investments described in clause (v) of the definition thereof. In no event shall the Trustee be liable for any investment losses incurred in connection with the investment of funds on deposit in the Collection Account by the Trustee pursuant to this Agreement.

(d) IRREVOCABLE DEPOSIT. Any deposit made into the Collection Account hereunder shall, except as otherwise provided herein, be irrevocable and the amount of such deposit and any money, instrument, investment property or other property on deposit in or credited to such Account hereunder and all interest thereon shall be held in trust by the Trustee and applied solely as provided herein.

(e) SOURCE. All amounts delivered to the Trustee shall be accompanied by information in reasonable detail and in writing specifying the source and nature of the amounts.

Section 6.06. RESERVE ACCOUNT.

(a) CREATION AND FUNDING OF THE RESERVE ACCOUNT. The Trustee shall establish and maintain in the name of the Trustee, an Eligible Account designated as the "Sierra Receivables Funding Company, LLC Series 2002-l Reserve Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders pursuant to this Supplement.

The Reserve Account shall be under the sole dominion and control of the Trustee; however, if so directed by the Issuer, the Reserve Account may be an account in the name of the Trustee opened at another financial institution. If, at any time, the Reserve Account ceases to be an Eligible Account, the Trustee (or the Master Servicer on its behalf) shall within ten (10) Business Days (or such longer period, not to exceed thirty (30) calendar days, as to which the Deal Agent may consent) establish a new Reserve Account as an Eligible Account and shall transfer any property to such new Reserve Account. So long as the Trustee is an Eligible Institution, the Reserve Account may be maintained with it in an Eligible Account.

On the Closing Date the Issuer shall deposit or shall cause to be deposited into the Reserve Account the sum of $8,403,837.12 as the initial Reserve Required Amount and thereafter on each Payment Date if the amount on deposit in the Reserve Account is less than the Required Reserve Amount, a deposit shall be made to the Reserve Account to the extent of funds available as provided in provision SEVENTH of Section 6.01.

(b) TRANSFER TO COLLECTION ACCOUNT. On or prior to each Payment Date, prior to the allocation of funds pursuant to Section 6.01 on such Payment Date, the Master Servicer shall direct the Trustee to withdraw from the Reserve Account and deposit into the Collection Account to be included as Available Funds such amount, if any, as shall be equal to the lesser of (A) the amount of cash or other immediately available funds on deposit in the Reserve Account on such Payment Date and (B) the amount, if any, by which (y) the amounts required to be applied pursuant to Section 6.01 provisions FIRST through SIXTH on such Payment Date and for any preceding Payment Date (to the extent not previously paid) exceed (z) the Available Funds for that Payment Date (calculated without regard to any amounts to be transferred from

the Reserve Account). The Trustee shall withdraw such funds from the Reserve Account and deposit them in the Collection Account as directed by the Master Servicer.

(c) RELEASE OF RESERVE ACCOUNT EXCESS. The Trustee shall have the sole and exclusive right to withdraw or order a transfer of funds from the Reserve Account, in all events in accordance with the terms and provisions of this Section 6.06; PROVIDED, THAT the Trustee shall be authorized to transfer funds from the Reserve Account to the Collection Account at the direction of the Master Servicer as provided in subsection (b) above and at the direction of the Deal Agent pursuant to subsection (d) below and to accept and act upon instructions from the Master Servicer to release to the Issuer, free and clear of the lien of this Supplement, on the first Business Day following each Payment Date, an amount of funds held in the Reserve Account equal to the excess (if any) on such Business Day (the "RESERVE ACCOUNT EXCESS") of the then outstanding balance of the Reserve Account over the Reserve Required Amount in effect as of the opening of business on such Business Day (after giving effect to all transactions and fund transfers required to take place hereunder on the immediately preceding Payment Date). The Master Servicer, as a condition of causing the release of funds from the Reserve Account, shall simultaneously provide the Trustee and the Deal Agent with a certificate of a Servicing Officer as to the existence and size of any Reserve Account Excess to which the Issuer is entitled.

(d) APPLICATION AFTER AMORTIZATION EVENT. Notwithstanding anything contained in the foregoing subsections to the contrary, on the first Determination Date after the occurrence of an Amortization Event, the Trustee, acting at the direction of the Deal Agent, shall withdraw all funds on deposit in the Reserve Account and deposit such amounts into the Collection Account to be used solely for the purposes set forth in and in accordance with the Priority of Payments.

(e) TERMINATION OF RESERVE ACCOUNT. Any funds remaining in the Reserve Account after all Notes (including both principal and interest thereon) have been paid in full and in cash and all other obligations of the Issuer under the Series 2002-1 Documents have been paid in full and in cash shall be remitted by the Trustee to the Issuer free and clear of the lien of this Supplement.

(f) ADMINISTRATION OF THE RESERVE ACCOUNT. Funds in the Reserve Account shall be invested in Permitted Investments as directed by the Issuer; provided, however, that all Permitted Investments shall mature on or before the next Payment Date. All such Permitted Investments shall be held by the Trustee. Subject to the restrictions set forth in the first sentence of this subsection (f), the Issuer shall instruct the Trustee in writing regarding the investment of funds on deposit in the Reserve Account. For purposes of determining the availability of balances in Reserve Account for withdrawal pursuant to this Section 6.06, all investment earnings on such funds shall be deemed to be available under this Supplement for the uses specified in such section. The Trustee shall be fully protected in following the investment instructions of the Issuer, and shall have no obligation for keeping the funds fully invested at all times or for making any investments other than in accordance with such written investment instructions. If no investment instructions are received from the Issuer, the Trustee is authorized to invest the funds in Permitted Investments

described in clause (v) of the definition thereof. In no event shall the Trustee be liable for any investment losses incurred in connection with the

investment of funds on deposit in the Reserve Account by the Trustee pursuant to this Supplement.

(g) DEPOSIT IRREVOCABLE. Any deposit made into the Reserve Account hereunder shall, except as otherwise provided herein, be irrevocable and the amount of such deposit and any money, instruments, investment property, or other property credited to carried in, or deposited in the Reserve Account hereunder and all interest thereon shall be held in trust by the Trustee and applied solely as provided herein.

Section 6.07. HEDGE AGREEMENT. The Issuer shall at all times, so long as any Notes remain unpaid, provide a Hedge Agreement with the terms described in this Section 6.07. When all Notes have been paid in full, the Issuer shall terminate the Hedge Agreement. The Hedge Agreement shall meet the following requirements:

(a) the Hedge Agreement shall provide an interest rate cap for a notional amount equal to 90% of the Notes Principal Amount and such notional amount shall amortize on a monthly basis for a term equal to the actual amortization schedule of payments on the Series 2002-1 Pledged Loans assuming a schedule of payments and prepayments mutually determined by the Master Servicer, the Issuer, the Deal Agent and Bank of America, N.A. at such time (which schedule shall be based upon the historical amortization experience of Loans owned or serviced by the Master Servicer and/or its Affiliates);

(b) the Issuer shall, as of each Payment Date, cause the notional amount of the Hedge Agreement to be adjusted to reflect any increase or decrease in the Notes Principal Amount as of such Payment Date so that the adjusted notional amount of the Hedge Agreement shall on each Payment Date be an amount equal to 90% of the Notes Principal Amount; the Issuer shall also, as of each Payment Date adjust the Hedge Agreement to reflect the Required Cap Rate, the termination date and the amortization schedule following the addition and release of Series 2002-1 Pledged Loans as of each Payment Date; any additional Premium due for the adjustments to the interest rate cap shall be paid as a Net Hedge Payment under Provision THIRD of Section 6.01;

(c) the Hedge Agreement shall have a termination date equal to the final maturity date of the latest maturing Series 2002-1 Pledged Loans; and

(d) the Hedge Agreement shall provide for a payment by the Hedge Provider to the Trustee for deposit into the Collection Account on each Payment Date if for the related Accrual Period the LIBOR Rate was greater than the Required Cap Rate.

(e) References in this Section 6.07 or otherwise in this Supplement to a notional amount equal to 90% of the Notes Principal Amount shall allow for rounding to the nearest $1,000.

Section 6.08. REPLACEMENT OF HEDGE PROVIDER. The Issuer agrees that if any Hedge Provider ceases to be a Qualified Hedge Provider, the Issuer shall have five (5) days (x) to cause such Hedge Provider to assign its obligations under the related Hedge Agreement to a new, Qualified Hedge Provider (or such Hedge Provider shall have five (5) days to again become a Qualified Hedge Provider) or (y) to obtain a substitute Hedge Agreement, together with the

related Qualified Hedge Provider's acknowledgment of the Grant by the Issuer to the Trustee of such Hedge Agreement.

ARTICLE VII

ADDITION, RELEASE AND SUBSTITUTION OF LOANS

Section 7.01. ADDITION OF SERIES 2002-1 COLLATERAL.

(a) TRANSFER OF ADDITIONAL LOANS. Subject to the limitations and conditions specified in this Section 7.01, the Issuer may from time to time, transfer additional Eligible Loans and related Series 2002-1 Pledged Assets to the Collateral Agent for the benefit of the Trustee for the benefit of the Series 2002-1 Noteholders and such Loans and related assets shall be included as Series 2002-1 Collateral hereunder.

(b) The transfer of Additional 2002-1 Pledged Loans and the related Series 2002-1 Pledged Assets shall be subject to the satisfaction of the following conditions:

(i) at least two (2) Business Days preceding the proposed Addition Date, the Issuer shall have delivered to the Deal Agent

a schedule of the Additional 2002-1 Pledged Loans to be transferred on such Addition Date and each of the Additional 2002-1 Pledged Loans shall be a Loan sold by a Seller to the Depositor under a Purchase Agreement and Series 2002-1 Purchase Supplement;

(ii) the Issuer, the Master Servicer, the Trustee and the Collateral Agent shall execute a Supplemental Grant in substantially the form of Exhibit A to this Supplement and the Master Servicer shall have delivered a signed copy of such Supplemental Grant to the Collateral Agent;

(iii) the Liquidity Termination Date shall not have occurred and no Amortization Event, Servicer Default, Event of Default, Potential Amortization Event, Potential Servicer Default or Potential Event of Default shall have occurred and be continuing or would occur as a result of the addition of such Additional 2002-1 Pledged Loans;

(iv) On or immediately prior to the Addition Date the Custodian has possession of each original Additional 2002-1 Pledged Loan and the related Loan File and has acknowledged to the Trustee and the Deal Agent such receipt and its undertaking to hold each such original Additional 2002-1 Pledged Loan and the related Loan File for purposes of perfection of the Collateral Agent's interests in such original Additional 2002-1 Pledged Loans and the related Loan File; provided that the fact that any document not required to be in its respective Loan File pursuant to the applicable Purchase Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a failure to satisfy this condition;

(v) the Issuer shall have taken any actions necessary or advisable to maintain the Collateral Agent's perfected security interest in the Series 2002-1 Collateral (including in the Additional 2002-1 Pledged Loans) for the benefit of the Trustee for the benefit of the Noteholders;

(vi) each Additional 2002-1 Pledged Loan shall be an Eligible Loan;

(vii) if any of the Additional 2002-1 Pledged Loans are New Seller Loans, the conditions set forth in Section 5.03 of this Supplement have been satisfied with respect to the Seller of such Loans;

(viii) if any of the Additional 2002-1 Pledged Loans are New Seller Loans and after the addition of such Loans, the Principal Balance of the Series 2002-1 Pledged Loans which are New Seller Loans sold by one New Seller to the Depositor would exceed 10% of the Series 2002-1 Adjusted Loan Balance, then the addition of such New Seller Loans shall be subject to the prior written consent of the Deal Agent and Bank of America, N.A.;

(ix) if any of the Additional 2002-1 Pledged Loans are New Seller Loans and after the addition of such Loans, the Principal Balance of all the Series 2002-1 Pledged Loans which are New Seller Loans is greater than 15% of the Series 2002-1 Adjusted Loan Balance, then the addition of such New Seller Loans shall be subject to the prior written consent of all Class Agents; and

(x) if any of the Additional 2002-1 Pledged Loans are Acquired Portfolio Loans and after the addition of such Loans, (a) the Principal Balance of all Series 2002-1 Pledged Loans which are Acquired Portfolio Loans acquired as part of one portfolio is less than 10% of the Series 2002-1 Adjusted Loan Balance, then the addition of such Loans shall be subject to the prior written consent of the Deal Agent and Bank of America, N.A. or (b) if the Principal Balance of all Series 2002-1 Pledged Loans which are Acquired Portfolio Loans acquired as part of one portfolio is 10% or more of the Series 2002-1 Adjusted Loan Balance, then the addition of such Loans shall be subject to the prior written consent of all Class Agents.

(c) In addition to the conditions set forth in (b) above, on the first date on which Trendwest Loans are included in the Additional 2002-1 Pledged Loans and on the first date on which EFI Loans are included in the Additional 2002-1 Pledged Loans, it shall be a condition to the addition of such Additional 2002-1 Pledged Loans that the conditions set forth in Section 2(b)(iv) of the Series 2002-1 Pool Purchase Supplement be met to the satisfaction of counsel to the Deal Agent.

Section 7.02. RELEASE OF DEFECTIVE LOANS.

(a) OBLIGATION WITH RESPECT TO DEFECTIVE LOANS. If a Seller is required to repurchase a Defective Loan under the terms of the applicable Purchase Agreement and Series 2002-1 Purchase Supplement, the Issuer shall, on the same Payment Date as the Seller is required to repurchase the Defective Loan, be required either (i) to pay the Release Price of such Defective Loan and obtain the release of the Defective Loan from the Lien of this Supplement or (ii) substitute one or more Qualified Substitute Loans for such Series 2002-1 Pledged Loan as provided in subsection 7.02(c) and obtain the release of the Defective Loan.

(b) PAYMENTS. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to subsection 7.02(a) not less than two Business Days prior to the Payment Date on which such release is to be effected, specifying the Defective Loan and the Release Price therefor. Upon the release of a Defective Loan pursuant to subsection 7.02(a) the Issuer shall deposit or cause to be deposited the Release Price in the Collection Account no later than 12:00 noon, New York time, on the Payment Date on which such release is made (the "Release Date").

(c) SUBSTITUTION. If the Issuer elects to substitute a Qualified Substitute Loan or Qualified Substitute Loans for a Defective Loan pursuant to this subsection 7.02(c), the Issuer shall Grant such Qualified Substitute Loan in the same manner as other Additional 2002-1 Pledged Loans and shall include such Qualified Substitute Loans in the Additional 2002-1 Pledged Loans described in a Supplemental Grant. The Qualified Substitute Loan or Qualified Substitute Loans will not be selected in a manner adverse to the Noteholders, and the aggregate principal balance of the Qualified Substitute Loans will not be less than the principal balance of the Defective Loans for which the substitution occurs. In connection with the substitution for one or more Qualified Substitute Loans for one or more Defective Loans, the Issuer shall deposit an amount, if any, equal to the related Substitution Adjustment Amount in the Collection Account on the date of substitution without any reimbursement therefor. The Issuer shall cause the Master Servicer to amend the Series 2002-1 Loan Schedule to reflect the removal of such Defective Loan and the substitution of the Qualified Substitute Loan or Qualified Substitute Loans and the Issuer shall cause the Master Servicer to deliver the amended Series 2002-1 Loan Schedule to the Issuer and the Trustee and Collateral Agent.

(d) Upon each release of a Series 2002-1 Pledged Loan under this Section 7.02, the Collateral Agent and the Trustee shall automatically and without further action release, sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse, representation or warranty, all of the Collateral Agent's and the Trustee's right, title and interest in and to such Defective Loan and the Series 2002-1 Pledged Assets related thereto, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of release) free and clear of the lien of this Supplement. The Collateral Agent and the Trustee shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Issuer or Depositor to effect the release of such Defective Loan and the related Series 2002-1 Pledged Assets pursuant to this subsection 7.02. Promptly after the occurrence of a Release Date and after the payment for and

release of or substitution for Defective Loans, the Issuer shall direct the Master Servicer to delete such Defective Loans from the Series 2002-1 Loan Schedule.

(e) The obligation of the Issuer to deposit the Release Price or provide a Qualified Substitute Loan for any Defective Loan shall constitute the sole remedy against the Issuer with respect to any breach of the representations and warranties set forth in 5.01(b) of this Supplement or the representations of the Seller assigned to the Trustee pursuant to Section 5.02.

Section 7.03. RELEASE OF DEFAULTED LOANS. If any Series 2002-1 Pledged Loan becomes a Defaulted Loan during any Due Period, the Issuer may obtain a release of such Series 2002-1 Pledged Loan from the lien of this Supplement on any Payment Date thereafter. To obtain such release the Issuer shall be required to pay the Release Price of such Defaulted Loan to the Trustee for deposit into the Collection Account. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to this Section 7.03 not less than two Business Days prior to the Payment Date on which such release is to be effected, specifying the Defaulted Loan and the Release Price therefor. The Issuer shall pay the Release Price to the Trustee for deposit into the Collection Account not later than 12:00 noon, New York City time, on the Payment Date on which such release is made.

Upon each release of a Series 2002-1 Pledged Loan under this Section 7.03, the Collateral Agent and the Trustee shall automatically and without

further action release, sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse, representation or warranty, all of the Collateral Agent's and Trustee's right, title and interest in and to such Defaulted Loan and the Series 2002-1 Pledged Assets related thereto, all monies due or to become due with respect thereto and all Collections with respect thereto free and clear of the Lien of this Supplement. The Collateral Agent and the Trustee shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Issuer to effect the release of such Defaulted Loans and the related Series 2002-1 Pledged Assets pursuant to this Section 7.03. Promptly after the occurrence of a Release Date and after the payment for and release of a Defaulted Loan, in respect to which the Release Price has been paid the Issuer shall direct the Master Servicer to delete such Defaulted Loans from the Series 2002-1 Loan Schedule.

Section 7.04. RELEASE UPON TRANSFER TO NEW SERIES. If a new Series is issued as provided in Section 4.10 of this Supplement, the Collateral Agent and the Trustee shall upon receipt by the Trustee of the proceeds of the sale of the new Series in an amount agreed by the Issuer and the Deal Agent and the satisfaction of the conditions set forth in the following paragraph, release from the Lien of this Supplement those Series 2002-1 Pledged Loans and the related Series 2002-1 Pledged Assets which are to be granted by the Issuer as collateral for the new Series. For such purposes, the Deal Agent and the Issuer shall agree upon and provide to the Collateral Agent and the Trustee a list of the Series 2002-1 Pledged Loans which are to be released and shall direct the Master Servicer to delete such Loans from the Series 2002-1 Pledged Loan Schedule.

In addition to receipt by the Trustee of the proceeds of the sale of a new Series as provided in the preceding paragraph, the following conditions shall be met before the Lien is released under this Section 7.04:

(i) After giving effect to such release, no Borrowing Base Shortfall shall exist and no Amortization Event or Event of Default shall exist; and

(ii) Each of the Issuer and the Master Servicer shall have delivered to the Deal Agent a certificate to the effect that the Series 2002-1 Pledged Loans to be released from the Lien of this Supplement were not selected in a manner involving any adverse selection procedures and that the release of such Loans would not reasonably be expected to cause a Potential Amortization Event or an Amortization Event.

Section 7.05. RELEASE UPON OPTIONAL SUBSTITUTION. (a) Under the terms of the Pool Purchase Agreement, the Depositor may, with respect to Loans which are Schedule 1-A Pool Loans, as described in the Pool Purchase Agreement, remove Loans from such Schedule 1-A and substitute other Loans. If the Depositor elects to substitute a Loan for a Schedule 1-A Pool Loan which is a Series 2002-1 Pledged Loan, then the Issuer may, as provided in (b) below, obtain a release of such Loan from the Lien of this Supplement and substitute in place of such released Series 2002-1 Pledged Loan a Qualified Substitute Loan or Qualified Substitute Loans.

(b) SUBSTITUTION. Any such substitution of a Qualified Substitute Loan or Qualified Substitute Loans under this Section 7.05 shall be accomplished in the same manner as the Grant of other Additional 2002-1 Pledged Loans and the Issuer shall include such Qualified Substitute Loans in the Additional 2002-1 Pledged Loans described in a Supplemental Grant. The Qualified Substitute Loan or Qualified Substitute Loans will not be selected in a manner adverse to the Noteholders, and the aggregate principal balance of the Qualified Substitute Loans will not be less than the principal balance of the Loans released and for which the substitution occurs. In connection with the substitution for one or more Qualified Substitute Loan or Qualified Substitute Loans, the Issuer shall deposit an amount, if any, equal to the related Substitution Adjustment Amount in the Collection Account on the date of substitution without any reimbursement therefor. The Issuer shall cause the Master Servicer to amend the Series 2002-1 Loan Schedule to reflect the removal of such Schedule 1-A Pool Loan and the substitution of the Qualified Substitute Loan or Qualified Substitute Loans and the Issuer shall cause the Master Servicer to deliver the amended Series 2002-1 Loan Schedule to the Issuer and the Trustee and Collateral Agent.

(c) RELEASE TO ISSUER. Upon each release of a Series 2002-1 Pledged Loan under this Section 7.05, the Collateral Agent and the Trustee shall automatically and without further action release, sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse, representation or warranty, all of the Collateral Agent's and the Trustee's right, title and interest in and to such released Schedule 1-A Pool Loan and the Series 2002-1 Pledged Assets related thereto, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of release) free and clear of the lien of this Supplement. The Collateral Agent and the Trustee shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall

reasonably be requested by the Issuer or Depositor to effect the release of such Schedule 1-A Pool Loan and the related Series 2002-1 Pledged Assets pursuant to this subsection 7.05. Promptly after the occurrence of a Release Date and after the substitution for the Schedule 1-A Pool Loan, the

Issuer shall direct the Master Servicer to delete such Loans from the Series 2002-1 Loan Schedule.

Section 7.06. RELEASE UPON PAYMENT IN FULL. At such time as the Series 2002-1 Notes have been paid in full, all fees and expenses of the Trustee and the Collateral Agent with respect to Series 2002-1 have been paid in full and all obligations relating to the Series 2002-1 Documents have been paid in full, then, the Collateral Agent shall, upon the written request of the Issuer, release all liens and assign to Issuer (without recourse, representation or warranty) all right, title and interest of the Collateral Agent in and to the Series 2002-1 Collateral, and all proceeds thereof. The Collateral Agent and the Trustee shall execute and deliver such instruments of assignment, in each case without recourse, representation or warranty, as shall be reasonably requested by the Issuer to release the security interest of the Collateral Agent in the Series 2002-1 Collateral.

ARTICLE VIII

REPORTS TO TRUSTEE AND NOTEHOLDERS

Section 8.01. MONTHLY REPORT TO TRUSTEE. On or before the Determination Date prior to each Payment Date the Master Servicer shall transmit to the Trustee in a form or forms acceptable to the Trustee information necessary to make payments and transfer funds as provided in Sections 6.01 and 6.06, and the Master Servicer shall produce the Settlement Statement for such Payment Date. Transmission of such information to the Trustee shall be deemed to be a representation and warranty by the Master Servicer to the Trustee and the Noteholders that such information is true and correct in all material respects. At the option of the Master Servicer, the Settlement Statement may be combined with the Servicer's Monthly Report described in Section 8.02 and delivered to the Trustee as one report.

Section 8.02. MONTHLY SERVICING REPORT. On each Determination Date, the Master Servicer shall deliver to the Trustee and the Issuer the Servicer's Monthly Report in the form set forth in Exhibit D to this Supplement with such additions as the Trustee may from time to time request, together with a certificate of a Servicing Officer substantially in the form of Exhibit D, certifying the accuracy of such report and that no Event of Default or event that with the giving of notice or lapse of time or both would become an Event of Default has occurred, or if such event has occurred and is continuing, specifying the event and its status. Such certificate shall also identify which, if any, Series 2002-1 Pledged Loans have become Defective Loans, Defaulted Loans or Deferred Loans during the preceding Due Period.

Section 8.03. DELIVERY OF REPORTS TO NOTEHOLDERS. The Master Servicer shall on each date it delivers a report to the Trustee under Section 8.01 or 8.02 above deliver a copy of each such report to the Deal Agent.

Section 8.04. TAX REPORTING. The Trustee shall file or cause to be filed with the Internal Revenue Service and furnish or cause to be furnished to Noteholders Information Reporting Forms 1099, together with such other information reports or returns at the time or times and in the manner required by the Internal Revenue Code consistent with the treatment of the Notes as indebtedness of the Issuer for federal income tax purposes.

ARTICLE IX

AMORTIZATION EVENTS

Section 9.01. AMORTIZATION EVENTS. If one or more of the following events shall occur and be continuing:

(a) the Issuer fails to pay in full the interest due and payable on the Series 2002-1 Notes on any Payment Date and such failure continues for two Business Days; PROVIDED, HOWEVER, that if the Issuer has made deposits of Collections to the Collection Account in an amount sufficient to make such interest payment when due in accordance with the Priority of Payments, but the payment cannot be made in a timely manner as a result of a circumstances beyond the Issuer's control, the grace period shall be extended to three Business Days;

(b) the Issuer fails to pay in full the principal of the Series 2002-1 Notes on or before the Maturity Date and such failure continues for two Business Days; PROVIDED, HOWEVER, that if the Issuer has made deposits of Collections to the Collection Account in an amount sufficient to make such payment in accordance with the Priority of Payments, but such payment cannot be

timely made as a result of a circumstances beyond the Issuer's and the Master Servicer's control, the grace period shall be extended to three Business Days;

(c) any Event of Default occurs under this Supplement;

(d) a Servicer Default occurs under the Agreement or this Supplement;

(e) the amount on deposit in the Reserve Account is less than the Required Reserve Amount for any three consecutive Business Days;

(f) the Consolidated Extrapolated Cumulative Cancellation Rate at any time exceeds 14%.

(g) the Three Month Rolling Average Delinquency Ratio as calculated for any Payment Date exceeds 2.5%;

(h) the Gross Excess Spread for any Due Period ending on or prior to August 31, 2003, is less than 3.50% for any Due Period; for Due Periods ending after August 31, 2003 this provision shall not apply; except that if any Alternate Investor or Conduit does not extend its Liquidity Termination Date on or before August 31, 2003, this provision shall continue to apply;

(i) a Change of Control occurs without the written consent of the Required Class Agents;

(j) if (i) any Trendwest Loans are then included in the Series 2002-1 Pledged Loans and (ii) (A) WorldMark voluntarily incurs or at any time becomes voluntarily liable for any Debt (other than customary trade payables), (B) any of WorldMark's property becomes subject to any Liens, other than utility or other easements or licenses unrelated to any debt of WorldMark or Liens that do not exceed, in the aggregate, $100,000 or (C) WorldMark involuntarily incurs or is liable for any debt or its property becomes involuntarily subject to any

Liens (other than utility or similar easements or licenses unrelated to any debt of WorldMark) that individually or in the aggregate (with respect to all such Debt and the obligations secured by all such Liens) exceed $1,000,000;

(k) the amount of the Borrowing Base at the end of any Due Period is less than the Notes Principal Amount on that date and the Issuer fails on the following Payment Date to pay in full the amount of principal on the Notes required to reduce the Notes Principal Amount to the Borrowing Base or to increase the Borrowing Base to the Notes Principal Amount; provided, however, that, for such purposes, if the Cendant Ratings Requirement is not met as of such Payment Date, the Borrowing Base, as it was calculated on the last day of the preceding Due Period, shall be reduced to remove from the Borrowing Base the Loan Balances of all Series 2002-1 Pledged Loans which are Green Loans.

(l) an Insolvency Event occurs with respect to Cendant; and

(m) Cendant fails to perform under the terms of the Performance Guaranty or the Performance Guaranty shall cease to be in full force and effect;

(n) The Notes Principal Amount shall at any time exceed the Series 2002-1 Adjusted Loan Balance;

(o) Failure on the part of the Depositor duly to observe or perform any covenants or agreements of the Depositor set forth in any of the Facility Documents to which the Depositor is a party and such failure continues unremedied for a period of 30 days after the earlier of the date on which the Depositor has actual knowledge of the failure and the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Depositor by the Issuer, the Trustee or any Noteholder;

(p) Any representation and warranty made by the Depositor in any Facility Document shall prove to have been incorrect in any material respect when made and the Depositor is not in compliance with such representation or warranty within 30 days after the earlier of the date on which the Depositor has actual knowledge of such breach and the date on which written notice of such breach requiring that such breach be remedied, shall have been given to the Depositor by the Issuer, the Trustee or any Noteholder.

then, in the case of an event described in any clause except clause (c) of the Events of Default in Section 10.01, or clause (l) above, the Deal Agent at the direction of the Majority Facility Investors, or, with respect to an event described in clause (j) or (k), the Deal Agent, at the direction of any Class Agent or, with respect to clause (h) if such provision applies after August 31, 2003, the Deal Agent at the direction of the Class Agent or Class Agents which have not extended their Liquidity Termination Dates to a date on or after August 31, 2003, by notice given in writing to the Issuer, the Master Servicer and the Trustee, may declare that an Amortization Event has occurred as of the date of such notice and, in the case of any event described in clause (c) of the Events of Default in Section 10.01, or clause (l) of this Section 9.01, an Amortization Event will occur immediately upon the occurrence of such event without any

notice or other action on the part of the Deal Agent, the Trustee or any other entity.

For purposes of determining the Consolidated Extrapolated Cumulative Cancellation Rate, the Deal Agent and the Master Servicer shall calculate the "Extrapolated Cumulative Cancellation Rate" or "ECCR." In calculating the ECCR for a Seller, the Deal Agent and the Master Servicer will be permitted to use static pool information reported by the Seller in the manner to which such Seller is accustomed. The Extrapolated Cumulative Cancellation Rate or ECCR means, for any Seller, the weighted average of the Original Principal Balances for each period included in the calculation, multiplied for each period by a fraction (stated as a percentage) the numerator of which is (A) the sum of the Current Principal Balances for all Loans originated by such Seller or any of its Subsidiaries which have become Cancelled Loans, divided by the Original Principal Balance for all Loans originated by such Seller or any of its Subsidiaries during the period, and the denominator of which is (B) one minus the ratio of its Current Principal Balance divided by its Original Principal Balance.

The ECCR for any entity will be calculated using the oldest 20 consecutive quarters of data from the preceding 28 quarters. The process of adding the most recent quarter of eligible data, and subtracting the oldest quarter of formerly eligible data will be accomplished by weight-averaging the static pool data from the year being added, and the year being subtracted, by whole increments of 25% that add to 100% and correspond with the number of quarters that would be necessary to calculate the oldest 20 consecutive quarters of the preceding 28 quarters.

The methodology to be used by the Deal Agent and Master Servicer to calculate a Seller's ECCR on a quarterly basis shall be as shown on Exhibit E. In case of any dispute with respect to the calculation of the ECCR, the Deal Agent and Master Servicer will jointly determine the appropriate calculation.

For any Seller,

$$ECCR = \frac{CCR}{1 - (CPB/OPB)}$$

Where,

ECCR = Extrapolated Cumulative Cancellation Rate
CCR = Cumulative Cancellation Rate
CPB = Current Principal Balance
OPB = Original Principal Balance

"CUMULATIVE CANCELLATION RATE" means for any Seller, the outstanding principal balance at the time of cancellation for all Loans that have become Cancelled Loans divided by the Original Principal Balance for all Loans originated by the Seller or any of its subsidiaries (other than the Depositor or the Issuer).

"CURRENT PRINCIPAL BALANCE" means with respect to any origination period, the current principal balance as of the date of calculation of all Loans originated by such Seller or any of its subsidiaries (other than the Depositor or the Issuer) still outstanding at that time.

"ORIGINAL PRINCIPAL BALANCE" means with respect to any origination period, the original principal balance of all Loans originated by such Seller or any of its subsidiaries (other than the Depositor or the Issuer) during that period.

ARTICLE X

EVENTS OF DEFAULT

Section 10.01. EVENTS OF DEFAULT.

(a) Failure on the part of the Issuer (1) to make or cause to be made any payment or deposit required by the terms of the Agreement, this Supplement or any other Series 2002-1 Document on or before the date such payment or deposit is required to be made and such failure remains unremedied for two Business Days (provided, however, that if the Issuer is unable to make a payment or deposit when due and such failure is as a result of circumstances beyond the Issuer's control, the grace period shall be extended to three Business Days), (2) failure on the part of the Issuer to provide a Hedge Agreement meeting the requirements of Section 6.07 of this Supplement and such failure continues for five Business Days or the Hedge Provider ceases to be a Qualified Hedge Provider and the Issuer fails to provide a Qualified Hedge Provider by one of the methods set forth in Section 6.08 within the five days provided in Section 6.08 and such

failure continues for five Business Days beyond the period allowed in Section 6.08, or (3) duly to observe or perform or cause to be observed or performed any covenant or agreement of the Issuer set forth in the Agreement, this Supplement or any other Series 2002-1 Document or other Facility Document to which the Issuer is a party (other than these events caused in clause (1) or (2) of this subsection), which continues unremedied for a period of 30 days (or five Business Days, in the case of subsection 4.1(b), (f), (g)(2) or (g)(3) or 4.2(a), (c), (d), (e), (i), (l), (n), (o) or (p) of the Agreement) after the earlier of (aa) the date on which written notice of such failure, requiring the same to be remedied, shall have been given to an officer of the Issuer by the Trustee or any Noteholder or (bb) the date on which an officer of the Issuer has actual knowledge thereof;

(b) any representation or warranty made by the Issuer with respect to itself in the Agreement or this Supplement shall prove to have been incorrect in any material respect when made and has a material adverse effect on the Trustee's or the Collateral Agent's interest in the Series 2002-1 Pledged Loans and other related Series 2002-1 Pledged Assets and the Issuer is not in compliance with such representation or warranty within ten Business Days after the earlier of the date on which the Issuer or a Responsible Officer of the Trustee has actual knowledge of such breach and the date on which written notice of such breach requiring that such breach be remedied, shall have been given to the Issuer by the Trustee or any Noteholder;

(c) an Insolvency Event shall occur with respect to any Seller of Series 2002-1 Loans, the Depositor, the Issuer or Cendant;

(d) the Issuer shall become an "investment company" or shall become under the control of an "investment company" within the meaning of the Investment Company Act; or

(e) the Master Servicer shall have been terminated following a Servicer Default, and a Successor Master Servicer shall not have been appointed or such appointment shall not have been accepted within five Business Days after the date of the termination stated in the Termination Notice and the Trustee is not acting as Master Servicer.

THEN, in the case of the event described in subparagraph (a)(3), after the applicable grace period, if any, set forth in such subparagraphs, the Deal Agent acting upon instructions of the Majority Facility Investors by notice given in writing to the Issuer (and to the Trustee if given by the Noteholders) may declare that an event of default with respect to Series 2002-1 (an "Event of Default") has occurred as of the date of such notice, and in the case of any event described in subparagraph (a)(l), (a)(2), (b), (c), (d) or (e), an Event of Default with respect to Series 2002-1 shall occur without any notice or other action on the part of the Trustee or the Noteholders, immediately upon the occurrence of such event and shall continue unless waived in writing by the Required Purchasers of the Series 2002-1 Notes.

Section 10.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

(a) If an Event of Default described in paragraph (a), (b), (d) or (e) of Section 10.1 should occur and be continuing, then and in every such case the Majority Facility Investors may declare all the Series 2002-1 Notes to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee if declared by Noteholders), and upon any such declaration the unpaid principal amount of the Series 2002-1 Notes, together with accrued or accreted and unpaid interest thereon through the date of acceleration, shall become immediately due and payable. If an Event of Default described in paragraph (c) of Section 10.1 should occur then and in every such case the Series 2002-1 Notes together with accrued or accreted and unpaid interest through the date of acceleration, shall become automatically and immediately due and payable.

(b) If an Event of Default has occurred and the maturity of the Series 2002-1 Notes has been accelerated, such acceleration may be rescinded or annulled the Majority Facility Investors by written notice to the Issuer and the Trustee may, but are not required to rescind and annul such acceleration.

Section 10.03. AUTHORITY TO INSTITUTE PROCEEDINGS AND DIRECT REMEDIES. If an Event of Default has occurred and is continuing, the Majority Facility Investors shall have the right to direct the Trustee as provided in Section 9.15 of the Agreement.

Section 10.04. DISTRIBUTIONS OF AMOUNTS COLLECTED. If the Indenture Trustee collects any money or property pursuant to this Article X following the acceleration of the maturities of the Notes (so long as such declaration shall not have been rescinded or annulled), it shall pay out the money or property in the following order:

FIRST, to the Trustee in payment of the Monthly Trustee Fees and in reimbursement of permitted expenses of the Trustee under each of the Facility Documents to which the Trustee is a party, provided that such permitted expenses relate to Series 2002-1; in the event of a

Servicer Default and the replacement of the Master Servicer with the Trustee or a Successor Master Servicer, the costs and

expenses of replacing the Master Servicer shall be permitted expenses of the Trustee;

SECOND, if the Master Servicer is not Fairfield Acceptance Corporation-Nevada or an affiliate of Cendant, to the Master Servicer, in payment of amounts due and unpaid of the Master Servicer Fee and, whether or not Fairfield Acceptance Corporation-Nevada or another affiliate of Cendant is then the Master Servicer, to the Master Servicer in reimbursement of any unreimbursed Master Servicer Advances;

THIRD, to Series 2002-1 Noteholders for interest according to the amounts due and unpaid on such Series 2002-1 Notes for interest and all other amounts (other than principal of the Notes) due to the Noteholders under the Series 2002-1 Documents;

FOURTH, if the Master Servicer is Fairfield Acceptance Corporation-Nevada or another affiliate of Cendant, to the Master Servicer, in payment of amounts due and unpaid of the Master Servicer Fee;

FIFTH, to the Series 2002-1 Noteholders in payment of unpaid principal on the Series 2002-1 Notes; provided, however, that, upon the direction of 100% of the Noteholders, any amounts otherwise due to the Noteholders under this provision FIFTH, shall not be applied to reduce principal, but shall be applied by the Trustee to purchase a Hedge Agreement in the amount and manner specified by the Noteholders;

SIXTH, to the hedge provider or hedge providers under the Hedge Agreement or Hedge Agreements any termination payments due under any Hedge Agreement; and

FINALLY, to Issuer, any remaining amounts free and clear of the lien of this Supplement.

Section 10.05. SALE OF DEFAULTED LOANS AFTER AN EVENT OF DEFAULT. If an Event of Default has occurred and is continuing, the Master Servicer will not sell, assign, transfer or otherwise dispose of any Defaulted Loan or any interest therein, or any Collateral securing a Defaulted Loan, without the prior written consent of the Deal Agent.

ARTICLE XI

PROVISIONS RELATING TO THE MASTER SERVICER

Section 11.01. MASTER SERVICER ADVANCES. On or before each Determination Date the Master Servicer may deposit into the Collection Account an amount equal to the aggregate amount of Master Servicer Advances, if any, with respect to Scheduled Payments on Series 2002-1 Pledged Loans for the preceding Due Period which are not received on or prior to such Payment Date. Such Master Servicer Advances shall be included as Available Funds. Neither

the Master Servicer, any Successor Master Servicer nor the Trustee, acting as Master Servicer, shall have any obligation to make any Master Servicer Advance and may refuse to make a Master Servicer Advance for any reason or no reason. The Master Servicer shall not make any Master Servicer Advance that, after reasonable inquiry and in its sole discretion, it determines is unlikely to be ultimately recoverable from subsequent payments or collections or otherwise with respect to the Series 2002-1 Pledged Loan with respect to which such Master Servicer Advance is proposed to be made.

Section 11.02. ADDITIONAL EVENTS OF SERVICER DEFAULTS. In addition to the events constituting a Servicer Default as set forth in Section 10.1 of the Agreement, so long as any Series 2002-1 Notes remain outstanding, each of the following shall also constitute a Servicer Default:

(a) Cendant permits on the last day of any fiscal quarter its Debt to Capitalization Ratio (as defined in the Amended and Restated Credit Agreement dated as of October 5, 2001 among Cendant as borrower, the lenders referred to therein, The Chase Manhattan Bank, as Administrative Agent, The Bank of Nova Scotia, Credit Lyonnais New York Branch and Citibank N.A., as co-documentation agents, Bank of America, N.A., as syndication agent and J.P. Morgan Securities Inc. as lead arranger, as such agreement, subject to the terms of Section 12.04 may be further amended and supplemented from time to time (as so amended and supplemented from time to time, the "CREDIT AGREEMENT")) to be greater than 0.5:1;

(b) Cendant permits its Interest Coverage Ratio (as defined in the Credit Agreement) for any Rolling Period (as defined in the Credit Agreement) to be less than 3.0:1;

(c) any Indebtedness (as defined in the Credit Agreement) of Cendant or any of its Subsidiaries (as defined in the Credit Agreement, including with respect to the calculation of the ratios included in clauses (a) and (b) above, but in no event including the Depositor, the Issuer or any other securitization entity (of the type described in the definition of Securitization Entity in the Credit Agreement)) exceeding $50,000,000 in the aggregate, is accelerated after default beyond any applicable grace period provided with respect thereto (each reference in clause (a) or (b) above or this clause (c) to a term defined in the Credit Agreement shall be to that term as amended from time to time if the amendments are made in accordance with Section 12.05 of this Supplement);

(d) the Master Servicer fails to deliver reports to the Deal Agent in accordance with Section 8.03 of this Supplement and such failure remains unremedied for five (5) Business Days.

(e) failure on the part of the Master Servicer duly to observe or perform any other covenants or agreements of the Master Servicer set forth in the Note Purchase Agreement and such failure continues unremedied for a period of 20 days after the earlier of the date on which the Master Servicer has actual knowledge of the failure and the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Master Servicer by the Deal Agent; or

(f) any representation and warranty made by the Master Servicer in the Note Purchase Agreement shall prove to have been incorrect in any material respect when made and has a material and adverse impact on the Trustee's interest in the Series 2002-1 Pledged Loans and other Series 2002-1 Pledged Assets and the Master Servicer is not in compliance with such representation or warranty within ten Business Days after the earlier of the date on which the Master Servicer has actual knowledge of such breach and the date on which written notice of such breach requiring that such breach be remedied, shall have been given to the Master Servicer by the Deal Agent.

Section 11.03. ADDITIONAL CONDITIONS TO MASTER SERVICER TRANSFER. In addition to the conditions to the transfer of the Master Servicer function as provided in Section 5.12(b) of the Agreement, the following conditions must be satisfied before the transfer will be permitted:

(a) The entity resigning as Master Servicer and the entity becoming Master Servicer shall deliver to the Trustee and to the Deal Agent a certificate to the effect that the resignation of the existing Master Servicer and replacement will not cause a Material Adverse Effect and as of the date of the substitution, there has been no material adverse change with respect to the servicing business of the new Master Servicer which will have a Material Adverse Effect (within the meaning of (d) or (e) of the definition thereof) with respect to it;

(b) The Performance Guaranty shall have been amended or a new Performance Guaranty delivered to the Trustee which amendment or new agreement guaranties the performance of the new Master Servicer on the same terms as the guaranty which related to the resigning Master Servicer; and

(c) If at such time the Cendant Rating Requirement is not met, the Deal Agent must deliver to the Trustee its written consent to the change.

Section 11.04. FAIR MARKET VALUE OF DEFAULTED LOANS. For the purpose of Section 5.5(f) of the Agreement, no Series 2002-1 Pledged Loan or Collateral related thereto shall be sold to any Seller or Originator unless the cash proceeds of such sale are at least equal to the fair market value of such Series 2002-1 Pledged Loan. For this purpose, "fair market value" shall mean initially, an amount equal to 25% of the original sale price of the related Timeshare Property and, in the event either the Issuer or the applicable Seller or Originator shall determine that such percentage is not reflective of the fair market value of the applicable Series 2002-1 Pledged Loan or Collateral related thereto, the Issuer and the applicable Seller or Originator shall determine the fair market value of such Series 2002-1 Pledged Loan or Collateral related thereto, as a percentage of the original sale price of the related Timeshare Property. Prior to any such determination of a revised fair market value, written notice of such determination including, in reasonable detail, the calculation thereof, shall be given by the Master Servicer to each Class Agent. Any such determination shall be based on the historical inventory cost of the applicable Seller or Originator consistent with the cost of goods sold.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01. RATIFICATION OF AGREEMENT. As supplemented by this Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Supplement shall be read, taken and construed as one and the same instrument.

Section 12.02. COUNTERPARTS. This Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 12.03. GOVERNING LAW. THIS SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 12.04. NOTICES TO DEAL AGENT AND BANK OF AMERICA, N.A.. All communications and notices hereunder given to the Deal Agent or Bank of America, N.A. shall be in writing and shall be deemed to have been duly given if personally delivered to, or transmitted by overnight courier, or transmitted by telex or telecopy and confirmed by a mailed writing or where permitted to be delivered electronically herein, to the e-mail address provided:

If to the Deal Agent:

FLEET SECURITIES, INC.
100 Federal Street 11F
Boston, MA 02110
Attention: Jason Truong
Telephone: (617) 434-7270
Telecopy: (617) 434-1533
(or such other address as may hereafter be furnished to the Issuer, the Trustee, the Master Servicer and Bank of America, N.A.).

If to Bank of America, N.A.:

BANK OF AMERICA, N.A.
Bank of America Corporate Center
100 North Tryon Street, 10th Floor
Charlotte, North Carolina 28255
Attention: Michelle M. Heath
Telephone: (704) 386-7922
Telecopy: (704) 388-0027
(or such other address as may hereafter be furnished to the Issuer, the Trustee, the Master Servicer and the Deal Agent).

Section 12.05. CHANGES TO CREDIT AGREEMENT. For purposes of the Servicer Defaults set forth in Section 11.02 of this Supplement any changes to the definitions included in the Credit Agreement which affect the numerical calculations of the ratios provided in Section 11.02 (a) or (b) thereof will be recognized for purposes of Section 11.02 only if the amendment is entered into with the consent of the majority of the Class Agents. Notwithstanding the preceding sentence, no consent of the Class Agents or the Deal Agent will be required for any amendment or modification which is solely in the nature of correcting typographical errors or drafting ambiguities in the definitions of terms used in connection with the ratios provided in clauses (a) or (b) of Section 11.02 or the related calculations, and which in each case do not have the effect of changing the numerical result obtained in any calculation performed in connection with such ratios (when such definitional change is applied on a pro forma basis to the current fiscal period and to the immediately preceding four fiscal periods). In any case where consent of the majority of the Class Agents is required under this Section 12.05, if the proposed amendment is delivered in writing to the Deal Agent and each Class Agent and less than a majority of the Class Agents objects in writing to the amendment within five Business Days of receipt of the notice, then a majority of the Class Agents shall be conclusively determined to have given their consent to the proposed amendment.

Section 12.06. NONPETITION COVENANT. Each Noteholder hereby recognizes and agrees to the provisions of Section 13.15 of the Agreement and specifically agrees that by accepting a Series 2002-1 Note, it covenants and agrees that it will not at any time institute against the Issuer or the Depositor, or join in instituting against the Issuer or the Depositor, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under any Debtor Relief Law.

Section 12.07. SATISFACTION OF RATING AGENCY CONDITION. It is agreed by the parties hereto, that, any action which, under the terms of the Agreement, is subject to the satisfaction of the Rating Agency Condition, shall also be subject to the condition that such action shall not be taken unless the Deal Agent has given its prior written consent to the action.

Section 12.08. AMENDMENT TO DOCUMENTS. The Issuer shall not enter into

any amendment to any of the Facility Documents to which it is a party without the prior written consent of the Majority Facility Investors.

IN WITNESS WHEREOF, the Issuer, the Master Servicer, the Trustee and the Collateral Agent have caused this Supplement to be duly executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

FAIRFIELD ACCEPTANCE
CORPORATION-NEVADA,
as Master Servicer

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Rob Ashbaugh

Name: Rob Ashbaugh
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Robin M. Belanger

Name: Robin M. Belanger
Title: Vice President

[Signature page for Series 2002-1 Supplement]

EXHIBIT 10.63

EXECUTION COPY

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MASTER LOAN PURCHASE AGREEMENT

Dated as of August 29, 2002

by and between

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Seller

and

FAIRFIELD RESORTS, INC.,
as Co-Originator

and

FAIRFIELD MYRTLE BEACH, INC.,
as Co-Originator

and

SEA GARDENS BEACH AND TENNIS RESORT, INC.,
VACATION BREAK RESORTS, INC.,
VACATION BREAK RESORTS AT STAR ISLAND, INC.,
PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Subsidiary

and

PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Partnership

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

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SCHEDULES

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MASTER LOAN PURCHASE AGREEMENT

THIS MASTER LOAN PURCHASE AGREEMENT (this "AGREEMENT"), dated as of August 29, 2002, is made by and between FAIRFIELD ACCEPTANCE CORPORATION-NEVADA, a Delaware corporation, as seller (the "SELLER"), FAIRFIELD RESORTS, INC., a Delaware corporation and the parent corporation of the Seller, as co-originator ("FRI"), FAIRFIELD MYRTLE BEACH, INC., a Delaware corporation and a wholly-owned subsidiary of FRI, as co-originator ("FMB"), SEA GARDENS BEACH AND TENNIS RESORT, INC., a Florida corporation ("SEA GARDENS"), VACATION BREAK RESORTS, INC., a Florida corporation ("VBR"), VACATION BREAK RESORTS AT STAR ISLAND, INC., a Florida corporation ("VBRS") (each of Sea Gardens, VBR and VBRS being wholly-owned subsidiaries of Vacation Break, USA, Inc., a wholly-owned subsidiary of FRI), PALM VACATION GROUP, a Florida general partnership ("PVG"), OCEAN RANCH VACATION GROUP, a Florida general partnership ("ORVG") (each of Sea Gardens, VBR, VBRS, PVG and ORVG are hereinafter collectively referred to as the "VB SUBSIDIARIES" and PVG and ORVG are hereinafter collectively referred to as the "VB PARTNERSHIPS") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

RECITALS

WHEREAS, FRI, FMB and the VB Subsidiaries have originated certain Loans in connection with the sale to Obligors of Timeshare Properties at various Resorts;

WHEREAS, in the ordinary course of their businesses, FRI purchases or will purchase directly or indirectly from FMB and the VB Subsidiaries, and the Seller purchases or will purchase from FRI, certain Loans and related property (including an interest in the Timeshare Properties underlying such Loans);

WHEREAS, each of FRI, FMB, the VB Subsidiaries, the Seller and the Company wishes to enter into this Agreement and the related Master Loan Purchase Agreement Supplement for each Series of Notes (each, a "PA SUPPLEMENT") in order to, among other things, effect the sale to the Company on the related Closing Date of Initial Loans and related Transferred Assets that FAC owns as of the close of business on the related Cut-Off Date, and the sale to the Company of Additional Loans (including Additional Upgrade Balances) and related Transferred

Assets that FAC will own from time to time thereafter as of the close of business on the related Addition Cut-Off Dates; and

WHEREAS, the Company intends to transfer and assign the Loans and related Transferred Assets to the Issuer, which will then grant security interests in the Loans and related Transferred Assets to Wachovia Bank, National Association, as Collateral Agent on behalf of the Trustee and the holders of Notes issued from time to time pursuant to a Master Indenture and Servicing Agreement of even date herewith (the "INDENTURE AND SERVICING AGREEMENT"), together with any Indenture Supplements thereto, each by and between Sierra Receivables Funding Company, LLC as Issuer, FAC as Master Servicer, the Trustee and the Collateral Agent.

NOW, THEREFORE, in consideration of the purchase price set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS.

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ADDITION CUT-OFF DATE" shall mean, for Additional Loans of any Series, the date set forth in the related Assignment.

"ADDITION DATE" shall mean, with respect to any Series, the Addition Date as defined in the related PA Supplement.

"ADDITIONAL LOAN" shall mean, with respect to any Series, each installment contract or contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or retention of title, in each case relating to the sale of one or more Timeshare Properties or Green Timeshare Properties to an Obligor and each Additional Upgrade Balance, in each case constituting one of the Loans of such Series purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"ADDITIONAL POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"ADDITIONAL UPGRADE BALANCE" shall mean, with respect to any Loan, any future borrowing made by the related Obligor pursuant to a modification of the Loan relating to a Timeshare Upgrade after the Cut-Off Date or the Addition Cut-Off Date, as applicable, with respect to such Loan, together with all money due or to become due in respect of such borrowing.

"AFFILIATE" of any Person shall mean any other Person controlling or controlled by or under common control with such Person, and "control" shall mean the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" shall have meanings correlative to the foregoing.

"AGREEMENT" shall mean this Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"AMORTIZATION EVENT" shall mean, with respect to any Series, one or more of the events constituting an Amortization Event as defined in the related Indenture Supplement.

"ALLIANCE PROGRAM" shall mean any sales and marketing program pursuant to which an Originator acquires recovered Timeshare Property interests from sold out third-party unaffiliated resorts for resale.

"ASSESSMENTS" shall mean any assessments made with respect to a Timeshare Property, including but not limited to real estate taxes, recreation fees, community club or property owners' association dues, water and sewer improvement district assessments or other similar

assessments, the nonpayment of which could result in the imposition of a Lien or other encumbrance upon such Timeshare Property.

"ASSIGNMENT" shall mean, with respect to any Series, an Assignment as defined in the related PA Supplement.

"ASSIGNMENT OF MORTGAGE" shall mean any assignment (including any collateral assignment) of any Mortgage.

"BANKRUPTCY CODE" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"BENEFIT PLAN" shall mean any employee benefit plan as defined in Section

3(3) of ERISA in respect of which the Company or any ERISA Affiliate of the Company is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"BUSINESS DAY" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York, New York, Las Vegas, Nevada, or the city in which the Corporate Trust Office of the Trustee is located, or any other city specified in the PA Supplement for a Series, are authorized or obligated by law or executive order to be closed.

"CENDANT" shall mean Cendant Corporation or any successor thereof.

"CLOSING DATE" shall mean, with respect to any Series, the Closing Date as defined in the related PA Supplement.

"COLLATERAL" shall have the meaning set forth in the Indenture and Servicing Agreement.

"COLLATERAL AGENCY AGREEMENT" shall mean the Collateral Agency Agreement dated as of January 15, 1998 by and between Fleet National Bank as predecessor Collateral Agent, Fleet Securities, Inc. as deal agent and the secured parties named therein, as amended by the First Amendment to Collateral Agency Agreement dated as of July 31, 1998, as further amended by the Second Amendment to Collateral Agreement dated as of July 25, 2000, as further amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, and as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002 by and among the Collateral Agent, the Trustee and other secured parties, as such Collateral Agency Agreement may be amended, supplemented or otherwise modified from time to time in accordance therewith.

"COLLATERAL AGENT" shall mean Wachovia Bank, National Association, as Collateral Agent, its successors and assigns and any entity which is substituted as Collateral Agent under the terms of the Collateral Agency Agreement.

"COLLECTION ACCOUNT" shall mean the account or accounts established pursuant to Section 7.1(a) of the Indenture and Servicing Agreement.

"COLLECTIONS" shall mean, with respect to any Loan, all funds, cash collections and other cash proceeds of such Loan, including without limitation (i) all Scheduled Payments or

recoveries made in the form of money, checks and like items to, or a wire transfer or an automated clearinghouse transfer received in, any of the Lockbox Accounts or received by the Issuer or the Master Servicer (or any Subservicer) in respect of such Loan, (ii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any Insurance Proceeds relating to such Loan or the related Timeshare Property and (iii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any proceeds in respect of a condemnation of property in any Resort, which proceeds relate to such Loan or the related Timeshare Property.

"COMPANY" shall have the meaning set forth in the preamble.

"CONTAMINANTS" shall have the meaning set forth in Section 6(b)(xii).

"CORPORATE TRUST OFFICE" shall have the meaning set forth in the Indenture and Servicing Agreement.

"CREDIT CARD ACCOUNT" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit to a Major Credit Card.

"CREDIT STANDARDS AND COLLECTION POLICIES" shall mean the Credit Standards and Collection Policies of FAC and FRI, a copy of which is attached to this Agreement as Exhibit C, as the same may be amended from time to time in accordance with the provisions of Section 8(b)(iii).

"CUSTODIAL AGREEMENT" shall mean either (i) the custodial agreement dated as of August 29, 2002 by and between the Issuer, FAC, EFI, Trendwest, Wachovia Bank, National Association as Custodian, the Trustee and the Collateral Agent or (ii) the Fourth Amended and Restated Custodial Agreement dated as of August 29, 2002 by and between Wells Fargo Bank Nevada, N.A. (successor by merger to First Security Trust Company of Nevada), as Custodian, the Collateral Agent, the Trustee, FRI, FAC, FMB, FFC II, FFC III, the Issuer and other parties named therein, a copy of each of which is attached to this Agreement as Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with the terms hereof.

"CUSTODIAN" shall mean, at any time, the custodian under either Custodial Agreement at such time.

"CUSTOMARY PRACTICES" shall mean the Master Servicer's practices with respect to the servicing and administration of Loans as in effect from time to

time, which practices shall be consistent with the practices employed by prudent lending institutions that originate and service instruments similar to the Loans or other timeshare loans in the jurisdictions in which the Resorts are located.

"CUT-OFF DATE" shall mean, with respect to any Series, the Cut-Off Date as defined in the related PA Supplement.

"DE MINIMUS LEVELS" shall have the meaning set forth in Section 6(b)(xii).

"DEBTOR RELIEF LAWS" shall mean the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"DEFAULTED LOAN" shall mean any Loan (a) with any portion of a Scheduled Payment delinquent more than 60 days, (b) with respect to which the Master Servicer shall have determined in good faith that the Obligor will not resume making Scheduled Payments, (c) for which the related Obligor has been the subject of a proceeding under a Debtor Relief Law or (d) for which cancellation or foreclosure actions have been commenced.

"DEFAULTED LOAN REPURCHASE CAP" shall mean, as of any date of determination, an amount equal to the PRODUCT of (a) 10.5% MULTIPLIED BY (b) the aggregate Loan principal balance of all Loans (calculated as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, for each Loan) sold by the Seller to the Depositor pursuant to this Agreement on or prior to such date of determination.

"DEFECTIVE LOAN" shall mean, with respect to any Series, any Loan with any uncured material breach of a representation or warranty of the Seller set forth in Section 6(b) hereof and in the related PA Supplement.

"DELINQUENT LOAN" shall mean, with respect to any Series, a Loan with any portion of a Scheduled Payment delinquent more than 30 days, other than any Loan that is a Defaulted Loan.

"DEPOSITOR ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Company.

"DUE DATE" shall mean, with respect to any Loan, the date on which an Obligor is required to make a Scheduled Payment thereon.

"DUE PERIOD" shall mean, with respect to any Payment Date, the immediately preceding calendar month.

"EFI" shall mean EFI Development Funding, Inc., a Delaware corporation and a wholly-owned indirect Subsidiary of Cendant.

"ELIGIBLE LOAN" shall mean, with respect to any Series, an Eligible Loan as defined in the related PA Supplement.

"ENVIRONMENTAL LAWS" shall have the meaning set forth in Section 6(b)(xii).

"EQUITY PERCENTAGE" shall mean, with respect to a Loan, a fraction, expressed as a percentage, the NUMERATOR of which is the EXCESS of (A) the Timeshare Price of the related Timeshare Property relating to a Loan paid or to be paid by an Obligor OVER (B) the outstanding principal balance of such Loan at the time of sale of such Timeshare Property to such Obligor (LESS the amount of any valid check presented by such Obligor at the time of such sale that has cleared the payment system), and the DENOMINATOR of which is the Timeshare

Price of the related Timeshare Property, PROVIDED that any cash downpayments or principal payments made on any initial Loan that have been fully prepaid as part of a Timeshare Upgrade and financed downpayments under such initial Loan financed over a period not exceeding six months from the date of origination of such Loan that have actually been paid within such six-month period shall be included for purposes of calculating the numerator of such fraction.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as such Person, any

corporation described in clause (i) or any trade or business described in clause (ii).

"ERISA LIABILITIES" shall have the meaning set forth in Section 8(b)(vi).

"EVENT OF DEFAULT" shall mean, with respect to any Series, one or more of the events constituting an Event of Default under the related Indenture Supplement.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned Subsidiary of FRI.

"FACILITY DOCUMENTS" shall mean, collectively, this Agreement, each PA Supplement, the Indenture and Servicing Agreement, each Indenture Supplement, the Pool Purchase Agreement, each PPA Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Title Clearing Agreements, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"FAIRSHARE PLUS AGREEMENT" shall mean the Amended and Restated FairShare Vacation Plan Use Management Trust Agreement effective as of January 1, 1996 by and between FRI, FMB and such other Subsidiaries and third party developers as may be named by an amendment or addendum thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time thereafter in accordance with the terms of this Agreement.

"FAIRSHARE PLUS PROGRAM" shall mean the program pursuant to which the occupancy and use of a Timeshare Property is assigned to the trust created by the FairShare Plus Agreement in exchange for annual symbolic points that are used to establish the location, timing, length of stay and unit type of a vacation, including without limitation systems relating to reservations, accounting and collection, disbursement and enforcement of assessments in respect of contributed units.

"FCC" shall mean Fairfield Capital Corporation, a wholly-owned special-purpose finance Subsidiary of FAC.

"FFC II" shall mean Fairfield Funding Corporation II, a wholly-owned special purpose finance Subsidiary of FAC.

"FFC III" shall mean Fairfield Funding Corporation III, a wholly-owned special purpose finance Subsidiary of FAC.

"FIXED WEEK" shall mean a Timeshare Property representing a fee simple interest in a lodging unit at a Resort that entitles the related Obligor to occupy such lodging unit for a specified one-week period each year.

"FMB" shall have the meaning set forth in the preamble.

"FRI" shall have the meaning set forth in the preamble.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GRANT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"GREEN LOAN" shall mean a Loan the proceeds of which are used to finance the purchase of a Green Timeshare Property.

"GREEN TIMESHARE PROPERTY" shall mean a Timeshare Property for which construction on the related Resort has not yet begun or is subject to completion.

"INDEMNIFIED AMOUNTS" shall have the meaning set forth in Section 6(e).

"INDENTURE AND SERVICING AGREEMENT" shall have the meaning set forth in the recitals.

"INDENTURE SUPPLEMENT" shall mean, with respect to any Series, an indenture supplement to the Indenture and Servicing Agreement, executed and delivered in connection with the issuance of the Notes of such Series pursuant to Section 2.10 of the Indenture and Servicing Agreement, and all amendments thereof and supplements thereto.

"INDEPENDENT DIRECTOR" shall mean an individual who is an Independent Director as defined in the Limited Liability Company Agreement of the Company as in effect on the date of this Agreement.

"INITIAL CLOSING DATE" shall mean August 29, 2002.

"INITIAL LOAN" shall mean, with respect to any Series, each Loan listed on the related Loan Schedule on the Closing Date for such Series.

"INSOLVENCY EVENT" shall mean, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable

Debtor Relief Law now or hereafter in effect, or the filing of a petition against such Person in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, which case remains unstayed and undismissed within 30 days of such filing, or the appointing of a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or liquidation of such Person's business; or (b) the commencement by such Person of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such Debtor Relief Law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the admission by such Person of its inability to pay its debts generally as they become due.

"INSOLVENCY PROCEEDING" shall mean any proceeding relating to an Insolvency Event.

"INSTALLMENT CONTRACT" shall mean, with respect to any Series, an installment sale contract for deed and retained title in a related Timeshare Property by and between an Originator and an Obligor.

"INSURANCE PROCEEDS" shall mean proceeds of any insurance policy relating to any Loan or the related Timeshare Property, including any refund of unearned premium, but only to the extent such proceeds are not to be applied to the restoration of any improvements on the related Timeshare Property or released to the Obligor in accordance with Customary Practices.

"INTERNAL REVENUE CODE" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

"ISSUER" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company.

"ISSUER ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Issuer.

"KONA" shall have the meaning set forth in Section 11(l).

"LIEN" shall mean any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including without limitation any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LOAN" shall mean, with respect to any Series, each installment contract or contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or retention of title,

in each case relating to the sale of one or more Timeshare Properties or Green Timeshare Properties to an Obligor, that is listed on the Loan Schedule for such Series on the related Closing Date and any Additional Loans that are listed from time to time on such Loan Schedule in accordance with the related PA Supplement.

"LOAN CONVEYANCE DOCUMENTS" shall mean, with respect to any Loan, (a) the Assignment of Additional Loans in the form of Exhibit B, if applicable, and (b) any such other releases, documents, instruments or agreements as may be required by the Company, the Issuer or the Trustee in order to more fully effect the sale (including any prior assignments) of such Loan and any related Transferred Assets.

"LOAN DOCUMENTS" shall mean, with respect to any Loan, all papers and documents related to such Loan, including the original of all applicable promissory notes, stamped as required by the Custodial Agreement, the original of any related recorded or (to the extent permitted under this Agreement)

unrecorded Mortgage (or a copy of such recorded Mortgage if the original of the recorded Mortgage is not available, certified to be a true and complete copy of the original) and a copy of any recorded or (to the extent permitted under this Agreement) unrecorded warranty deed transferring legal title to the related Timeshare Property to the Obligor; PROVIDED, HOWEVER, that the Loan Documents may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement.

"LOAN FILE" shall mean, with respect to any Loan, the Loan Documents pertaining to such Loan and any additional amendments, supplements, extensions, modifications or waiver agreements required to be added to the Loan File pursuant to this Agreement, the Credit Standards and Collection Policies and/or Customary Practices.

"LOAN POOL" shall mean, with respect to any Series, all Loans identified in the Loan Schedule for such Series.

"LOAN RATE" shall mean the annual rate at which interest accrues on any Loan, as modified from time to time in accordance with the terms of any related Credit Standards and Collection Policies.

"LOAN SCHEDULE" shall mean, with respect to any Series, the list of Loans attached to the related PA Supplement as Schedule 1, as amended from time to time on each Addition Date and Repurchase Date as provided in the related PA Supplement, which list shall set forth the following information with respect to each Loan therein as of the applicable date:

(a) the Loan number;

(b) the Obligor's name and the home address and telephone number for such Obligor set forth in the Loan;

(c) the Resort in which the related Timeshare Property is located;

(d) as to Fixed Weeks, the building, unit and week thereof; as to UDIs, the phase number thereof; and as to all other Timeshare Properties, the number of Points issued pursuant to the FairShare Plus Program (if

applicable) for which occupancy rights in such Timeshare Property may be redeemed and which are represented thereby;

(e) the Loan Rate;

(f) whether the Obligor has elected a PAC with respect to the Loan;

(g) the original term of the Loan;

(h) the original Loan principal balance and outstanding Loan principal balance as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(i) the date of execution of the Loan;

(j) the amount of the Scheduled Payment on the Loan;

(k) the original Timeshare Price and Equity Percentage; and

(l) whether the related Timeshare Property has been deeded to the Obligor.

The Loan Schedule also shall set forth the aggregate amounts described under clause (h) above for all outstanding Loans. The Loan Schedule may be in the form of more than one list, collectively setting forth all of the information required.

"LOCKBOX ACCOUNT" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"LOCKBOX AGREEMENT" shall mean any agreement substantially in the form of Exhibit E by and between the Issuer, the Trustee, the Master Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer, the Trustee and the applicable Lockbox Bank with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank to remit all Collections directly to the Trustee.

"LOCKBOX BANK" shall mean any of the commercial banks holding one or more Lockbox Accounts for the purpose of receiving Collections.

"LOT" shall mean a fully or partially developed parcel of real estate.

"MAJOR CREDIT CARD" shall mean a credit card issued by any Visa USA, Inc., MasterCard International Incorporated, American Express Company, Discover Bank or Diners Club International Ltd. credit card entity.

"MASTER SERVICER" shall mean the master servicer under the Indenture and Servicing Agreement.

"MATERIAL ADVERSE EFFECT" shall mean, with respect to any Person and any event or circumstance, a material adverse effect on:

(a) the business, properties, operations or condition (financial or otherwise) of any of such Person;

(b) the ability of such Person to perform its respective obligations under any Facility Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, any Facility Documents to which it is a party;

(d) the status, existence, perfection or priority of any Lien arising through or under such Person under any Facility Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Loans pledged as collateral for any Series of Notes or any of the other Transferred Assets pledged as collateral for any Series of Notes.

"MORTGAGE" shall mean any mortgage, deed of trust, purchase money deed of trust or deed to secure debt encumbering the related Timeshare Property, granted by the related Obligor to the Originator of a Loan to secure payments or other obligations under such Loan.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 3(37) of ERISA.

"NOMINEE" shall mean (a) Lawyer's Title Insurance Corporation under the Eleventh Amended and Restated Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, the Issuer, FFC III, FFC II, FCC, the Trustee, the Collateral Agent, Lawyers Title Insurance Corporation and certain other parties thereto; (b) Colorado Land Title Company under the Ninth Amended and Restated Title Clearing Agreement (Colorado) dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, the Issuer, FFC III, FFC II, FCC, the Trustee, the Collateral Agent, Colorado Land Title Company and certain other parties thereto; (c) Lawyers Title Insurance Corporation under the Seventh Amended and Restated Title Clearing Agreement (Westwinds) dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, FMB, FFC III, FFC II, FCC, the Issuer, the Collateral Agent, the Trustee, Lawyers Title Insurance Corporation and certain other parties thereto; (d) Lawyers Title Insurance Corporation under the Sixth Amended and Restated Nashville Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, the Issuer, FFC III, FFC II, FCC, the Trustee, the Collateral Agent, Lawyers Title Insurance Corporation and certain other parties thereto; (e) Lawyers Title Insurance Corporation under the Sixth Amended and Restated Seawatch Plantation Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, FMB, the Issuer, FFC III, FFC II, FCC, the Trustee, the Collateral Agent, Lawyers Title Insurance Corporation and certain other parties thereto; (f) First American Title Insurance Company under the Eighth Amended and Restated Supplementary Trust Agreement (Arizona) dated as of August 29, 2002, as amended,

supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, the Issuer, FFC III, FFC II, FCC, the Trustee, the Collateral Agent, First American Title Insurance Company and certain other parties thereto; (g) Lawyer's Title of Nevada, Inc. under the Second Amended and Restated Nevada Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among FRI, FAC, FFC III, the Issuer, the Trustee, the Collateral Agent, Lawyer's Title of Nevada, Inc. and certain other parties thereto; and (h) such other nominees as shall be approved in writing by the Collateral Agent pursuant to the terms of other title clearing agreements (and similar documents, instruments and agreements) that may be entered into from time to time by each of FRI, FAC, the Issuer and the Collateral Agent (among other Persons) in accordance with the transactions contemplated by this Agreement and the other Facility Documents relating to the

Loans and the Timeshare Properties.

"NOTE" shall mean any Loan-backed note issued, executed and authenticated in accordance with the Indenture and Servicing Agreement and any related Indenture Supplement.

"NOTEHOLDER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"OBLIGOR" shall mean, with respect to any Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"OPERATING AGREEMENT" shall mean the Seventh Amended and Restated Operating Agreement dated as of July 1, 2001 by and between FRI, FMB, the VB Subsidiaries and the Seller.

"OPINION OF COUNSEL" shall mean a written opinion of counsel in form and substance reasonably satisfactory to the recipient thereof.

"ORIGINATOR" shall mean FRI, FMB or a VB Subsidiary, as the case may be, or any other Subsidiary of Cendant Corporation that originates Loans in accordance with the Credit Standards and Collection Policies for sale to FAC.

"PAC" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized bank account debit.

"PA SUPPLEMENT" shall have the meaning set forth in the recitals.

"PAYMENT DATE" shall mean, with respect to any Series, the payment date set forth in the related Indenture Supplement.

"PERMITTED ENCUMBRANCE" shall mean, with respect to a Loan, any of the following Liens against the related Timeshare Property: (i) the interest therein of the Obligor and/or the Nominee, as the case may be, (ii) the Lien of due and unpaid Assessments, (iii) covenants, conditions and restrictions, rights of way, easements and other matters of public record, such exceptions appearing of record being consistent with the normal business practices of FAC and

FRI or specifically disclosed in the applicable land sales registrations filed with the applicable regulatory agencies and (iv) other matters to which properties of the same type as those underlying such Loan are commonly subject that do not materially interfere with the benefits of the security intended to be provided by such Timeshare Property.

"PERSON" shall mean any person or entity, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or any other organization or entity, whether or not a legal entity.

"PLAN" shall mean an employee benefit plan or other retirement arrangement subject to ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time.

"PLAN INSOLVENCY" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"POA" shall mean each property owners' association or similar timeshare owner body for a Timeshare Property Regime or Resort or portion thereof, in each case established pursuant to the declarations, articles or similar charter documents applicable to each such Timeshare Property Regime, Resort or portion thereof.

"POINTS" shall mean, with respect to any lodging unit at a Timeshare Property Regime, the number of points of symbolic value assigned to such unit pursuant to the FairShare Plus Program.

"POOL PURCHASE AGREEMENT" shall mean the master purchase agreement relating to the Loans, dated the date hereof, by and between the Company and the Issuer, and all amendments thereof and supplements thereto including, with respect to any Series, the related PPA Supplement.

"POOL PURCHASE PRICE" shall mean, with respect to any Series, the Pool Purchase Price as defined in the related PA Supplement.

"POST OFFICE BOX" shall mean each post office box to which Obligors are directed to mail payments in respect of the Loans of any Series.

"PPA SUPPLEMENT" shall mean any supplement to the Pool Purchase Agreement relating to a particular Series of Notes.

"PURCHASE" shall mean, with respect to any Series, a Purchase as defined in the related PA Supplement.

"PURCHASER" shall have the meaning set forth in the preamble.

"QUALIFIED SUBSTITUTE LOAN" shall mean, with respect to any Series, a substitute Loan that (i) is an Eligible Loan on the applicable date of substitution for such substitute Loan, (ii) on such date of substitution has a Loan Rate not less than the Loan Rate of the substituted Loan and (iii) is not selected in a manner adverse to the Purchaser or its assignees.

"RECORDS" shall mean all copies of Loans (not including originals) and other documents, books, records and other information (including without limitation computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained by the Seller or any of its respective Affiliates (including without limitation each Originator, but not including the Purchaser or the Issuer) with respect to Loans, the related Transferred Assets and the related Obligors.

"REORGANIZATION" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT" shall mean any of the events described in Section 4043 of ERISA.

"REPURCHASE DATE" shall mean, with respect to any Series, the Repurchase Date as defined in the related PA Supplement.

"REPURCHASE PRICE" shall mean, with respect to any Series, the Repurchase Price as defined in the related PA Supplement.

"RESERVATION SYSTEM" shall mean the system with respect to Timeshare Properties pursuant to which a reservation for a particular location, time, length of stay and unit type is received, accepted, modified or canceled.

"RESERVE ACCOUNT" shall, with respect to any Series, mean any reserve account established pursuant to the related Indenture Supplement.

"RESORT" shall mean each resort or development listed on Schedule 2 (as such Schedule 2 may be amended from time to time with the written consent of the Company and the Seller in connection with proposed sales of Additional Loans relating to resorts or developments with respect to which Loans have not previously been sold under this Agreement).

"SCHEDULED PAYMENT" shall mean each scheduled monthly payment of principal and interest on a Loan.

"SELLER" shall have the meaning set forth in the preamble.

"SERIES" shall mean any Series of Notes issued and established pursuant to an Indenture Supplement.

"SERIES TERMINATION DATE" shall mean, with respect to any Series, the Series Termination Date as defined in the related PA Supplement.

"STATE" shall mean any of the 50 United States or the District of Columbia.

"SUBSERVICER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSERVICING AGREEMENT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity of which more than 50% of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors of such corporation (notwithstanding that at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) or other persons performing similar functions is at the time directly or indirectly owned by such Person.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall, with respect to any Series, have the meaning set forth in the related PA Supplement.

"TIMESHARE PRICE" shall mean the original price of the Timeshare Property paid by an Obligor, PLUS any accrued and unpaid interest and other amounts owed by the Obligor.

"TIMESHARE PROPERTY" shall mean the underlying ownership interest that is the subject of a Loan, which ownership interest may be either a Fixed Week, a UDI or the Points with respect thereto under the FairShare Plus Program.

"TIMESHARE PROPERTY REGIME" shall mean any of the various interval ownership regimes located at a Resort, each of which is an arrangement established under applicable state law whereby all or a designated portion of a development is made subject to a declaration permitting the transfer of Timeshare Properties therein, which Timeshare Properties shall, in the case of Fixed Weeks and UDIs, constitute real property under the applicable local law of each of the jurisdictions in which such regime is located.

"TIMESHARE UPGRADE" shall mean the upgrade by an Obligor of the Obligor's existing Timeshare Property to an upgraded Timeshare Property.

"TITLE CLEARING AGREEMENT" shall mean, with respect to certain Loans that are Installment Contracts, each of (a) the Eleventh Amended and Restated Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Lawyers Title Insurance Corporation, the Collateral Agent and the other parties thereto; (b) the Ninth Amended and Restated Title Clearing Agreement (Colorado) dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Colorado Land Title Company, the Collateral Agent and the other parties thereto; (c) the Seventh Amended and Restated Title Clearing Agreement (Westwinds) dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Lawyers Title Insurance Corporation, the Collateral Agent and the other parties thereto; (d) the Sixth Amended and Restated Nashville Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Lawyers Title Insurance Corporation, the Collateral Agent and the other parties thereto; (e) the Sixth Amended and Restated Seawatch Plantation Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Lawyers Title Insurance Corporation, the Collateral Agent and the other parties thereto; (f) the Eighth Amended and Restated

Supplementary Trust Agreement (Arizona) dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, First American Title Insurance Corporation, the Collateral Agent and the other parties thereto; (g) the Second Amended and Restated Nevada Title Clearing Agreement dated as of August 29, 2002, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, by and among the Issuer, FRI, FAC, Lawyer's Title of Nevada, Inc., the Collateral Agent and the other parties thereto; and (h) such other title clearing agreements and other similar documents, instruments and agreements which may be entered into from time to time by each of FRI, FAC, the Issuer and the Collateral Agent (among other Persons) in accordance with the transactions contemplated by this Agreement and other Facility Documents relating to the Timeshare Properties.

"TRANSFERRED ASSETS" shall mean, with respect to any Series, any and all right, title and interest of the Seller in, to and under:

(a) the Loans from time to time, including without limitation the Initial Loans as of the close of business on the Cut-Off Date and the Additional Loans as of the close of business on the related Addition Cut-Off Dates and all Scheduled Payments, other Collections and other funds received in respect of such Initial Loans and Additional Loans on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, and any other monies due or to become due on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, in respect of any such Loans, and any security therefor;

(b) (i) the Timeshare Properties relating to the Loans and (ii) the Title Clearing Agreements and the FairShare Plus Program (including without limitation the FairShare Plus Agreement) to the extent that they relate to such Timeshare Properties;

(c) any Mortgages relating to the Loans;

(d) any Insurance Policies relating to the Loans;

(e) the Loan Files and other Records relating to the Loans;

(f) the Loan Conveyance Documents relating to the Loans;

(g) all interest, dividends, cash, instruments, financial assets and other investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, or on account of, the sale or other disposition of the Transferred Assets, and including all payments under Insurance Policies (whether or not any of the Seller, the Purchaser, any Originator, the Master Servicer, the Issuer or the Trustee is the loss payee thereof) or any indemnity, warranty

or guaranty payable by reason of loss or damage to or otherwise with respect to any Transferred Assets, and any security granted or purported to be granted in respect of any Transferred Assets; and

(h) all proceeds of any of the foregoing property described in clauses (a) through (g).

"TRENDWEST" shall mean Trendwest Resorts, Inc., a wholly-owned indirect Subsidiary of Cendant.

"TRUSTEE" shall mean Wachovia Bank, National Association, as Trustee under the Indenture and Servicing Agreement, and its successors and assigns.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"UDI" shall mean an individual interest in fee simple (as tenants in common with all other undivided interest owners) in a lodging unit or group of lodging units at a Resort.

"VB PARTNERSHIPS" shall have the meaning set forth in the preamble.

"VB SUBSIDIARIES" shall have the meaning set forth in the preamble.

SECTION 2. PURCHASE AND SALE OF LOANS.

The Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under the Loans listed on the Loan Schedule with respect to the related PA Supplement. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in the related PA Supplement.

SECTION 3. POOL PURCHASE PRICE.

Provisions with respect to the Purchase and sale of the Loans for each Series shall be set forth in the related PA Supplement.

The purchase price for any Additional Loans and other related Transferred Assets (the "ADDITIONAL POOL PURCHASE PRICE") conveyed to the Company under this Agreement and the related PA Supplement on each Addition Date shall be a dollar amount equal to the aggregate outstanding principal balance of such Additional Loans sold on such date, subject to adjustment to reflect such factors as the Company and the Seller mutually agree will result in an Additional Pool Purchase Price equal to the fair market value of such Additional Loans and other related Transferred Assets.

SECTION 4. PAYMENT OF PURCHASE PRICE.

(a) CLOSING DATES. On the terms and subject to the conditions of this Agreement and the related PA Supplement, payment of the Pool Purchase Price for each Series shall be made by the Company on the related Closing Date in immediately available funds to the Seller to such accounts at such banks as the Seller shall designate to the Company not less than one Business Day prior to the such Closing Date.

(b) MANNER OF PAYMENT OF ADDITIONAL POOL PURCHASE PRICE. On the terms and subject to the conditions in this Agreement and the related PA Supplement, the Company shall pay to the Seller, on each Business Day on which any Additional Loans are purchased from the Seller by the Company pursuant to Section 2 of the related PA Supplement, the Additional Pool

Purchase Price for such Additional Loans by paying such Additional Pool Purchase Price to the Seller in cash.

(c) SCHEDULED PAYMENTS UNDER LOANS AND CUT-OFF DATE. The Company shall be entitled to all Scheduled Payments, other Collections and all other funds with respect to any Loan received on or after the related Cut-Off Date or Addition Cut-Off Date, as applicable. The principal balance of each Loan as of the related Cut-Off Date or Addition Cut-Off Date, as applicable, shall be determined after deduction, in accordance with the terms of each such Loan, of payments of principal received before such Cut-Off Date or Addition Cut-Off Date.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF LOANS.

No Purchase of Loans and related Transferred Assets shall be made hereunder or under any PA Supplement on any date on which:

(a) the Company does not have sufficient funds available to pay the related Pool Purchase Price or Additional Pool Purchase Price in cash; or

(b) an Insolvency Event has occurred and is continuing with respect to the Seller or the Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER, FRI, FMB AND THE VB SUBSIDIARIES.

(a) GENERAL REPRESENTATIONS AND WARRANTIES OF THE SELLER, FRI, FMB AND THE VB SUBSIDIARIES. The Seller, FRI, FMB and the VB Subsidiaries jointly and severally represent and warrant as of each Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(i) ORGANIZATION AND GOOD STANDING.

(A) Each of the Seller, FRI, FMB and the VB Subsidiaries (other than the VB Partnerships) is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement, any related PA Supplement and each of the Facility Documents to which it is a party. Each of the Seller, FRI, FMB and the VB Subsidiaries (other than the VB Partnerships) is organized in the jurisdiction set forth in the preamble. Each of the Seller, FRI, FMB and the VB Subsidiaries (other than the VB Partnerships) is duly qualified to do business and is in good standing as a foreign corporation, and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Loan unenforceable by any of the Seller, FRI, FMB or the VB Subsidiaries (other than the VB Partnerships).

(B) Each of the VB Partnerships is a general partnership duly organized and validly existing under the laws of the State of Florida and has full power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement, any related PA Supplement and each of the Facility Documents to which it is a party. Each of the VB Partnerships is duly qualified to do business and is in good standing and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Loan unenforceable by any of the VB Partnerships.

(C) The name of each of the Seller, FRI, FMB, and the VB Subsidiaries set forth in the preamble of this Agreement is the correct legal name of such entity, and such name has not been changed in the past six years (except that a predecessor corporation of the Seller, Fairfield Acceptance Corporation, was merged with and into the Seller on July 13, 1998 and FRI changed its name from Fairfield Communities, Inc. to Fairfield Resorts, Inc. on June 26, 200l). None of the Seller, FRI, FMB or the VB Subsidiaries utilizes any trade names, assumed names, fictitious names or "doing business names."

(ii) DUE AUTHORIZATION AND NO CONFLICT. The execution, delivery and performance by each of the Seller, FRI, FMB and the VB Subsidiaries of each of the Facility Documents to which it is a party, and the consummation by each such party of the transactions contemplated hereby and under each other Facility Document to which it is a party, has been duly authorized by the Seller, FRI, FMB and the VB Subsidiaries, respectively, by all necessary corporate or partnership action, does not contravene (i) the Seller's, FRI's, FMB's or the VB Subsidiaries' charter or by-laws or partnership agreement, (ii) any law, rule or regulation applicable to the Seller, FRI or FMB or the VB Subsidiaries, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on any of the Seller, FRI, FMB or the VB Subsidiaries or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Seller, FRI, FMB, the VB Subsidiaries or their properties (except where such contravention would not have a Material Adverse Effect with respect to such Persons or properties), and do not result in (except as provided in the Facility Documents) or require the creation of any Lien upon or with respect to any of their properties; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the Facility Documents to which the Seller, FRI, FMB or the VB Subsidiaries is a party have been duly executed and delivered on behalf of the Seller, FRI, FMB or the VB Subsidiaries, as applicable. To the extent that this representation is being made with respect to Title I of ERISA or Section 4975 of the Code, it is made subject to the assumption that none of the assets being used to purchase the Loans

and Transferred Assets constitute assets of any Benefit Plan or Plan with respect to which the Seller is a party in interest or disqualified person.

(iii) GOVERNMENTAL AND OTHER CONSENTS. All approvals, authorizations, consents or orders of any court or governmental agency or body required in connection

with the execution and delivery by the Seller, FRI, FMB or the VB Subsidiaries of this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, the consummation by such party of the transactions contemplated hereby or thereby, the performance by such party of and the compliance by such party with the terms hereof or thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect with respect to such Party.

(iv) ENFORCEABILITY OF FACILITY DOCUMENTS. Each of the Facility Documents to which any of the Seller, FRI, FMB or the VB Subsidiaries is a party has been duly and validly executed and delivered by the Seller, FRI, FMB or the VB Subsidiaries, as applicable, and constitutes the legal, valid and binding obligation of the Seller, FRI, FMB or the VB Subsidiaries, as applicable, enforceable against it in accordance with its respective terms, except as enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(v) NO LITIGATION. Except as disclosed in Schedule 5 to this Agreement or to any Assignment, there are no proceedings or investigations pending, or to the knowledge of the Seller, FRI, FMB or the VB Subsidiaries threatened, against the Seller, FRI, FMB or the VB Subsidiaries before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any of the other Facility Documents, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Facility Documents, (C) seeking any determination or ruling that would adversely affect the performance by any of the Seller, FRI, FMB or the VB Subsidiaries of its obligations under this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, (D) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Facility Documents or (E) seeking any determination or ruling that would, if adversely determined, be reasonably likely to have a Material Adverse Effect with respect to such party.

(vi) GOVERNMENTAL REGULATIONS. Neither the Seller, FRI, FMB nor any of the VB Subsidiaries is (A) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or (B) a "public utility company" or a "holding company," a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(ii) of the Public Utility Holding Company Act of 1935, as amended.

(vii) MARGIN REGULATIONS. Neither the Seller, FRI, FMB nor any of the VB Subsidiaries is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as each such term is defined or used in any of Regulations T, U or X of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the notes issued by the Issuer has been used by the Seller, FRI, FMB or any of the VB Subsidiaries for so purchasing or carrying margin stock or for any purpose that violates or would be inconsistent with the provisions of any of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(viii) LOCATION OF CHIEF EXECUTIVE OFFICE AND RECORDS. The principal place of business and chief executive office of FRI and FMB, and the office where FRI and FMB maintain all of their Records, is located at 8427 South Park Circle, Orlando, Florida 32819; the principal place of business and chief executive office of the Seller, and the office where the Seller maintains all of its Records, is 10750 West Charleston Blvd., Suite 130, Las Vegas, Nevada 89135; and the principal place of business and chief executive office of each of the VB Subsidiaries is located at 8427 South Park Circle, Orlando, Florida 32819. None of FRI, FMB, the VB Subsidiaries or the Seller has changed its principal place of business or chief executive office (or the office where such entity maintains all of its Records) during the previous six years (except that FRI and FMB changed their principal place of business and chief executive office from 8669 Commodity Circle, Suite 200, Orlando, Florida 32819 to 8427 South Park Circle, Orlando, Florida 32819 on February 18, 2002; FAC changed its principal place of business and chief executive office from 11001 Executive Center Drive, Little Rock, Arkansas 72211 to 7730 West Sahara Avenue, Suite

105, Las Vegas, Nevada 89117 in 1998, and from such address to the address set forth above in 2002; each of the VB Subsidiaries changed its principal place of business and chief executive office from 6400 North Andrews Avenue, Fort Lauderdale, Florida 33309 to the address set forth above in 2001; Fairfield Acceptance Corporation, a predecessor corporation that was merged into the Seller, maintained its principal place of business and chief executive office (and all of its Records) in Pulaski County, Arkansas until July 13, 1998 and FRI changed its name from Fairfield Communities, Inc. to Fairfield Resorts, Inc. on June 26, 2001). At any time after the Initial Closing Date, upon 30 days' prior written notice to the Trustee as assignee of the Company and the Issuer, any of the Seller, FRI, FMB and the VB Subsidiaries may change its name or may change its type or its jurisdiction of organization to another jurisdiction within the United States and any of the VB Partnerships may change the location of its chief executive office, but only so long as all action necessary or reasonably requested by the Company to amend the existing financing statements and to file additional financing statements in all applicable jurisdictions to perfect the transfer of the Loans and the related Transferred Assets is taken.

(ix) LOCKBOX ACCOUNTS. Except in the case of any Lockbox Account pursuant to which only Collections in respect of Loans subject to a PAC or Credit Card Account are deposited, each of the Seller, FRI, FMB and the VB Subsidiaries, as applicable, has filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes, are set forth in Schedule 4. From and after the Initial Closing Date, none of the Seller, FRI, FMB or the VB Subsidiaries shall have any right, title and/or interest in or to any of the Lockbox Accounts or the Post Office Boxes and will maintain no Lockbox accounts in their own names for the collection of payments in respect of the Loans. None of the Seller, FRI, FMB or the VB Subsidiaries has any lockbox or other accounts for the collection of payments in respect of the Loans other than the Lockbox Accounts.

(x) FACILITY DOCUMENTS. This Agreement and any PA Supplement are the only agreements pursuant to which the Seller sells the Loans and other related Transferred Assets to the Company. Each of the Seller, FRI, FMB and the VB Subsidiaries has furnished to the Company true, correct and complete copies of each Facility Document to which any of the Seller, FRI, FMB and the VB Subsidiaries is a party, each of which is in full force and effect. None of the Seller, FRI, FMB, any of the VB Subsidiaries or any of its Affiliates (not including the Purchaser or the Issuer) is in default thereunder in any material respect.

(xi) TAXES. Each of the Seller, FRI, FMB and the VB Subsidiaries has timely filed or caused to be filed all federal, state and local tax returns required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller, FRI, FMB or any of the VB Subsidiaries, as applicable, has set aside adequate reserves on its books in accordance with GAAP, and which proceedings have not given rise to any Lien.

(xii) ACCOUNTING TREATMENT. Each of the Seller, FRI, FMB and the VB Subsidiaries has accounted for the transactions contemplated in the Facility Documents to which it is a party in accordance with GAAP.

(xiii) ERISA. There has been no (A) occurrence or expected occurrence of any Reportable Event with respect to any Benefit Plan subject to Title IV of ERISA of FRI, FMB, the Seller or any ERISA Affiliate, or any withdrawal from, or the termination, Reorganization or Plan Insolvency of any Multiemployer Plan or (B) institution of proceedings or the taking of any other action by Pension Benefit Guaranty Corporation or by FRI, FMB, the Seller or any ERISA Affiliate or any such Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Plan Insolvency of, any such Plan.

(xiv) NO ADVERSE SELECTION. No selection procedures materially adverse to the Company, the Issuer, the Noteholders, the Trustee or the Collateral Agent have been employed by any of the Seller, FRI, FMB or the VB Subsidiaries in selecting the Loans for inclusion in the Loan Pool on such Closing Date or Addition Date, as applicable.

(xv) FAIRSHARE PLUS PROGRAM.

(A) As of each Closing Date or any Addition Date, as applicable, for each Timeshare Property Regime for which the related Timeshare Properties are comprised primarily of UDIs, the RATIO of (1) the total number of Points actually allocated to such Timeshare

Property Regime pursuant to the FairShare Plus Program for the succeeding twelve-month period TO (2) the total number of Points allocable to available space in such Timeshare Property Regime over such twelve-month period, does not exceed 1.0 to 1.0.

(B) On each Closing Date or any Addition Date, as applicable, for each owner of a UDI who is a member of the FairShare Plus Program, the RATIO, expressed as a percentage, of (1) the number of Points allocated to such owner in Timeshare Property Regime in return for assigning his Timeshare Property to the FairShare Plus Program trust TO (2) the total number of Points assigned to all UDI owners in such Timeshare Property Regime, does not exceed the percentage of such owner's undivided interest in such Timeshare Property Regime as described in such owner's Loan.

(xvi) [Reserved].

(xvii) SEPARATE IDENTITY. Each of the Seller, FRI, the VB Subsidiaries and their respective Affiliates has observed the applicable legal requirements on its part for the recognition of the Company as a legal entity separate and apart from each of the Seller, FRI, the VB Subsidiaries and any of their respective Affiliates (other than the Company) and has taken all actions necessary on its part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct; PROVIDED, HOWEVER, that none of the Seller, FRI, FMB or any of the VB Subsidiaries makes any representations or warranties in this Section 6(a)(xvii) with respect to the Company or the Issuer.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE LOANS. The Seller and FRI jointly and severally represent and warrant to the Company as of the applicable Cut-Off Date and Addition Cut-Off Date as to each Loan conveyed on and as of each Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) ELIGIBILITY. Such Loan is an Eligible Loan.

(ii) NO WAIVERS. The terms of such Loan have not been waived, altered, modified or extended in any respect other than (A) modifications entered into in accordance with Customary Practices and Credit Standards and Collections Policies that do not reduce the amount or extend the maturity of required Scheduled Payments and (B) modifications in the applicability of a PAC (which may result in a change in the related Loan Rate).

(iii) BINDING OBLIGATION. Such Loan is the legal, valid and binding obligation of the Obligor thereunder and is enforceable against the Obligor in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(iv) NO DEFENSES. Such Loan is not subject to any statutory right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury.

(v) LAWFUL ASSIGNMENT. Such Loan was not originated in, and is not subject to the laws of, any jurisdiction the laws of which would make the transfer of the Loan under this Agreement or any PA Supplement unlawful.

(vi) COMPLIANCE WITH LAW. The Originator and the Seller have complied with requirements of all material federal, state and local laws (including without limitation usury, truth in lending and equal credit opportunity laws) applicable to such Loan in all material respects. The related Timeshare Property Regime is in compliance with any and all applicable zoning and building laws and regulations and any other laws and regulations relating to the use and occupancy of such Timeshare Property Regime, except where such noncompliance would not have a Material Adverse Effect with respect to the applicable Originator and the Seller. None of the Seller, FRI, FMB or the VB Subsidiaries has received notice of any material violation of any legal requirements applicable to such Timeshare Property Regime, except where such violation would not have a Material Adverse Effect with respect to the applicable Originator and the Seller. The Timeshare Property Regime related to such Loan complies with all applicable state statutes, including without limitation condominium statutes, timeshare statutes, HUD filings relating to interstate land sales (if applicable) and the requirements of any governmental authority or local authority having jurisdiction with respect to such Timeshare Property

Regime, and constitutes a valid and conforming condominium and timeshare regime under the laws of the State in which the related Resort is located, except where such noncompliance would not have a Material Adverse Effect with respect to the applicable Originator and the Seller.

(vii) LOAN IN FORCE; NO SUBORDINATION. Such Loan is in full force and effect and has not been subordinated, satisfied in whole or in part or rescinded.

(viii) CAPACITY OF PARTIES. All parties to such Loan had legal capacity to execute the Loan.

(ix) ORIGINAL LOANS. All original executed copies of such Loans are in the custody of the Custodian, except to the extent otherwise permitted pursuant to Section 6(b)(xiv).

(x) LOAN FORM/GOVERNING LAW. Such Loan was executed in substantially the form of one of the forms of Loan in Exhibit D (as such Exhibit D may be amended from time to time with the consent of the Seller and the Company), except for changes required by applicable law and certain other modifications that do not, individually or in the aggregate, affect the enforceability or collectibility of such Loan. In addition, such Loan was originated in and is governed by the laws of the State in which the related Resort is located.

(xi) INTEREST IN REAL PROPERTY. The Timeshare Property underlying such Loan is an interest in real property consisting of either a Fixed Week or a UDI, and (except for a Timeshare Property that is a Green Timeshare Property) such Timeshare Property has been deeded to the Nominee pursuant to the terms of one of the Title Clearing Agreements or has been deeded to the related Obligor in accordance with the requirements of the related Loan and applicable law.

(xii) ENVIRONMENTAL COMPLIANCE. Each Timeshare Property Regime related to a Loan is now, and at all times during FRI's ownership thereof (or the ownership of any

Affiliate thereof other than the Company and the Issuer), has been free of contamination from any substance, material or waste identified as toxic or hazardous according to any federal, state or local law, rule, regulation or order governing, imposing standards of conduct with respect to, or regulating in any way the discharge, generation, removal, transportation, storage or handling of toxic or hazardous substances, materials or waste or air or water pollution (hereinafter referred to as "ENVIRONMENTAL LAWS"), including without limitation any PCB, radioactive substance, methane, asbestos, volatile hydrocarbons, petroleum products or wastes, industrial solvents or any other material or substance that now or hereafter may cause or constitute a health, safety or other environmental hazard to any person or property (any such substance together with any substance, material or waste identified as toxic or hazardous under any Environmental Law now in effect or hereinafter enacted shall be referred to herein as "CONTAMINANTS"), but excluding from the foregoing any levels of Contaminants at or below which such Environmental Laws do not apply ("DE MINIMUS LEVELS"). Neither FRI nor any Affiliate of FRI (other than the Company and the Issuer) has caused or suffered to occur any discharge, spill, uncontrolled loss or seepage of any petroleum or chemical product or any Contaminant (except for De Minimus Levels thereof) onto any property comprising or adjoining any Timeshare Property Regime, and neither FRI nor any Affiliate of FRI (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any Timeshare Property Regime is now or has been involved in operations at the related Timeshare Property Regime that could lead to liability for FRI, the Company, any Affiliate of FRI or any other owner of such Timeshare Property Regime or the imposition of a Lien on such Timeshare Property Regime under any Environmental Law. No practice, procedure or policy employed by FRI (or any Affiliate thereof other than the Company and the Issuer) with respect to POAs for which FRI acts as the manager or, to the best knowledge of the Seller, by the manager of the POAs with respect to POAs managed by parties unaffiliated with FRI, violates any Environmental Law that, if enforced, would reasonably be expected to (A) have a Material Adverse Effect on such POA or the ability of such POA to do business, (B) have a Material Adverse Effect on the financial condition of the POA or (C) constitute grounds for the revocation of any license, charter, permit or registration that is material to the conduct of the business of the POA.

Except as set forth in Schedule 3, (1) all property owned, managed, or controlled by FRI or any Affiliate of FRI (other than the Company and the Issuer) and located within a Resort is now, and at all times during FRI's ownership, management or control thereof (or the ownership, management or control of any Affiliate thereof (other than the Company and the Issuer)) has been free of contamination from any Contaminants, except for De Minimus Levels thereof, (2) neither FRI nor any Affiliate of FRI (other than the Company and the Issuer) has caused or suffered to occur any

discharge, spill, uncontrolled loss or seepage of any Contaminants onto any property comprising or adjoining any of the Resorts, except for De Minimus Levels thereof, and (3) neither FRI nor any Affiliate of FRI (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any of any Resort is now or previously has been involved in operations at any Resort that could lead to liability for FRI, the Company, any Affiliate of FRI or any other owner of any Resort or the imposition of a Lien on such Resort under any Environmental Law. None of the matters set forth in Schedule 3 will have a Material Adverse Effect with respect to the Company or its assignees or the interests of

the Company or its assignees in the Loans. Each Resort, and the present use thereof, does not violate any Environmental Law in any manner that would materially adversely affect the value or use of such Resort or the performance by the POAs of their respective obligations under their applicable declarations, articles or similar charter documents. There is no condition presently existing, and to the best knowledge of FRI and the Seller no event has occurred or failed to occur with respect to any Resort, relating to any Contaminants or compliance with any Environmental Laws that would reasonably be expected to have a Materially Adverse Effect with respect to such Resort, including in connection with the present use of such Resort.

(xiii) TAX LIENS. All taxes applicable to such Loan and the related Timeshare Property have been paid, except where the failure to pay such tax would not have a Material Adverse Effect with respect to the Seller or its assignees or the Purchaser or the collectibility or enforceability of the Loan. There are no delinquent tax liens in respect of the Timeshare Property underlying such Loan.

(xiv) LOAN FILES. The related Loan File contains the following Loan Documents (which may include microfiche or other electronic copies of the Loan Documents to the extent provided in the Custodial Agreement):

(A) for Loans other than Loans described in clause (B) below, at least one original of each Loan (or, if the Loan and promissory note are contained in separate documents, an original of the promissory note); PROVIDED, HOWEVER, that the original Loan may have been removed from the Loan File in accordance with the Custodial Agreement for the performance of collection services and other routine servicing requirements; and

(B) for Loans relating to Timeshare Properties located in Resorts in North Carolina or South Carolina with respect to which two originals of such Loans have been executed, each original Loan is in the Loan File, and each contains the following legend (whether by stamp or otherwise) on its face:

"THIS COPY IS ONE OF TWO ORIGINALS, AND WAS EXECUTED SOLELY FOR RECORDATION. TO THE EXTENT THAT POSSESSION OF THIS CONTRACT IS REQUIRED TO TRANSFER OR PERFECT A TRANSFER OF ANY INTEREST IN OR TO THIS CONTRACT, POSSESSION OF THE OTHER ORIGINAL HEREOF IS REQUIRED";

and

(C) for Loans with respect to which the related Timeshare Property has been deeded out to the related Obligor:

(1) a copy of the deed for such Timeshare Property; and

(2) the original recorded Mortgage (or a copy thereof, if applicable, for Mortgages that have been submitted for recording as set forth herein) and Assignments of Mortgages in favor of the Collateral Agent (or a copy of such

recorded Mortgage or Assignment of Mortgage, as the case may be, certified to be a true and complete copy thereof, if the original of the recorded Mortgage or Assignment of Mortgage is lost or destroyed), PROVIDED that in the case of any Loan with respect to which the related Mortgage and/or deed has been removed from the Loan File for recording in the local real property recording office: (x) the original Mortgage shall not have been at such real property recording office more than (1) 180 days from the related loan closing date (in the case of Loans (other than Green Loans) relating to Timeshare Properties located in the State of Florida) or (2) 180 days from the date on which the related Timeshare Property is required to be deeded to an Obligor (in the case of Green Loans or Loans relating to Timeshare Properties located in any other State) and (y) in the case of any Loan (other than a Green Loan) relating to a Timeshare Property located in the State of Florida, the Loan File shall contain

one or more certificates from FRI's applicable title agents in Florida to the effect that the related Mortgage has been delivered for purposes of recordation to the appropriate local real property recording office.

(xv) LOCKBOX ACCOUNTS. As of the applicable Cut-Off Date, the Obligor of such Loan either:

(A) shall have been instructed to remit Payments thereunder to a Post Office Box for credit to a Lockbox Account or directly to a Lockbox Account, in each case maintained at a Lockbox Bank pursuant to the terms of a Lockbox Agreement; or

(B) has entered into a PAC or Credit Card Account pursuant to which a deposit account of such Obligor is made subject to a pre-authorized debit in respect of Payments as they become due and payable, and the Seller has caused a Lockbox Bank to take all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(xvi) OWNERSHIP INTEREST. As of the Closing Date or related Addition Date, as applicable, the Seller has good and marketable title to the Loan, free and clear of all Liens (other than Permitted Encumbrances).

(xvii) INTEREST IN LOAN. Such Loan constitutes either a "general intangible," an "instrument," "chattel paper" or an "account" under the Uniform Commercial Code of the States of Delaware, Florida and New York.

(xviii) RECORDATION OF ASSIGNMENTS. The collateral Assignment of Mortgage to the Collateral Agent relating to the Mortgage with respect to each Loan has been recorded or delivered for recordation simultaneously with the related Mortgage to the proper office in the jurisdiction in which the related Timeshare Property is located, except to the extent the related Timeshare Property is located in the State of Florida and the Seller shall have delivered an Opinion of Counsel to the effect that recordation of the Assignment of Mortgage is not necessary to perfect a security interest therein in favor of the Collateral Agent.

(xix) MATERIAL DISPUTES. To the actual knowledge of the Seller, the Loan is not subject to any material dispute.

(xx) GOOD TITLE; NO LIENS. Upon the Purchase hereunder occurring on such Closing Date or Addition Date, as applicable, the Company will be the lawful owner of, and have good title to, each Loan and all of the other related Transferred Assets that are the subject of such Purchase, free and clear of any Liens (other than any Permitted Encumbrances on the related Timeshare Properties). All Loans and related Transferred Assets are purchased without recourse to any of the Seller, FRI, FMB or the VB Subsidiaries except as described in this Agreement and any PA Supplement. Such Purchase by the Company under this Agreement and under any PA Supplement constitutes a valid and true sale and transfer for consideration (and not merely the grant of a security interest to secure a loan), enforceable against creditors of each of the Seller, FRI, FMB and the VB Subsidiaries, and no Loan or other related Transferred Assets that are the subject of such Purchase will constitute property of the Seller after such Purchase.

(xxi) SOLVENCY. Each of the Seller, FRI, FMB and the VB Subsidiaries, both prior to and immediately after giving effect to the Purchase of Loans hereunder and under any PA Supplement occurring on such Closing Date or Addition Date, as applicable, (A) is not insolvent (as such term is defined in Section 101(32)(A) of the Bankruptcy Code), (B) is able to pay its debts as they become due and (C) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(xxii) POA RESERVES. The capital reserves and maintenance fee levels of the POAs related to each Timeshare Property Regime underlying the Loans Purchased on such Closing Date or Addition Date, as applicable, are adequate in light of the operating requirements of such POAs.

(c) REPRESENTATIONS AND WARRANTIES REGARDING THE LOAN FILES. The Seller and FRI jointly and severally represent and warrant to the Company as of each Closing Date and related Addition Date as to each Loan and the related Loan File conveyed by it hereunder on and as of such Closing Date or related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) POSSESSION. On or immediately prior to each Closing Date or related Addition Date, as applicable, the Custodian will have possession of each original Loan and the related Loan File, and will have acknowledged such receipt and its undertaking to hold such original Loan and the related Loan File for purposes of perfection of the Collateral Agent's interest in such original Loan and the related Loan File; PROVIDED, HOWEVER, that the

fact that any document not required to be in its respective Loan File pursuant to Section 6(b)(xiv) of this Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a breach of this representation.

(ii) MARKING RECORDS. On or before each Closing Date or Addition Date, as applicable, the Seller shall have caused the portions of its computer files relating to the Loans sold on such date to the Company to be clearly and unambiguously marked to indicate that each such Loan has been conveyed on such date to the Company.

(d) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Loans with respect to any Series by the Seller to the Company under this Agreement and any PA Supplement, the conveyance of the Loans by the Company to the Issuer pursuant to the Pool Purchase Agreement and any PPA Supplement and the Grant of the Collateral by the Issuer to the Collateral Agent and shall inure to the benefit of the Company, the Issuer, the Trustee, the Collateral Agent and the Noteholders and their respective designees, successors and assigns.

(e) INDEMNIFICATION OF THE COMPANY. FMB, each VB Subsidiary and FRI shall jointly and severally indemnify, defend and hold harmless the Company against any and all claims, losses and liabilities, including reasonable attorneys' fees (the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") that may at any time be imposed on, incurred by or asserted against the Company as a result of a breach by any of FMB, any VB Subsidiary or FRI of any of its respective representations, warranties or covenants hereunder. Except as otherwise provided in Section 11(i), FRI shall pay to the Company, on demand, any and all amounts necessary to indemnify the Company for (i) any and all recording and filing fees in connection with the transfer of the Loans from the Seller to the Company, and any and all liabilities with respect to, or resulting from any delay in paying when due, any taxes (including sales, excise or property taxes) payable in connection with the transfer of the Loans from the Seller to the Company and (ii) costs, expenses and reasonable counsel fees in defending against the same. The agreements in this Section 6(e) shall survive the termination of this Agreement or any PA Supplement and the payment of all amounts payable hereunder, under any PA Supplement and under the Loans. For purposes of this Section 6(e), any reference to the Company shall include any officer, director, employee or agent thereof, or any successor or assignee thereof or of the Company.

SECTION 7. REPURCHASES OR SUBSTITUTION OF LOANS FOR BREACH OF REPRESENTATIONS AND WARRANTIES.

Provisions with respect to the repurchase or substitution of Loans of any Series for breach of representations and warranties under this Agreement and any PA Supplement shall be set forth in the related PA Supplement.

SECTION 8. COVENANTS OF THE SELLER AND FRI.

(a) AFFIRMATIVE COVENANTS OF THE SELLER AND FRI. Each of the Seller and FRI covenants and agrees that it will, at any time prior to the Termination Date:

(i) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, provisions of ERISA, the Internal Revenue Code and all applicable regulations and interpretations thereunder, and all Loans and Facility Documents to which it is a party.

(ii) PRESERVATION OF CORPORATE EXISTENCE. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation, and maintain all

necessary licenses and approvals in each jurisdiction in which it does business, except where the failure to preserve and maintain such existence, rights, franchises, privileges, qualifications, licenses and approvals would not have a Material Adverse Effect with respect to it.

(iii) AUDITS. Upon at least two Business Days notice during regular business hours, permit the Company and/or its agents, representatives or assigns access:

(A) to the offices and properties of the Seller or FRI in order to examine and make copies of and abstracts from all books, correspondence and Records of the Seller or FRI as appropriate to verify the Seller's or FRI's compliance with this

Agreement, any PA Supplement or any other Facility Documents to which the Seller or FRI is a party and any other agreement contemplated hereby or thereby, and the Company and/or its agents, representatives and assigns may examine and audit the same and make photocopies, computer tapes or other computer replicas thereof, as appropriate, and each of the Seller and FRI will provide to the Company and/or its agents, representatives and assigns, at the expense of the Seller and FRI, such clerical and other assistance as may be reasonably requested in connection therewith; and

(B) to the officers or employees of the Seller or FRI designated by the Seller or FRI, as applicable, in order to discuss matters relating to the Loans and the performance of the Seller or FRI hereunder, under any PA Supplement or any other Facility Documents to which the Seller or FRI is a party and any other agreement contemplated hereby or thereby, and under the other Facility Documents to which it is a party with the officers or employees of the Seller and FRI having knowledge of such matters.

Each such audit shall be at the sole expense of the Seller and FRI. The Company shall be entitled to conduct such audits as frequently as it deems reasonable in the exercise of the Company's reasonable commercial judgment; PROVIDED, HOWEVER, that such audits shall not be conducted more frequently than annually unless an Event of Default or an Amortization Event shall have occurred. The Company and its agents, representatives and assigns also shall have the right to discuss the Seller's and FRI's affairs with the officers, employees and independent accountants of the Seller and FRI and to verify under appropriate procedures the validity, amount, quality, quantity, value and condition of, or any other matter relating to, the Loans and other related Transferred Assets.

(iv) [Reserved].

(v) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND LOANS. At its expense, timely and fully perform and comply in all material respects with the Credit Standards and Collection Policies and Customary Practices with respect to the Loans and with all provisions, covenants and other promises required to be observed by the Seller or FRI under the Loans.

(vi) [Reserved].

(vii) OWNERSHIP INTEREST. Take such action with respect to each Loan as is necessary to ensure that the Company maintains a first priority ownership interest in such Loan and the other related Transferred Assets, in each case free and clear of any Liens arising through or under the Seller or FRI and, in the case of any Timeshare Properties, other than any Permitted Encumbrance thereon, and respond to any inquiries with respect to ownership of a Loan sold by it hereunder by stating that, from and after the Initial Closing Date or related Addition Date, as applicable, it is no longer the owner of such Loan and that ownership of such Loan has been transferred to the Company.

(viii) INSTRUMENTS. Not remove any portion of the Loans or related Transferred Assets with respect to any Series that consists of money or is evidenced by an instrument, certificate or other writing from the jurisdiction in which it was held under the related Custodial Agreement unless the Company shall have first received an Opinion of Counsel to the effect that the Company shall continue to have a first-priority perfected ownership or security interest with respect to such property after giving effect to such action or actions.

(ix) NO RELEASE. Not take any action, and use its best efforts not to permit any action to be taken by others, that would release any Person from such Person's covenants or obligations under any document, instrument or agreement relating to the Loans or the other Transferred Assets, or result in the hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such document, instrument or agreement, except as expressly provided in this Agreement or any PA Supplement or such other instrument or document.

(x) INSURANCE AND CONDEMNATION.

(A) FRI (1) shall with respect to each Resort which it develops or which is developed by its subsidiaries (other than the Purchaser or the Issuer), cause the governing document of each such POA at the time of creation to contain covenants requiring insurance as described in this paragraph and (2) so long as FRI or an Affiliate (other than the Purchaser or the Issuer) maintains primary or substantial responsibility for the management, administration or other services of a similar nature with respect to such Resort, FRI shall do or cause to be done all things which it may accomplish with a reasonable amount of cost or effort to cause each POA to maintain the insurance described in this

paragraph. The insurance referred to clauses in (1) and (2) above is "all-risk" property and general liability insurance with financially sound and reputable insurers providing coverage in scope and amount that (x) satisfy the requirements of the declarations (or any similar charter document) governing the POA for the maintenance of such insurance policies and (y) are at least consistent with the scope and amount of such insurance coverage obtained by prudent POAs and/or management of other similar developments in the same jurisdiction. So long as FRI or an Affiliate other than the Purchaser or the Issuer maintains primary or substantial responsibility for the management, administration or other services of a similar

nature with respect to such Resort and possesses the right to direct the application of insurance proceeds, FRI shall use its best efforts to apply the proceeds of any such insurance policies in the manner specified in the related declarations (or any similar charter document) governing the POA and/or any similar charter documents of such POA (which exercise of best efforts shall include voting as a member of the POA or as a proxy or attorney-in-fact for a member). For the avoidance of doubt, the parties acknowledge that the ultimate discretion and control relating to the maintenance of any such insurance policies is vested in the POA in accordance with the respective declaration (or any similar charter document) relating to each Timeshare Property Regime.

(B) Each of FAC and FRI shall remit to the Collection Account the portion of any proceeds received pursuant to a condemnation of property in any Resort relating to any Timeshare Property to the extent the Obligors are required to make such remittance under the terms of one or more Loans that have been sold to the Company hereunder and under the related PA Supplement.

(xi) SEPARATE IDENTITY. Take such action (and cause FMB and the VB Subsidiaries to take such action) as is necessary to ensure compliance with Section 6(a)(xvii), including taking all actions necessary on its part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct.

(xii) COMPUTER FILES. Mark or cause to be marked each Loan in its computer files as described in Section 6(c)(ii) and deliver to the Company, the Issuer, the Trustee and the Collateral Agent a copy of the Loan Schedule for each Series as amended from time to time.

(xiii) TAXES. File or cause to be filed, and cause each of its Affiliates with whom it shares consolidated tax liability to file, all federal, state and local tax returns that are required to be filed by it, except where the failure to file such returns could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser, the Seller or FRI, or otherwise be reasonably expected to expose the Purchaser, the Seller or FRI to material liability. Each of the Seller and FRI will pay or cause to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller, FRI or the applicable Affiliate has set aside adequate reserves on its books in accordance with GAAP, and which proceedings could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser, the Seller or FRI, or otherwise be reasonably expected to expose the Purchaser, the Seller or FRI to material liability.

(xiv) FACILITY DOCUMENTS. Comply in all material respects with the terms of, and employ the procedures outlined under, this Agreement, any PA Supplement and all other Facility Documents to which it is a party, and take all such action as may be from

time to time reasonably requested by the Company to maintain this Agreement, any PA Supplement and all such other Facility Documents in full force and effect.

(xv) LOAN SCHEDULE. With respect to any Series, promptly amend the applicable Loan Schedule to reflect terms or discrepancies that become known after each Closing Date or any Addition Date, and promptly notify the Company, the Issuer, the Trustee and the Collateral Agent of any such amendments.

(xvi) SEGREGATION OF COLLECTIONS. Prevent, to the extent within its control, the deposit into the Collection Account or any Reserve Account

of any funds other than Collections in respect of the Loans with respect to any Series, and to the extent that, to its knowledge, any such funds are nevertheless deposited into the Collection Account or any Reserve Account, promptly identify any such funds to the Master Servicer for segregation and remittance to the owner thereof.

(xvii) MANAGEMENT OF RESORTS. The Seller hereby covenants and agrees that it will cause the Originator with respect to each Resort (to the extent that such Originator is responsible for maintaining or managing such Resort) to do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort in order to maintain such Resort (including without limitation all grounds, waters and improvements thereon and all other facilities related thereto) in at least as good condition, repair and working order as would be customary for prudent managers of similar timeshare properties.

(b) NEGATIVE COVENANTS OF THE SELLER AND FRI. Each of the Seller and FRI covenants and agrees that it will not, at any time prior to the final Series Termination Date without the prior written consent of the Company:

(i) SALES, LIENS, ETC. AGAINST LOANS AND TRANSFERRED ASSETS. Except for the transfers hereunder, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist, any Lien arising through or under it (other than, in the case of any Timeshare Properties, any Permitted Encumbrances thereon) upon or with respect to any Loan or other Transferred Asset or any interest therein. Each of FRI and the Seller shall immediately notify the Company of the existence of any Lien arising through or under it on any Loan or other Transferred Asset.

(ii) EXTENSION OR AMENDMENT OF LOAN TERMS. Extend, amend, waive or otherwise modify the terms of any Loan (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices) or permit the rescission or cancellation of any Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Loan or otherwise.

(iii) CHANGE IN BUSINESS OR CREDIT STANDARDS OR COLLECTION POLICIES. (A) Make any change in the character of its business or (B) make any change in the Credit Standards and Collection Policies or (C) deviate from the exercise of Customary Practices, which change or deviation would, in any such case, materially impair the value or collectibility of any Loan.

(iv) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. Add or terminate any bank as a bank holding any account for the collection of payments in respect of the Loans from those listed in Exhibit E or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Company and the Trustee shall have received (A) 30 days' prior written notice of such addition, termination or change, (B) written confirmation from the Seller or FRI that, after the effectiveness of any such termination, there will be at least one Lockbox in existence and (C) prior to the date of such addition, termination or change, (1) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the Seller, the Company, the Master Servicer and the Trustee and (2) copies of all agreements and documents signed by either the Company or the respective Lockbox Bank with respect to any new Lockbox Account.

(v) CHANGE IN CORPORATE NAME, ETC. Make any change to its name or its type or jurisdiction of organization (or, in the case of the VB Partnerships, change the location of its chief executive office) that existed on the Initial Closing Date without providing at least 30 days' prior written notice to the Company and the Trustee and taking all action necessary or reasonably requested by the Trustee to amend its existing financing statements and file additional financing statements in all applicable jurisdictions as are necessary to maintain the perfection of the security interest of the Company.

(vi) ERISA MATTERS. (A) Engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (B) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Internal Revenue Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (C) fail to make any payments to any Multiemployer Plan that the Seller, FRI or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (D) terminate any Benefit Plan so as to result in any liability; (E) permit to exist any occurrence of any Reportable Event that represents a material risk of a liability of the Seller, FRI or any ERISA Affiliate under ERISA or the Internal Revenue Code; PROVIDED, HOWEVER, that the ERISA Affiliates of the Seller and FRI may take or allow such prohibited transactions, accumulated funding deficiencies, payments, terminations and

Reportable Events described in clauses (A) through (E) above so long as such events occurring within any fiscal year of the Seller or FRI, in the aggregate, involve a payment of money by or an incurrence of liability of any such ERISA Affiliate (collectively, "ERISA LIABILITIES") in an amount that does not exceed $2,000,000 or otherwise result in liability that would result in imposition of a lien.

(vii) TERMINATE OR REJECT LOANS. Without limiting the requirements of Section 8(b)(ii), terminate or reject any Loan prior to the end of the term of such Loan, whether such rejection or early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law unless, prior to such termination or rejection, such Loan and any related Transferred Assets have been repurchased by the Seller pursuant to Section 7 of the related PA Supplement.

(viii) FACILITY DOCUMENTS. Except as otherwise permitted under Section 8(b)(ii), (A) terminate, amend or otherwise modify any Facility Document to which it is a party or grant any waiver or consent thereunder or (B) terminate, amend or otherwise modify the FairShare Plus Agreement; PROVIDED, HOWEVER, that (1) the Title Clearing Agreements may be amended for the purposes of (x) making additional properties subject thereto, (y) making an Affiliate of FRI a party thereto having the same rights and obligations thereunder as FRI or (z) identifying a separate pool of loans (which shall not include Loans sold to the Company hereunder) to be sold or pledged to secure debt under a pooling or financing arrangement similar to that evidenced by the Indenture and Servicing Agreement, and (2) the FairShare Plus Agreement may be amended from time to time (x) to substitute or add additional parties thereto, (y) to comply with state and federal laws or regulations or (z) for any other purpose, PROVIDED that with respect to this Section 8(b)(viii), FRI or the Seller furnishes to the Company, the Issuer and the Trustee an Opinion of Counsel to the effect that such amendment or modification will not adversely affect in any material respect the respective interests of the Company, the Issuer, the Trustee or the Collateral Agent (if applicable) in the Loans and other Transferred Assets.

(ix) INSOLVENCY PROCEEDINGS. Institute Insolvency Proceedings with respect to the Company or the Issuer or consent to the institution of Insolvency Proceedings against the Company or the Issuer, or take any corporate action in furtherance of any such action.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants as of each Closing Date and Addition Date, or as of such other date specified in such representation and warranty, that:

(a) The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power, authority, and legal right to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and any PA Supplement. The Company is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction necessary to carry on its business as presently conducted and to perform its obligations under this Agreement and any PA Supplement. One hundred percent (100%) of the outstanding membership interests of the Company is directly owned (both beneficially and of record) by FAC. Such membership interests are validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire membership interests from the Company.

(b) The execution, delivery and performance of this Agreement and any PA Supplement by the Company and the consummation by the Company of the transactions provided for in this Agreement and any PA Supplement have been duly approved by all necessary limited liability company action on the part of the Company.

(c) This Agreement and any PA Supplement constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as

such enforceability may be subject to or limited by Debtor Relief Laws and except as such enforceability may be limited by general principles of equity.

(d) The execution and delivery by the Company of this Agreement and any PA Supplement, the performance by the Company of the transactions contemplated hereby and the fulfillment by the Company of the terms hereof applicable to the Company will not conflict with, violate, result in any breach

of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under any provision of any existing law or regulation or any order or decree of any court applicable to the Company or its certificate of formation or limited liability company agreement or any material indenture, contract, agreement, mortgage, deed of trust, or other material instrument to which the Company is a party or by which it or its properties is bound.

(e) There are no proceedings or investigations pending, or to the knowledge of the Company threatened, against the Company before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any PA Supplement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any PA Supplement, (C) seeking any determination or ruling that, in the reasonable judgment of the Company, would adversely affect the performance by the Company of its obligations under this Agreement or any PA Supplement or (D) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any PA Supplement.

(f) All approvals, authorizations, consents, orders or other actions of any person or entity or any governmental body or official required in connection with the execution and delivery of this Agreement and any PA Supplement by the Company, the performance by it of the transactions contemplated hereby and the fulfillment by it of the terms hereof, have been obtained and are in full force and effect.

(g) The Company is solvent and will not become insolvent immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company has not incurred debts beyond its ability to pay and, immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company shall have an adequate amount of capital to conduct its business in the foreseeable future.

SECTION 10. COVENANTS OF THE COMPANY.

The Company hereby acknowledges that the parties to the Facility Documents are entering into the transactions contemplated by the Facility Documents in reliance upon the Company's identity as a legal entity separate from the Seller, FRI, the VB Subsidiaries and their respective Affiliates. From and after the date hereof until the final Series Termination Date under any Indenture Supplement, the Company will take such actions as shall be required in order that:

(a) The Company will conduct its business in office space allocated to it and for which it pays an appropriate rent and overhead allocation;

(b) The Company will maintain corporate records and books of account separate from those of the Seller, FRI, the VB Subsidiaries and their respective Affiliates and telephone numbers and stationery that are separate and distinct from those of the Seller, FRI, the VB Subsidiaries and their respective Affiliates;

(c) The Company's assets will be maintained in a manner that facilitates their identification and segregation from those of any of the Seller, FRI, the VB Subsidiaries and their respective Affiliates;

(d) The Company will observe corporate formalities in its dealings with the public and with the Seller, FRI, the VB Subsidiaries and their respective Affiliates and, except as contemplated by the Facility Documents, funds or other assets of the Company will not be commingled with those of any of the Seller, FRI, the VB Subsidiaries and their respective Affiliates. The Company will at all times, in its dealings with the public and with the Seller, FRI, the VB Subsidiaries and their respective Affiliates, hold itself out and conduct itself as a legal entity separate and distinct from the Seller, FRI, the VB Subsidiaries and their respective Affiliates. The Company will not maintain joint bank accounts or other depository accounts to which any of the Seller, FRI, the VB Subsidiaries and their respective Affiliates (other than the Master Servicer) has independent access;

(e) The duly elected board of directors of the Company and duly appointed officers of the Company will at all times have sole authority to control decisions and actions with respect to the daily business affairs of the Company;

(f) Not less than one member of the Company's board of directors will be an Independent Director. The Company will observe those provisions in its limited liability company agreement that provide that the Company's board of directors will not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Company unless the Independent Director and all other members of the Company's board of directors unanimously approve the taking of such action in writing prior to the taking of such action;

(g) The Company will compensate each of its employees, consultants and agents from the Company's own funds for services provided to the Company; and

(h) Except as contemplated by the Facility Documents, the Company will not hold itself out to be responsible for the debts of any of the Seller, FRI, the VB Subsidiaries and their respective Affiliates.

SECTION 11. MISCELLANEOUS.

(a) AMENDMENT. This Agreement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto; PROVIDED, HOWEVER, that no such amendment, waiver or modification shall be effective without the prior written consent of the Trustee.

(b) ASSIGNMENT. The Company has the right to assign its interest under this Agreement and any PA Supplement as may be required to effect the purposes of the Pool

Purchase Agreement without the consent of the Seller or FRI, and the assignee shall succeed to the rights hereunder of the Company. The Seller agrees to perform its obligations hereunder for the benefit of the Issuer, the Trustee, the Collateral Agent and the Noteholders, agrees that such parties are intended third party beneficiaries of this Agreement and agrees that the Trustee (or the Collateral Agent) and (subject to the terms and conditions of the Indenture and Servicing Agreement and any applicable Indenture Supplement) the Noteholders may enforce the provisions of this Agreement and any PA Supplement, exercise the rights of the Company and enforce the obligations of the Seller hereunder without the consent of the Company.

(c) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(d) TERMINATION. The obligations of each of the Seller and FRI under this Agreement and any PA Supplement shall survive the sale of the Loans to the Company and the Company's transfer of the Loans and other related Transferred Assets to the Issuer.

(e) GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.

(f) NOTICES. All demands and notices hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by certified mail, postage prepaid and return receipt requested, or by express delivery service, to (i) in the case of the Seller, Fairfield Acceptance Corporation-Nevada, 10750 West Charleston Blvd., Suite 130, Las Vegas, Nevada 89135, Attention: President, or such other address as may hereafter be furnished to the Company and FRI in writing by the Seller, (ii) in the case of FRI, FMB and the VB Subsidiaries, c/o Fairfield Resorts, Inc., 8427 South Park Circle, Orlando, Florida 32819, Attention: President, or such other address as may hereafter be furnished to the Seller or the Company in writing by FRI, and (c) in the case of the Company, Sierra Deposit Company, LLC, 10750 West Charleston Blvd., Suite 130, Mailstop 2067, Las Vegas, Nevada 89135, Attention: President, or such other address as may hereafter be furnished to the Seller or FRI in writing by the Company.

(g) SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

(h) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon each of the Seller, FRI, the VB Subsidiaries, the VB Partnerships and the Company and their respective permitted successors and assigns, and shall inure to the benefit of each of the Seller, FRI, the VB Subsidiaries, the VB Partnerships and the Company and each of the Issuer, the Trustee and the Collateral Agent to the extent explicitly contemplated hereby.

(i) COSTS, EXPENSES AND TAXES.

(i) Each of the Seller and FRI jointly and severally agrees to pay on demand to the Company all reasonable costs and expenses, if any, incurred or reimbursed (or to be reimbursed) by the Company (including

reasonable counsel fees and expenses) in connection with the enforcement or preservation of the rights and remedies under this Agreement and any PA Supplement.

(ii) Each of the Seller and FRI jointly and severally agrees to pay, indemnify and hold the Company harmless from and against any and all stamp, sales, excise and other taxes and fees payable or determined to be payable by or reimbursed (or to be reimbursed) by the Company in connection with the execution, delivery, filing and recording of this Agreement or any PA Supplement, and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(j) NO BANKRUPTCY PETITION. Each of the Seller, each VB Subsidiary, each VB Partnership and FRI covenants and agrees not to institute against the Company or the Issuer, or join any other person in instituting against the Company or the Issuer, any proceeding under any Debtor Relief Law.

(k) TREATMENT OF TIMESHARE UPGRADES. Notwithstanding anything in this Agreement to the contrary (but subject to the other provisions of this paragraph), the Seller (or the Master Servicer on the Seller's behalf) may upgrade any Timeshare Property by entering into a new Loan with the related Obligor, but only if the proceeds of such new Loan are used to prepay all obligations in full of such Obligor under the existing Loan (the proceeds of which shall be the property of the Company). Upon its creation, the new Loan created by such Timeshare Upgrade shall not be property of the Company, but may be sold by the Seller to the Company as an Additional Loan pursuant to the terms and conditions of this Agreement and any PA Supplement. The parties hereto intend that the Seller (or the Master Servicer on the Seller's behalf) will not upgrade a Timeshare Property pursuant to this Section 11(k) in order to provide direct or indirect assurance to the Seller, the Trustee or any Noteholder against loss by reason of the bankruptcy or insolvency (or other credit condition) of, or default by, the Obligor on, or the uncollectibility of, any Loan.

(l) ADDITION OF KONA HAWAIIAN VACATION OWNERSHIP, LLC. Notwithstanding anything to the contrary in this Agreement, the parties hereto may amend this Agreement in writing without the consent of the Trustee to add Kona Hawaiian Vacation Ownership, LLC ("KONA") as an originator of Loans hereunder and under any PA Supplement and the other Facility Documents; PROVIDED, that under any such amendment, Kona shall agree to representations, warranties and covenants substantially similar to the representations, warranties and covenants agreed to by FMB hereunder (with such variations as may be necessary or appropriate given Kona's form and jurisdiction of organization, the terms of the programs governing its related Timeshare Properties, or the location of its related Resorts); and PROVIDED, FURTHER, that each of the conditions precedent to the sale of Loans described in Section 5 hereof, and to the sale of Additional Loans described in Section 2(d) of each PA Supplement existing on the date of such amendment and each of the conditions precedent to closing described in clauses (d), (e), (f), (g), (h) (with respect to the "true sale" opinion only) and (k) (with respect to any applicable jurisdiction) of Section 3.3 of the Note Purchase Agreement, dated as of August 29, 2002,

among the Issuer, the Purchaser, as depositor, FAC, as master servicer, Cendant Corporation, as performance guarantor, Fleet Securities, Inc, as deal agent, and each of the conduits, alternate investors and class agents named therein, shall have been satisfied with respect to Kona prior to the effectiveness of any such amendment.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

FAIRFIELD ACCEPTANCE CORPORATION - NEVADA

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

FAIRFIELD RESORTS, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and Assistant Treasurer

FAIRFIELD MYRTLE BEACH, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

SEA GARDENS BEACH AND
TENNIS RESORT, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

[Signature page for FAC MLPA]

VACATION BREAK RESORTS, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Assistant Treasurer

VACATION BREAK RESORTS AT
STAR ISLAND, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

PALM VACATION GROUP,
by its General Partners:

Vacation Break Resorts at Palm Aire,
Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

Palm Resort Group, Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

[Signature page for FAC MLPA]

OCEAN RANCH VACATION GROUP,
by its General Partners:

Vacation Break at Ocean Ranch, Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

Ocean Ranch Development, Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and

Assistant Treasurer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for FAC MLPA]

EXHIBIT 10.64

EXECUTION COPY

SERIES 2002-1 SUPPLEMENT
Dated as of August 29, 2002

to

MASTER LOAN PURCHASE AGREEMENT
Dated as of August 29, 2002

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

by and between

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Seller

FAIRFIELD RESORTS, INC.,
as Co-Originator

FAIRFIELD MYRTLE BEACH, INC.,
as Co-Originator

SEA GARDENS BEACH AND TENNIS RESORT, INC.,
VACATION BREAK RESORTS, INC.,
VACATION BREAK RESORTS AT STAR ISLAND, INC.,
PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Subsidiary

PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Partnership

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

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(continued)

THIS PURCHASE AGREEMENT SUPPLEMENT (this "PA SUPPLEMENT"), dated as of August 29, 2002, is by and between FAIRFIELD ACCEPTANCE CORPORATION-NEVADA, a Delaware corporation, as seller (the "SELLER"), FAIRFIELD RESORTS, INC., a Delaware corporation and the parent corporation of the Seller, as co-originator ("FRI"), FAIRFIELD MYRTLE BEACH, INC., a Delaware corporation and a wholly-owned subsidiary of FRI, as co-originator ("FMB"), SEA GARDENS BEACH AND TENNIS RESORT, INC., a Florida corporation ("SEA GARDENS"), VACATION BREAK RESORTS, INC., a Florida corporation ("VBR"), VACATION BREAK RESORTS AT STAR ISLAND, INC., a Florida corporation ("VBRS") (each of Sea Gardens, VBR and VBRS being wholly-owned subsidiaries of Vacation Break, USA, Inc., a wholly-owned subsidiary of FRI), PALM VACATION GROUP, a Florida general partnership ("PVG"), OCEAN RANCH VACATION GROUP, a Florida general partnership ("ORVG") (each of Sea Gardens, VBR, VBRS, PVG and ORVG are hereinafter collectively referred to as the "VB SUBSIDIARIES" and PVG and ORVG are hereinafter collectively referred to as the "VB PARTNERSHIPS") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

Section 2 of the Agreement provides that the Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under Loans listed on the Loan Schedule of the related PA Supplement on the Closing Date for the related Series. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in a PA Supplement to the Agreement.

Pursuant to this PA Supplement and in accordance with Section 2 of the Agreement, the Seller hereby sells to the Company, and the Company hereby Purchases from the Seller, the Series 2002-1 Loans, and the Seller and the Company hereby specify the principal terms of such sales and Purchases.

SECTION 1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Loans and to no other Loans purchased by the Company from the Seller.

In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Agreement, the terms and provisions of this PA Supplement shall be controlling.

The words "hereof," "herein" and "hereunder" and words of similar import when used in this PA Supplement shall refer to this PA Supplement as a whole and not to any particular provision of this PA Supplement; and Article, Section, subsection, Schedule and Exhibit references contained in this PA Supplement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this PA Supplement unless otherwise specified.

"ADDITION DATE" shall mean the date from and after which Additional Loans are sold pursuant to Section 2(d).

"AGREEMENT" shall mean the Master Loan Purchase Agreement dated as of August 29, 2002 by and between the Seller, FRI, FMB, the VB Subsidiaries, the VB Partnerships and the Purchaser, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with its terms.

"ASSIGNMENT" shall have the meaning set forth in Section 2(d)(iii)(E).

"CLOSING DATE" shall mean August 29, 2002.

"COMPANY" shall have the meaning set forth in the preamble.

"CUT-OFF DATE" shall mean August 27, 2002.

"CUT-OFF DATE POOL PRINCIPAL BALANCE" shall have the meaning set forth in Section 3.

"ELIGIBLE LOAN" shall mean a Series 2002-1 Loan:

(a) with respect to which (i) the related Timeshare Property is not a Lot, (ii) the related Timeshare Property has been purchased by an Obligor, (iii) except in the case of a Green Loan, a certificate of occupancy for the related Timeshare Property has been issued, (iv) except in the case of a Green Loan, the unit for the related Timeshare Property is complete and ready for occupancy, is not in need of material maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (v) the related Timeshare Property Regime is not in need of maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (vi) there is no legal, judicial or administrative proceeding pending, or to the Seller's knowledge threatened, for the total condemnation of the related Timeshare Property or partial condemnation of any portion of the related Timeshare Property Regime that would have a material adverse effect on the value of the related Timeshare Property and (vii) the related Timeshare Property is not related to a Resort located outside of the United States, Canada, Mexico or the United States Virgin Islands;

(b) with respect to which the rights of the Obligor thereunder are subject to declarations, covenants and restrictions of record affecting the Resort; PROVIDED, HOWEVER, that a Series 2002-1 Loan shall not fail to be an Eligible Loan solely because the rights of the Obligor thereunder have been subjected to the FairShare Plus Program;

(c) in the case of a Series 2002-1 Loan that is an Installment Contract, with respect to which the Seller has a valid ownership or security interest in an underlying Timeshare Property, subject only to Permitted Encumbrances, unless the criteria in paragraph (d) are satisfied;

(d) with respect to which (i) if the related Timeshare Property has been deeded to the Obligor of the related Series 2002-1 Loan, (A) the Originator has a valid and enforceable first lien Mortgage on such Timeshare Property, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, (B) such Mortgage and related mortgage note have been assigned to the Collateral Agent, (C) such Mortgage and the related note for such Mortgage have been transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the Agreement and (D) if any Mortgage relating to such Series 2002-1 Loan is a deed of trust, a trustee duly qualified under applicable law to serve as such has been properly designated in accordance with applicable law and currently so serves or (ii) if the related Timeshare Property has not been deeded to the Obligor of the related Series 2002-1 Loan, a Nominee has legal title to such Timeshare Property and the Seller has an equitable interest in such Timeshare Property underlying the related Series 2002-1 Loan;

(e) that was issued in a transaction that complied, and is in compliance, in all material respects with all material requirements of applicable federal, state and local law;

(f) that requires the Obligor to pay the unpaid principal balance over an original term of not greater than 120 months and (ii) the original term of which does not exceed 84 months unless (A) the Series 2002-1 Loan relates to a Timeshare Upgrade or (B) the weighted average FICO score of all such Series 2002-1 Loans with original terms longer than 84 months is at least 640 and the Series 2002-1 Loan has a FICO score not less than 600;

(g) the Scheduled Payments on which are denominated and payable in United States dollars;

(h) that is not a Defective Loan or a Defaulted Loan;

(i) that (i) is not a Delinquent Loan as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, and (ii) with respect to which no Scheduled Payment was (A) delinquent for more than 30 days past its Due Date more than once during the 18-month period preceding the Cut-Off Date or related Addition Cut-Off Date, as applicable, with

respect to such Series 2002-1 Loan, or (B) delinquent for more than 60 days at any time during such 18-month period (each such determination under this clause (ii) being made without giving effect to the grant of any extension of the Due Date of any such Scheduled Payment).

(j) that does not finance the purchase of credit life insurance;

(k) with respect to which no Due Date thereunder occurring after the Cut-Off Date or the related Addition Cut-Off Date, as applicable, has been deferred;

(l) with respect to which the related Timeshare Property (A) consists of a Fixed Week or a UDI and (B) if it consists of a Fixed Week, it has been converted into a UDI or has become subject to the FairShare Plus Program, which conversion or other modification does not give rise to the extension of the maturity of any payments under such Series 2002-1 Loan;

(m) that (i) either (A) has been transferred by FRI to FAC pursuant to the Operating Agreement, (B) in the case of any Series 2002-1 Loan originated by an Originator other than FRI or any Loan related to the Dolphin's Cove Resort, has been transferred by such Originator to FRI pursuant to the Operating Agreement and (C) in the case of any Loan related to the Dolphin's Cove Resort, was originated by Dolphin's Cove Resort, Ltd., a California limited partnership, and was transferred to FRI pursuant to a receivables purchase agreement dated December 29, 2000 by and between Dolphin's Cove Resort, Ltd. and FRI and (ii) in the case of any Loans sold to the Purchaser on the Closing Date, such Loans were sold by Fairfield Receivables Corporation to FAC pursuant to an Assignment of Contracts and Mortgages, dated as of August 29, 2002;

(n) that was originated by an Originator and has been consistently serviced by FAC, in each case in the ordinary course of its respective business and in accordance with Customary Practices and Credit Standards and Collection Policies;

(o) that has not been specifically reserved against by the Seller or classified by FAC or FRI as uncollectible or charged off;

(p) that arises from transactions in a jurisdiction in which FRI and each Subsidiary of FRI (other than the Purchaser and the Issuer) that conducts business in such jurisdiction is duly qualified to do business, except where the failure to so qualify will not adversely affect or impair the legality, validity, binding effect and enforceability of such Series 2002-1 Loan;

(q) that has not been cancelled or terminated by the related Obligor (regardless of whether such Obligor is legally entitled to do so) and constitutes a legal, valid, binding and enforceable obligation of the related Obligor, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(r) that is fully amortizing pursuant to a required schedule of substantially equal monthly payments of principal and interest;

(s) with respect to which (i) the downpayment has been made and (ii) no statutory rescission rights with respect to the related Obligor are continuing as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(t) that had an Equity Percentage of 10% or more at the time of the sale of the related Timeshare Property to the related Obligor (or, in the case of a Loan relating to a Timeshare Upgrade, an Equity Percentage of 10% or more of the value of all vacation credits owned by the related Obligor);

(u) with respect to which the related Obligor has not at any time made a written request for rescission of such Series 2002-1 Loan or otherwise stated in writing that it does not intend to consummate such Loan or to fully perform under such Series 2002-1 Loan;

(v) that is not a Series 2002-1 Loan originated under an Alliance Program;

(w) with respect to which at least one Scheduled Payment has been made by the Obligor;

(x) as of the Cut-Off Date or related Addition Cut-Off Date, as

applicable, has an outstanding loan balance not greater than $100,000; and

(y) that, in the case of a Green Loan, (i) satisfies each of the eligibility criteria set forth in paragraphs (a) through (x) above other than any such criteria that cannot be satisfied due solely to (A) the related Green Timeshare Property being located in a Resort that is not yet complete and ready for occupancy; (B) the Seller not having a valid ownership interest in the related Green Timeshare Property; or (C) the related Green Timeshare Property not having been deeded to the Obligor or legal title not being held by the Nominee; and (ii) the related Green Timeshare Property has a scheduled completion date no more than six months following the Cut-Off Date or related Addition Cut-Off Date, as applicable.

"EXCESS CONCENTRATION AMOUNT" shall have the meaning set forth in the Series 2002-1 Supplement.

"PA SUPPLEMENT" shall have the meaning set forth in the preamble.

"POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"PURCHASE" shall have the meaning set forth in Section 2(e).

"PURCHASER" shall have the meaning set forth in the preamble.

"REPURCHASE DATE" shall have the meaning set forth in Section 7.

"REPURCHASE PRICE" shall have the meaning set forth in Section 7.

"SERIES TERMINATION DATE" shall mean the date on which all obligations with respect to the Series 2002-1 Notes issued under the Series 2002-1 Supplement have been paid in full and the Series 2002-1 Supplement is discharged.

"SERIES 2002-1 ADDITIONAL LOAN" shall mean each Additional Loan constituting one of the Series 2002-1 Loans Purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"SERIES 2002-1 LOAN" shall mean each Loan listed from time to time on the Series 2002-1 Loan Schedule.

"SERIES 2002-1 LOAN SCHEDULE" shall mean the Loan Schedule for the Series 2002-1 Loans.

"SERIES 2002-1 NOTEHOLDER" shall mean any Noteholder under the Series 2002-1 Supplement.

"SERIES 2002-1 PLEDGED LOAN" shall have the meaning set forth in the Series 2002-1 Supplement.

"SERIES 2002-1 SUPPLEMENT" shall mean the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the original issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall have the meaning set forth in Section 7.

SECTION 2. SALE.

(a) SERIES 2002-1 LOANS. Subject to the terms and conditions and in reliance on the representations, warranties, and covenants and agreements set forth in the Agreement and this PA Supplement, the Seller hereby sells and assigns to the Company, and the Company hereby Purchases from the Seller, without recourse except as specifically set forth herein, all of the Seller's right, title and interest in, to and under the Initial Loans listed on the Series 2002-1 Loan Schedule delivered on the Closing Date, together with all other Transferred Assets relating thereto. The Series 2002-1 Additional Loans existing at the close of business on the related Addition Cut-Off Date and all other Transferred Assets relating thereto shall be sold by the Seller and purchased by the Company on the related Addition Date. Notwithstanding the foregoing, and for avoidance of doubt, the Seller does not assign, and the Purchaser does not agree to assume, any obligations specific to FRI or any Originator as developer of any Timeshare Property underlying an Installment Contract.

(b) FILING OF FINANCING STATEMENTS. In connection with the foregoing sale, the Seller agrees to record and file a financing statement or statements (and continuation statements or other amendments with respect to such financing statements) with respect to the Series 2002-1 Loans and related Transferred Assets described in Section 2(a) sold by the Seller hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the interests of the Purchaser created

hereby under the applicable UCC and to deliver a file-stamped copy of such financing statements and continuation statements (or other amendments) or other evidence of such filings to the Purchaser.

(c) DELIVERY OF SERIES 2002-1 LOAN SCHEDULE. In connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the

applicable Addition Date (in the case of Additional Series 2002-1 Loans) to indicate or cause to be indicated clearly and unambiguously in its accounting, computer and other records that the Series 2002-1 Loans and related Transferred Assets have been sold to the Purchaser pursuant to this PA Supplement. In addition, in connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the applicable Addition Date (in the case of Additional Series 2002-1 Loans) to deliver to the Company a Series 2002-1 Loan Schedule for such Series 2002-1 Loans or Additional Series 2002-1 Loans.

(d) PURCHASE OF ADDITIONAL SERIES 2002-1 LOANS.

(i) [Reserved].

(ii) The Seller may, with the consent of the Purchaser, designate Eligible Loans to be sold as Additional Series 2002-1 Loans.

(iii) On the Addition Date with respect to any Additional Series 2002-1 Loans, such Additional Series 2002-1 Loans shall become Series 2002-1 Loans, and the Purchaser shall Purchase the Seller's right, title and interest in, to and under the Additional Series 2002-1 Loans and the other related Transferred Assets as provided in the Assignment, subject to the satisfaction of the following conditions on such Addition Date:

(A) The Seller shall have delivered to the Purchaser copies of UCC financing statements covering such Additional Series 2002-1 Loans, if necessary to perfect the Purchaser's first priority interest in such Series 2002-1 Additional Loans and the other related Transferred Assets;

(B) On each of the Addition Cut-Off Date and the Addition Date, the sale of such Additional Series 2002-1 Loans and the other related Transferred Assets to the Purchaser shall not have caused the Seller's insolvency or have been made in contemplation of the Seller's insolvency;

(C) No selection procedure shall have been utilized by the Seller that would result in a selection of such Additional Series 2002-1 Loans (from the Eligible Loans available to the Seller) that would be materially adverse to the interests of the Purchaser as of the Addition Date;

(D) The Seller shall have indicated in its accounting, computer and other records that the Additional Series 2002-1 Loans and the other related Transferred Assets have been sold to the Purchaser and shall have delivered to the Purchaser the required Series 2002-1 Loan Schedule;

(E) The Seller and the Purchaser shall have entered into a duly executed, written assignment substantially in the form of Exhibit B to the Agreement (an "ASSIGNMENT");

(F) The Seller shall have delivered to the Purchaser an Officer's Certificate of the Seller dated the Addition Date, confirming, to the extent applicable, the items set forth in Section 2(d)(iii) (A) through (E); and

(G) The Purchaser shall have paid the Additional Pool Purchase Price as provided in Section 3 of the Agreement.

(iv) The Seller shall have no obligation to sell the Additional Series 2002-1 Loans if it has not been paid the Additional Pool Purchase Price therefor.

(e) TREATMENT AS SALE. It is the express and specific intent of the parties that the sale of the Series 2002-1 Loans and related Transferred Assets from the Seller to the Company as provided in this Section 2 (the "PURCHASE") is and shall be construed for all purposes as a true and absolute sale of such Series 2002-1 Loans and related Transferred Assets, shall be absolute and irrevocable and provide the Company with the full benefits of ownership of the Series 2002-1 Loans and related Transferred Assets and will be treated as such for all federal income tax reporting and all other purposes.

(f) RECHARACTERIZATION. Without prejudice to the provisions of Section 2(e) providing for the absolute transfer of the Seller's interest in the Series 2002-1 Loans and related Transferred Assets to the Company, in order to secure the prompt payment and performance of all of the obligations of the Seller to the Company and the Company's assignees arising in connection with the Agreement, this PA Supplement and the other Facility Documents, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Seller hereby assigns and grants to the Company a first priority security interest in all of the Seller's right, title and interest, whether now owned or hereafter acquired, if any, in, to and under all of the Series 2002-1 Loans and related Transferred Assets and the proceeds thereof.

(g) SECURITY INTEREST IN TRANSFERRED ASSETS. FRI, FMB, the VB Subsidiaries and the Seller acknowledge that the Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the Indenture and Servicing Agreement for the benefit of the Trustee and the Series 2002-1 Noteholders (or to the Collateral Agent on behalf of the Trustee and the Series 2002-1 Noteholders).

(h) QUITCLAIM OF ALL RIGHT, TITLE AND INTEREST BY FMB, THE VB SUBSIDIARIES AND FRI.

(i) The parties hereto recognize that each of (A) FMB and the VB Subsidiaries has previously sold, transferred and assigned to FRI all of its right, title and interest in and to the Series 2002-1 Loans originated by it and (B) FRI has previously sold, transferred and assigned to the Seller all of its respective right, title and interest in and to the Series 2002-1 Loans originated by it or sold to it by FMB or the VB Subsidiaries, together with, in each case, the other related Transferred Assets. Each such sale, transfer and assignment has been made pursuant to the terms of the Operating Agreement and one or more blanket assignments executed by such

parties in favor of FRI or the Seller, as applicable. For the avoidance of doubt and to further evidence the intent of the parties hereto that all right, title and interest in the Series 2002-1 Loans and related Transferred Assets are being sold and transferred to the Company pursuant to the Agreement and this PA Supplement, each of FRI, FMB and the VB Subsidiaries hereby irrevocably quitclaim all right, title and interest that any of them may have or be deemed to have in and to any of the Series 2002-1 Loans and related Transferred Assets directly to the Company.

(ii) To the extent that any quitclaim of the Series 2002-1 Loans and related Transferred Assets from FRI, FMB or the VB Subsidiaries to the Company contemplated by this Section 2(h) is not treated as a sale under applicable law, this PA Supplement shall constitute a security agreement under applicable law and, in order to secure the prompt payment and performance of all of the obligations of the Seller to the Company and the Company's assignees arising in connection with the Agreement, this PA Supplement and the other Facility Documents, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, each of FRI, FMB and the VB Subsidiaries, as applicable, hereby assigns and grants to the Company a first priority security interest in all of the right, title and interest of FRI, FMB or such VB Subsidiary, as applicable, whether now owned or hereafter acquired, if any, in, to and under all of the Series 2002-1 Loans and related Transferred Assets and the proceeds thereof.

(i) TRANSFER OF LOANS. All Series 2002-1 Loans conveyed to the Company hereunder shall be held by the Custodian pursuant to the terms of either Custodial Agreement for the benefit of the Company, the Issuer, the Trustee and the Collateral Agent. Upon each Purchase hereunder, the Custodian shall execute and deliver to the Company a certificate acknowledging receipt of the applicable Series 2002-1 Loans pursuant to either Custodial Agreement.

Each of FRI, the other Originators and the Seller acknowledges that the Company will convey the Series 2002-1 Loans and the other related Transferred Assets to the Issuer and that the Issuer will grant a security interest in the Series 2002-1 Loans and other related Transferred Assets to the Collateral Agent pursuant to the Indenture and Servicing Agreement and the related Series 2002-1 Supplement. Each of FRI, the other Originators and the Seller agrees that, upon

such grant, the Issuer and the Collateral Agent may enforce all of the Seller's and FRI's obligations hereunder and under the Agreement directly, including without limitation the repurchase obligations of the Seller set forth in Section 7.

SECTION 3. PURCHASE PRICE.

The Initial Series 2002-1 Loans had an aggregate unpaid principal balance of $280,127,904.13 at the Cut-Off Date (such aggregate unpaid principal balance at the Cut-Off

Date being referred to herein as the "CUT-OFF DATE POOL PRINCIPAL BALANCE"). The purchase price (the "POOL PURCHASE PRICE") for the Loans sold on the Closing Date shall be $280,127,904.13. The purchase price for Additional Loans sold on an Addition Date shall be the Additional Pool Purchase Price.

SECTION 4. PAYMENT OF PURCHASE PRICE.

Sections 4(a) through (c) are set forth in the Agreement.

(d) Payment for and delivery of the Series 2002-1 Loans being purchased by the Company on the Closing Date shall take place at a closing at the offices of Orrick, Herrington & Sutcliffe LLP, Washington Harbour, 3050 K Street, NW, Washington, D.C. 20007, at 10:00 a.m. local time on the Closing Date, or such other time and place as shall be mutually agreed upon among the parties hereto.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 LOANS.

The Purchaser's obligations hereunder to Purchase and pay for the Series 2002-1 Loans and related Transferred Assets on the Closing Date are subject to the fulfillment of the following conditions on or before the Closing Date:

(a) (i) The Purchaser shall have received the Series 2002-1 Pool Purchase Agreement relating to each Series 2002-1 Loan executed by all the parties thereto and (ii) all conditions precedent to the sale of the Series 2002-1 Pool Loans thereunder shall have been fulfilled to the extent they are capable of being fulfilled prior to the performance by the Purchaser of its obligations under this PA Supplement.

(b) The representations and warranties of each of the Seller, FRI, FMB and the VB Subsidiaries made in the Agreement and herein shall be true and correct in all material respects on the Closing Date.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER, FRI, FMB AND THE VB SUBSIDIARIES.

(a) REPRESENTATIONS AND WARRANTIES OF THE SELLER, FRI, FMB AND THE VB SUBSIDIARIES. The Seller, FRI, FMB and the VB Subsidiaries jointly and severally represent and warrant as of the Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(xviii) ACCURACY OF INFORMATION. All information with respect to the Seller, FRI, FMB or the VB Subsidiaries contained in the Confidential Information Memorandum dated June 2002 with respect to the Series 2002-1 Notes and Series 2002-1 Loans (including, without limitation, the Credit Standards and Collection Policies) was true and accurate in every respect material to the transactions contemplated hereby on the date as of which it was delivered, and did not omit to state any fact necessary to make the statements contained therein not materially misleading or, if any such information contained therein has been discovered to have been inaccurate on such date, such

information has been corrected by subsequent information provided in writing to the Issuer.

(xix) NO MATERIAL ADVERSE CHANGE. As of the Closing Date, there has been no material adverse change with respect to the business operations or financial condition of any of the Seller, FRI, FMB or the VB Subsidiaries since December 31, 2001.

Sections 6(a)(i) through (xvii) are set forth in the Agreement.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE SERIES 2002-1 LOANS. The Seller and FRI jointly and severally represent and warrant to the Company as of the Cut-Off Date and Addition Cut-Off Date as to each Series 2002-1 Loan conveyed on and as of the Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(xxiii) LOAN SCHEDULE. The information set forth in the Series 2002-1 Loan Schedule is true and correct with respect to such Series 2002-1 Loan.

(xxiv) GOOD TITLE TO SERIES 2002-1 LOANS. The Seller has good and marketable title to such Series 2002-1 Loan free and clear of any Lien other than Permitted Encumbrances. The Seller has not sold, assigned or pledged such Series 2002-1 Loan or any interest therein to any Person other than the Company. With respect to the related Timeshare Property, either (A) a generally accepted form of title insurance policy insuring the fee estate ownership of the real property subject to the Timeshare Property Regime by the Persons owning the respective interests therein and their successors and assigns (1) was effective either at the time the Originator (or a Subsidiary thereof) acquired the Timeshare Property or at the time of registration of the Timeshare Property Regime, (2) is valid and remains in full force and effect and (3) was issued by a title insurer qualified to do business in the applicable jurisdiction; or (B) either at the time the Originator (or a Subsidiary thereof) acquired the Timeshare Property or at the time of registration of the Timeshare Property Regime, such fee estate ownership had been verified by an attorney's opinion of title, the form and substance of which is of a type acceptable for purposes of registration of sales of Timeshare Properties and which may be relied upon by Persons subsequently owning the respective interests therein and their successors and assigns.

(xxv) NO DEFAULTS. As of the Cut-Off Date or related Addition Cut-Off Date, as applicable, such Series 2002-1 Loan is not a Defaulted Loan and no event has occurred which, with the taking of any action or the expiration of any grace or cure period or both, would cause such Series 2002-1 Loan to be a Defaulted Loan. None of the Seller, FRI, FMB or the VB Subsidiaries has waived any such default, breach, violation or event permitting acceleration with respect to such Series 2002-1 Loan.

(xxvi) EQUAL INSTALLMENTS. Such Series 2002-1 Loan has a fixed Loan Rate and provides for substantially equal monthly payments that fully amortize the Series 2002-1 Loan over its term.

(xxvii) EXCESS CONCENTRATION AMOUNT. The Purchase of such Series 2002-1 Loan occurring on such Closing Date or Addition Date, as applicable, and the inclusion of such Series 2002-1 Loan as a Series 2002-1 Pledged Loan pursuant to the Series 2002-1 Supplement to the Indenture and Servicing Agreement, does not cause an increase in the Excess Concentration Amount.

Sections 6(b)(i) through (xxii) are set forth in the Agreement.

SECTION 7. REPURCHASES OR SUBSTITUTION OF SERIES 2002-1 LOANS.

(a) REPURCHASE OR SUBSTITUTION OBLIGATION. Subject to Section 7(b), upon discovery by the Seller or upon written notice from the Company, the Issuer or the Trustee that any Series 2002-1 Loan is a Defective Loan, the Seller shall, within 90 days after the earlier of its discovery or receipt of notice thereof, cure such Defective Loan in all material respects or either (i) repurchase such Defective Loan from the Company or its assignee at the Repurchase Price or (ii) substitute one or more Qualified Substitute Loans for such Defective Loan. For purposes of this Agreement, the term "REPURCHASE PRICE" shall mean an amount equal to the outstanding Principal Balance of such Defective Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the repurchase is to be made, plus accrued but unpaid interest thereon to the date of the repurchase. The Company hereby directs the Seller, for so long as the Indenture and Servicing Agreement is in effect, to make such payment on its behalf to the Collection Account pursuant to Section 7(b). The following defects with respect to documents in any Loan File, solely to the extent they do not impair the validity or enforceability of the subject document under applicable law, shall not be deemed to constitute a breach of the representations and warranties contained in Section 6(b): misspellings of or omissions of initials in names; name changes from divorce or marriage; discrepancies as to payment dates in a Series 2002-1 Loan of no more than 30 days; discrepancies as to Scheduled Payments of no more than $5.00; discrepancies as to origination dates of not more than 30 days; inclusion of additional parties other than the primary Obligor not listed in the Master Servicer's records or in the Series 2002-1 Loan Schedule and non-substantive typographical errors and other non-substantive minor errors of a clerical or administrative nature.

(b) REPURCHASES AND SUBSTITUTIONS. The Seller shall provide written notice to the Company of any repurchase pursuant to Section 7(a) not less than two Business Days prior to the date on which such repurchase is to be effected, specifying the Defective Loan and the Repurchase Price therefor. Upon the repurchase of a Defective Loan pursuant to Section 7(a), the Seller shall deposit the Repurchase Price in the Collection Account on behalf of the Company no later than 12:00 noon, New York time, on the Payment Date on which such

repurchase is made (the "REPURCHASE DATE").

If the Seller elects to substitute a Qualified Substitute Loan or Loans for a Defective Loan pursuant to this Section 7(b), the Seller shall deliver such Qualified Substitute Loan in the same manner as the other Series 2002-1 Loans sold hereunder, including delivery of the applicable Loan Documents as required pursuant to either Custodial Agreement and satisfaction of the same conditions with respect to such Qualified Substitute Loan as to the Purchase of Additional Loans set forth in Section 2(d)(iii). Payments due with respect to Qualified Substitute Loans prior to the last day of the Due Period next preceding the date of

substitution shall not be property of the Company, but will be retained by the Master Servicer and remitted by the Master Servicer to the Seller on the next succeeding Payment Date. Scheduled Payments due on a Defective Loan prior to the last day of the Due Period next preceding the date of substitution shall be property of the Company, and after such last day of the Due Period next preceding the date of substitution the Seller shall be entitled to retain all Scheduled Payments due thereafter and other amounts received in respect of such Defective Loan. The Seller shall cause the Master Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Company, and such schedule shall be an amendment to the Series 2002-1 Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Loans shall be subject to the terms of this PA Supplement in all respects, the Seller shall be deemed to have made the representations and warranties with respect to each Qualified Substitute Loan set forth in Section 6(b) of the Agreement and this PA Supplement and Section 6(c) of the Agreement, in each case as of the date of substitution, and the Seller shall be deemed to have made a representation and warranty that each Loan so substituted is an Qualified Substitute Loan as of the date of substitution. The Seller shall be obligated to repurchase or substitute for any Eligible Substitute Loan as to which the Seller has breached the Seller's representations and warranties in Section 6(b) to the same extent as for any other Series 2002-1 Loan, as provided herein. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Master Servicer shall determine the amount (such amount, a "SUBSTITUTION ADJUSTMENT AMOUNT"), if any, by which the aggregate principal balance of all such Qualified Substitute Loans as of the date of substitution is less than the aggregate principal balance of all such Defective Loans (after application of the principal portion of the Scheduled Payments due in the month of substitution that are to be distributed to the Company in the month of substitution). The Seller shall deposit the amount of such shortfall into the Collection Account in immediately available funds on the date of substitution, without any reimbursement therefor.

Upon each repurchase or substitution, the Company shall automatically and without further action sell, transfer, assign, set over and otherwise convey to the Seller, without recourse, representation or warranty, all of the Company's right, title and interest in and to the related Defective Loan, the related Timeshare Property, the Loan File relating thereto and any other related Transferred Assets, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of transfer, subject to the payment of any Substitution Adjustment Amount). The Company shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 7(b).

Promptly after the occurrence of a Repurchase Date and after the repurchase of Defective Loans in respect of which the Repurchase Price has been paid on such date, the Seller shall direct the Master Servicer to delete such Defective Loans from the Series 2002-1 Loan Schedule.

The obligation of the Seller to repurchase or substitute for any Defective Loan shall constitute the sole remedy against the Seller, FRI or their Affiliates with respect to any breach of the representations and warranties set forth in Section 6(b) available hereunder to the Company or its successors or assigns.

(c) REPURCHASES OF SERIES 2002-1 LOANS THAT BECOME DEFAULTED LOANS. If any Series 2002-1 Loan becomes a Defaulted Loan during any Due Period, the Seller may repurchase such Defaulted Loan from the Company or its assignees at the Repurchase Price therefor and in accordance with the additional provisions applicable to repurchases of Defective Loans under Section 7(b).

(d) MAXIMUM REPURCHASES. Notwithstanding anything to the contrary in the Agreement or this PA Supplement, no Defaulted Loans shall be repurchased by the Seller to the extent that the aggregate principal balance of all Defaulted Loans so repurchased is greater than the Defaulted Loan Repurchase Cap.

SECTION 8. COVENANTS OF THE SELLER AND FRI.

Section 8 is set forth in the Agreement.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Section 9 is set forth in the Agreement.

SECTION 10. COVENANTS OF THE COMPANY.

Section 10 is set forth in the Agreement.

SECTION 11. MISCELLANEOUS PROVISIONS.

Sections 11(a) through (k) are set forth in the Agreement.

(l) RATIFICATION OF AGREEMENT. As supplemented by this PA Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this PA Supplement shall be read, taken and construed as one and the same instrument.

(m) AMENDMENT. This PA Supplement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

(n) COUNTERPARTS. This PA Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(o) GOVERNING LAW. THIS PA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(p) SUCCESSORS AND ASSIGNS. This PA Supplement shall be binding upon each of the Seller, FRI, the VB Subsidiaries, the VB Partnerships and the Company and their respective permitted successors and assigns, and shall inure to the benefit of, and be enforceable

by, each of the Seller, FRI, the VB Subsidiaries, the VB Partnerships and the Company and each of the Issuer, the Trustee, the Collateral Agent and the Noteholders.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

FAIRFIELD ACCEPTANCE CORPORATION-
NEVADA

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

FAIRFIELD RESORTS, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

FAIRFIELD MYRTLE BEACH, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

SEA GARDENS BEACH AND
TENNIS RESORT, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and

Assistant Treasurer

VACATION BREAK RESORTS, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Assistant Treasurer

VACATION BREAK RESORTS AT
STAR ISLAND, INC.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

[Signature page for FAC PA Supplement]

PALM VACATION GROUP,
by its General Partners:

Vacation Break Resorts at Palm Aire,
Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

Palm Resort Group, Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

OCEAN RANCH VACATION GROUP,
by its General Partners:

Vacation Break at Ocean Ranch,
Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

Ocean Ranch Development, Inc.

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: Senior Vice President and
Assistant Treasurer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for FAC PA Supplement]

EXHIBIT 10.65

EXECUTION COPY

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MASTER LOAN PURCHASE AGREEMENT
Dated as of August 29, 2002

by and between

TRENDWEST RESORTS, INC.,
as Seller

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

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SCHEDULES

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MASTER LOAN PURCHASE AGREEMENT

THIS MASTER LOAN PURCHASE AGREEMENT (this "AGREEMENT"), dated as of August 29, 2002, is made by and between TRENDWEST RESORTS, INC., an Oregon corporation, as seller (the "SELLER"), and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

RECITALS

WHEREAS, Trendwest has originated certain Loans in connection with the sale to Obligors of Timeshare Properties at various Resorts;

WHEREAS, each of the Seller and the Company wishes to enter into this Agreement and the related Master Loan Purchase Agreement Supplement for each Series of Notes (each, a "PA SUPPLEMENT") in order to, among other things, effect the sale to the Company on the related Closing Date of Initial Loans and related Transferred Assets that the Seller owns as of the close of business on the related Cut-Off Date, and the sale to the Company of Additional Loans (including Additional Upgrade Balances) and related Transferred Assets that the Seller will own from time to time thereafter as of the close of business on the related Addition Cut-Off Dates; and

WHEREAS, the Company intends to transfer and assign the Loans and related Transferred Assets to the Issuer, which will then grant security interests in the Loans and related Transferred Assets to Wachovia Bank, National Association, as Collateral Agent on behalf of the Trustee and the holders of Notes issued from time to time pursuant to a Master Indenture and Servicing Agreement of even date herewith (the "INDENTURE AND SERVICING AGREEMENT"), together with any Indenture Supplements thereto, each by and between Sierra Receivables Funding Company, LLC as Issuer, FAC as Master Servicer, the Trustee and the Collateral Agent.

NOW, THEREFORE, in consideration of the purchase price set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. DEFINITIONS.

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ADDITION CUT-OFF DATE" shall mean, for Additional Loans of any Series, the date set forth in the related Assignment.

"ADDITION DATE" shall mean, with respect to any Series, the Addition Date as defined in the related PA Supplement.

"ADDITIONAL LOAN" shall mean, with respect to any Series, each Installment Contract or other contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or retention of title, in each case relating to the sale of one or more Timeshare Properties or Green

Timeshare Properties to an Obligor and each Additional Upgrade Balance, in each case constituting one of the Loans of such Series purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"ADDITIONAL POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"ADDITIONAL UPGRADE BALANCE" shall mean, with respect to any Loan, any future borrowing made by the related Obligor pursuant to a modification of the Loan relating to a Timeshare Upgrade after the Cut-Off Date or the Addition Cut-Off Date, as applicable, with respect to such Loan, together with all money due or to become due in respect of such borrowing.

"AFFILIATE" of any Person shall mean any other Person controlling or controlled by or under common control with such Person, and "control" shall mean the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" shall have meanings correlative to the foregoing.

"AGREEMENT" shall mean this Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"AMORTIZATION EVENT" shall mean, with respect to any Series, one or more of the events constituting an Amortization Event as defined in the related Indenture Supplement.

"ASSESSMENTS" shall mean any assessments made with respect to a Timeshare Property, including but not limited to real estate taxes, recreation fees, community club or property owners' association dues, water and sewer improvement district assessments or other similar assessments, the nonpayment of which could result in the imposition of a Lien or other encumbrance upon such Timeshare Property.

"ASSIGNMENT" shall mean, with respect to any Series, an Assignment as defined in the related PA Supplement.

"ASSIGNMENT OF MORTGAGE" shall mean any assignment (including any collateral assignment) of any Mortgage.

"BANKRUPTCY CODE" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"BENEFIT PLAN" shall mean any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Company or any ERISA Affiliate of the Company is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"BUSINESS DAY" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York, New York, Las Vegas, Nevada, or the city in which the Corporate Trust Office of the Trustee is located, or any other city specified in the PA Supplement for a Series, are authorized or obligated by law or executive order to be closed.

"CENDANT" shall mean Cendant Corporation or any successor thereof.

"CLOSING DATE" shall mean, with respect to any Series, the Closing Date as defined in the related PA Supplement.

"COLLATERAL" shall have the meaning set forth in the Indenture and Servicing Agreement.

"COLLATERAL AGENCY AGREEMENT" shall mean the Collateral Agency Agreement dated as of January 15, 1998 by and between Fleet National Bank as predecessor Collateral Agent, Fleet Securities, Inc. as deal agent and the secured parties named therein, as amended by the First Amendment to Collateral Agency Agreement dated as of July 31, 1998, as further amended by the Second Amendment to Collateral Agreement dated as of July 25, 2000, as further amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, and as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002 by and among the Collateral Agent, the Trustee and other secured parties, as such Collateral Agency Agreement may be amended, supplemented or otherwise modified from time to time in accordance therewith.

"COLLATERAL AGENT" shall mean Wachovia Bank, National Association, as Collateral Agent, its successors and assigns and any entity which is substituted as Collateral Agent under the terms of the Collateral Agency Agreement.

"COLLECTION ACCOUNT" shall mean the account or accounts established pursuant to Section 7.1(a) of the Indenture and Servicing Agreement.

"COLLECTIONS" shall mean, with respect to any Loan, all funds, cash collections and other cash proceeds of such Loan, including without limitation

(i) all Scheduled Payments or recoveries made in the form of money, checks and like items to, or a wire transfer or an automated clearinghouse transfer received in, any of the Lockbox Accounts or received by the Issuer or the Master Servicer (or any Subservicer) in respect of such Loan, (ii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any Insurance Proceeds relating to such Loan or the related Timeshare Property and (iii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any proceeds in respect of a condemnation of property in any Resort, which proceeds relate to such Loan or the related Timeshare Property.

"COMPANY" shall have the meaning set forth in the preamble.

"CONTAMINANTS" shall have the meaning set forth in Section 6(b)(xii).

"CORPORATE TRUST OFFICE" shall have the meaning set forth in the Indenture and Servicing Agreement.

"CREDIT CARD ACCOUNT" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit to a Major Credit Card.

"CREDIT STANDARDS AND COLLECTION POLICIES" shall mean the Credit Standards and Collection Policies of Trendwest, a copy of which is attached to this Agreement as Exhibit C, as

the same may be amended from time to time in accordance with the provisions of Section 8(b)(iii).

"CUSTODIAL AGREEMENT" shall mean the custodial agreement dated as of August 29, 2002 by and between the Issuer, FAC, EFI, Trendwest, Wachovia Bank, National Association as Custodian, the Trustee and the Collateral Agent, a copy of which is attached to this Agreement as Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with the terms hereof.

"CUSTODIAN" shall mean, at any time, the custodian under the Custodial Agreement at such time.

"CUSTOMARY PRACTICES" shall mean the Master Servicer's practices with respect to the servicing and administration of Loans as in effect from time to time, which practices shall be consistent with the practices employed by prudent lending institutions that originate and service instruments similar to the Loans or other timeshare loans in the jurisdictions in which the Resorts are located.

"CUT-OFF DATE" shall mean, with respect to any Series, the Cut-Off Date as defined in the related PA Supplement.

"DE MINIMUS LEVELS" shall have the meaning set forth in Section 6(b)(xii).

"DEBTOR RELIEF LAWS" shall mean the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"DEFAULTED LOAN" shall mean any Loan (a) with any portion of a Scheduled Payment delinquent more than 60 days, (b) with respect to which the Master Servicer shall have determined in good faith that the Obligor will not resume making Scheduled Payments, (c) for which the related Obligor has been the subject of a proceeding under a Debtor Relief Law or (d) for which cancellation or foreclosure actions have been commenced.

"DEFAULTED LOAN REPURCHASE CAP" shall mean, as of any date of determination, an amount equal to the PRODUCT of (a) 16.0% MULTIPLIED BY (b) the aggregate Loan principal balance of all Loans (calculated as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, for each Loan) sold by the Seller to the Depositor pursuant to this Agreement on or prior to such date of determination.

"DEFECTIVE LOAN" shall mean, with respect to any Series, any Loan with any uncured material breach of a representation or warranty of the Seller set forth in Section 6(b) hereof and in the related PA Supplement.

"DELINQUENT LOAN" shall mean, with respect to any Series, a Loan with any portion of a Scheduled Payment delinquent more than 30 days, other than any Loan that is a Defaulted Loan.

"DEPOSITOR ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC, as administrator, and the Company.

"DUE DATE" shall mean, with respect to any Loan, the date on which an Obligor is required to make a Scheduled Payment thereon.

"DUE PERIOD" shall mean, with respect to any Payment Date, the immediately preceding calendar month.

"EFI" shall mean EFI Development Funding, Inc., a Delaware corporation and a wholly-owned indirect Subsidiary of Cendant.

"ELIGIBLE LOAN" shall mean, with respect to any Series, an Eligible Loan as defined in the related PA Supplement.

"ENVIRONMENTAL LAWS" shall have the meaning set forth in Section 6(b)(xii).

"EQUITY PERCENTAGE" shall mean, with respect to a Loan, a fraction, expressed as a percentage, the NUMERATOR of which is the EXCESS of (A) the Timeshare Price of the related Timeshare Property relating to a Loan paid or to be paid by an Obligor OVER (B) the outstanding principal balance of such Loan at the time of sale of such Timeshare Property to such Obligor (less the amount of any valid check presented by such Obligor at the time of such sale that has cleared the payment system), and the DENOMINATOR of which is the Timeshare Price of the related Timeshare Property, PROVIDED that any cash downpayments or principal payments made on any initial Loan that have been fully prepaid as part of a Timeshare Upgrade and financed downpayments under such initial Loan financed over a period not exceeding six months from the date of origination of such Loan that have actually been paid within such six-month period shall be included for purposes of calculating the numerator of such fraction.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as such Person, any corporation described in clause (i) or any trade or business described in clause (ii).

"ERISA LIABILITIES" shall have the meaning set forth in Section 8(b)(vi).

"EVENT OF DEFAULT" shall mean, with respect to any Series, one or more of the events constituting an Event of Default under the related Indenture Supplement.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned Subsidiary of FRI.

"FACILITY DOCUMENTS" shall mean, collectively, this Agreement, each PA Supplement, the Indenture and Servicing Agreement, each Indenture Supplement, the Pool Purchase Agreement, each PPA Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"FRI" shall mean Fairfield Resorts, Inc., a Delaware corporation and the parent corporation of FAC.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GRANT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"GREEN LOAN" shall mean a Loan the proceeds of which are used to finance the purchase of a Green Timeshare Property.

"GREEN TIMESHARE PROPERTY" shall mean a Timeshare Property for which construction on the related Resort has not yet begun or is subject to completion.

"INDEMNIFIED AMOUNTS" shall have the meaning set forth in Section 6(e).

"INDENTURE AND SERVICING AGREEMENT" shall have the meaning set forth in the recitals.

"INDENTURE SUPPLEMENT" shall mean, with respect to any Series, an indenture supplement to the Indenture and Servicing Agreement, executed and delivered in

connection with the issuance of the Notes of such Series pursuant to Section 2.10 of the Indenture and Servicing Agreement, and all amendments thereof and supplements thereto.

"INDEPENDENT DIRECTOR" shall mean an individual who is an Independent Director as defined in the Limited Liability Company Agreement of the Company as in effect on the date of this Agreement.

"INITIAL CLOSING DATE" shall mean August 29, 2002.

"INITIAL LOAN" shall mean, with respect to any Series, each Loan listed on the related Loan Schedule on the Closing Date for such Series.

"INSOLVENCY EVENT" shall mean, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, or the filing of a petition against such Person in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, which case remains unstayed and undismissed within 30 days of such filing, or the appointing of a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or

liquidation of such Person's business; or (b) the commencement by such Person of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such Debtor Relief Law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the admission by such Person of its inability to pay its debts generally as they become due.

"INSOLVENCY PROCEEDING" shall mean any proceeding relating to an Insolvency Event.

"INSTALLMENT CONTRACT" shall mean, with respect to any Series, an installment sale contract for deed and retained title in a related Timeshare Property by and between the Seller and an Obligor.

"INSURANCE PROCEEDS" shall mean proceeds of any insurance policy relating to any Loan or the related Timeshare Property, including any refund of unearned premium, but only to the extent such proceeds are not to be applied to the restoration of any improvements on the related Timeshare Property or released to the Obligor in accordance with Customary Practices.

"INTERCREDITOR AGREEMENT" shall mean the intercreditor and clearing account agreement, dated as of January 3, 2001, among the Seller, LaSalle Bank National Association, Wells Fargo Bank Minnesota, National Association, the Issuers named therein, Bank One, NA, Jupiter Securitzation Corporation, TW Holdings III, KeyBank National Association, and the other parties thereto by accession.

"INTERNAL REVENUE CODE" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

"ISSUER" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company.

"ISSUER ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Issuer.

"LIEN" shall mean any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including without limitation any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LOAN" shall mean, with respect to any Series, each Installment Contract or other contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or retention of title, in each case relating to the sale of one or more Timeshare Properties or Green Timeshare

Properties to an Obligor, that is listed on the Loan Schedule for such Series on

the related Closing Date and any Additional Loans that are listed from time to time on such Loan Schedule in accordance with the related PA Supplement.

"LOAN CONVEYANCE DOCUMENTS" shall mean, with respect to any Loan, (a) the Assignment of Additional Loans in the form of Exhibit B, if applicable, and (b) any such other releases, documents, instruments or agreements as may be required by the Company, the Issuer or the Trustee in order to more fully effect the sale (including any prior assignments) of such Loan and any related Transferred Assets.

"LOAN DOCUMENTS" shall mean, with respect to any Loan, all papers and documents related to such Loan, including the original of all applicable promissory notes, stamped as required by the Custodial Agreement, the original of any related recorded or (to the extent permitted under this Agreement) unrecorded Mortgage (or a copy of such recorded Mortgage if the original of the recorded Mortgage is not available, certified to be a true and complete copy of the original) and a copy of any recorded or (to the extent permitted under this Agreement) unrecorded warranty deed transferring legal title to the related Timeshare Property to the Obligor; PROVIDED, HOWEVER, that the Loan Documents may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement.

"LOAN FILE" shall mean, with respect to any Loan, the Loan Documents pertaining to such Loan and any additional amendments, supplements, extensions, modifications or waiver agreements required to be added to the Loan File pursuant to this Agreement, the Credit Standards and Collection Policies and/or Customary Practices.

"LOAN POOL" shall mean, with respect to any Series, all Loans identified in the Loan Schedule for such Series.

"LOAN RATE" shall mean the annual rate at which interest accrues on any Loan, as modified from time to time in accordance with the terms of any related Credit Standards and Collection Policies.

"LOAN SCHEDULE" shall mean, with respect to any Series, the list of Loans attached to the related PA Supplement as Schedule 1, as amended from time to time on each Addition Date and Repurchase Date as provided in the related PA Supplement, which list shall set forth the following information with respect to each Loan therein as of the applicable date:

(a) the Loan number;

(b) the Obligor's name and the home address and telephone number for such Obligor set forth in the Loan;

(c) the Resort in which the related Timeshare Property is located, if applicable;

(d) as to Timeshare Properties other than UDIs, the number of Vacation Credits related thereto for which occupancy rights in a Timeshare Property may be redeemed and which are represented thereby;

(e) the Loan Rate;

(f) whether the Obligor has elected a PAC with respect to the Loan;

(g) the original term of the Loan;

(h) the original Loan principal balance and outstanding Loan principal balance as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(i) the date of execution of the Loan;

(j) the amount of the Scheduled Payment on the Loan;

(k) the original Timeshare Price and Equity Percentage; and

(l) with respect to UDI's whether the related Timeshare Property has been deeded to the Obligor.

The Loan Schedule also shall set forth the aggregate amounts described under clause (h) above for all outstanding Loans. The Loan Schedule may be in the form of more than one list, collectively setting forth all of the information required.

"LOCKBOX ACCOUNT" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"LOCKBOX AGREEMENT" shall mean any agreement substantially in the form of Exhibit E by and between the Issuer, the Trustee, the Master Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer,

the Trustee and the applicable Lockbox Bank with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank to remit all Collections directly to the Trustee.

"LOCKBOX BANK" shall mean any of the commercial banks holding one or more Lockbox Accounts for the purpose of receiving Collections.

"LOT" shall mean a fully or partially developed parcel of real estate.

"MAJOR CREDIT CARD" shall mean a credit card issued by any Visa USA, Inc., MasterCard International Incorporated, American Express Company, Discover Bank or Diners Club International Ltd. credit card entity.

"MASTER SERVICER" shall mean the master servicer under the Indenture and Servicing Agreement.

"MATERIAL ADVERSE EFFECT" shall mean, with respect to any Person and any event or circumstance, a material adverse effect on:

(a) the business, properties, operations or condition (financial or otherwise) of any of such Person;

(b) the ability of such Person to perform its respective obligations under any Facility Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, any Facility Documents to which it is a party;

(d) the status, existence, perfection or priority of any Lien arising through or under such Person under any Facility Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Loans pledged as collateral for any Series of Notes or any of the other Transferred Assets pledged as collateral for any Series of Notes.

"MORTGAGE" shall mean any mortgage, deed of trust, purchase money deed of trust or deed to secure debt encumbering the related Timeshare Property, granted by the related Obligor to the Seller to secure payments or other obligations under a Loan.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 3(37) of ERISA.

"NOTE" shall mean any Loan-backed note issued, executed and authenticated in accordance with the Indenture and Servicing Agreement and any related Indenture Supplement.

"NOTEHOLDER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"OBLIGOR" shall mean, with respect to any Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"OPINION OF COUNSEL" shall mean a written opinion of counsel in form and substance reasonably satisfactory to the recipient thereof.

"PAC" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized bank account debit.

"PA SUPPLEMENT" shall have the meaning set forth in the recitals.

"PAYMENT DATE" shall mean, with respect to any Series, the payment date set forth in the related Indenture Supplement.

"PERMITTED ENCUMBRANCE" shall mean, with respect to a Loan, any of the following Liens against the related Timeshare Property: (i) the interest therein of the Obligor, (ii) the Lien of due and unpaid Assessments, (iii) covenants, conditions and restrictions, rights of way, easements and other matters of public record, such exceptions appearing of record being consistent with the normal business practices of the Seller or specifically disclosed in the applicable land sales registrations filed with the applicable regulatory agencies and (iv) other matters to which properties of the same type as those underlying such Loan are commonly subject that do not materially interfere with the benefits of the security intended to be provided by such Timeshare Property.

"PERSON" shall mean any person or entity, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or

any other organization or entity, whether or not a legal entity.

"PLAN" shall mean an employee benefit plan or other retirement arrangement subject to ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time.

"PLAN INSOLVENCY" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"POA" shall mean each property owners' association or similar timeshare owner body for a Timeshare Property Regime or Resort or portion thereof, in each case established pursuant to the declarations, articles or similar charter documents applicable to each such Timeshare Property Regime, Resort or portion thereof.

"POOL PURCHASE AGREEMENT" shall mean the master purchase agreement relating to the Loans, dated the date hereof, by and between the Company and the Issuer, and all amendments thereof and supplements thereto including, with respect to any Series, the related PPA Supplement.

"POOL PURCHASE PRICE" shall mean, with respect to any Series, the Pool Purchase Price as defined in the related PA Supplement.

"POST OFFICE BOX" shall mean each post office box to which Obligors are directed to mail payments in respect of the Loans of any Series.

"PPA SUPPLEMENT" shall mean any supplement to the Pool Purchase Agreement relating to a particular Series of Notes.

"PURCHASE" shall mean, with respect to any Series, a Purchase as defined in the related PA Supplement.

"PURCHASER" shall have the meaning set forth in the preamble.

"QUALIFIED SUBSTITUTE LOAN" shall mean, with respect to any Series, a substitute Loan that (i) is an Eligible Loan on the applicable date of substitution for such substitute Loan, (ii) on such date of substitution has a Loan Rate not less than the Loan Rate of the substituted Loan and (iii) is not selected in a manner adverse to the Purchaser and its assignees.

"RECORDS" shall mean all copies of Loans (not including originals) and other documents, books, records and other information (including without limitation computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained by the Seller or any of its respective Affiliates (not including the Purchaser or the Issuer) with respect to Loans, the related Transferred Assets and the related Obligors.

"REORGANIZATION" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT" shall mean any of the events described in Section 4043 of ERISA.

"REPURCHASE DATE" shall mean, with respect to any Series, the Repurchase Date as defined in the related PA Supplement.

"REPURCHASE PRICE" shall mean, with respect to any Series, the Repurchase Price as defined in the related PA Supplement.

"RESERVATION SYSTEM" shall mean the system with respect to Timeshare Properties pursuant to which a reservation for a particular location, time, length of stay and unit type is received, accepted, modified or canceled.

"RESERVE ACCOUNT" shall, with respect to any Series, mean any reserve account established pursuant to the related Indenture Supplement.

"RESORT" shall mean each resort or development listed on Schedule 2 (as such Schedule 2 may be amended from time to time with the consent of the Company and the Seller in connection with proposed sales of Additional Loans relating to resorts or developments with respect to which Loans have not previously been sold under this Agreement).

"SCHEDULED PAYMENT" shall mean each scheduled monthly payment of principal and interest on a Loan.

"SELLER" shall have the meaning set forth in the preamble.

"SERIES" shall mean any Series of Notes issued and established pursuant to an Indenture Supplement.

"SERIES TERMINATION DATE" shall mean, with respect to any Series, the

Series Termination Date as defined in the related PA Supplement.

"STATE" shall mean any of the 50 United States or the District of Columbia.

"SUBSERVICER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSERVICING AGREEMENT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity of which more than 50% of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors of such corporation (notwithstanding that at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) or other persons performing similar functions is at the time directly or indirectly owned by such Person.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall, with respect to any Series, have the meaning set forth in the related PA Supplement.

"TIMESHARE PRICE" shall mean the original price of the Timeshare Property paid by an Obligor, plus any accrued and unpaid interest and other amounts owed by the Obligor.

"TIMESHARE PROPERTY" shall mean the underlying ownership interest that is the subject of a Loan, which ownership interest may be either a UDI or Vacation Credits.

"TIMESHARE PROPERTY REGIME" shall mean any of the various interval ownership regimes located at a Resort, each of which is an arrangement established under applicable state law whereby all or a designated portion of a development is made subject to a declaration permitting the transfer of Timeshare Properties therein, which Timeshare Properties shall, in the case of UDIs, constitute real property under the applicable local law of each of the jurisdictions in which such regime is located.

"TIMESHARE UPGRADE" shall mean the upgrade by an Obligor of the Obligor's existing Timeshare Property to an upgraded Timeshare Property.

"TRANSFERRED ASSETS" shall mean, with respect to any Series, any and all right, title and interest of the Seller in, to and under:

(a) the Loans from time to time, including without limitation the Initial Loans as of the close of business on the Cut-Off Date and the Additional Loans as of the close of business on the related Addition Cut-Off Dates and all Scheduled Payments, other Collections and other funds received in respect of such Initial Loans and Additional Loans on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, and any other monies due or to become due on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, in respect of any such Loans, and any security therefor;

(b) the Timeshare Properties relating to the Loans;

(c) any Mortgages relating to the Loans;

(d) any Insurance Policies relating to the Loans;

(e) the Loan Files and other Records relating to the Loans;

(f) the Loan Conveyance Documents relating to the Loans;

(g) all interest, dividends, cash, instruments, financial assets and other investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, or on account of, the sale or other disposition of the Transferred Assets, and including all payments under Insurance Policies (whether or not any of the Seller, the Purchaser, the Master Servicer, the Issuer or the Trustee is the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any Transferred Assets, and any security granted or purported to be granted in respect of any Transferred Assets; and

(h) all proceeds of any of the foregoing property described in clauses (a) through (g).

"TRENDWEST" shall mean Trendwest Resorts, Inc., a wholly-owned indirect Subsidiary of Cendant.

"TRUSTEE" shall mean Wachovia Bank, National Association, as Trustee under the Indenture and Servicing Agreement, and its successors and assigns.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"UDI" shall mean an individual interest in fee simple (as tenants in common with all other undivided interest owners) in a lodging unit or group of lodging units at a Resort.

"VACATION CREDITS" shall mean ownership interests in WorldMark that entitle the owner thereof to use Resorts.

"WORLDMARK" shall mean WorldMark, The Club, a California not-for-profit mutual benefit corporation.

Section 2. PURCHASE AND SALE OF LOANS.

The Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under the Loans listed on the Loan Schedule with respect to the related PA Supplement. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in the related PA Supplement.

Section 3. POOL PURCHASE PRICE.

Provisions with respect to the Purchase and sale of the Loans for each Series shall be set forth in the related PA Supplement.

The purchase price for any Additional Loans and other related Transferred Assets (the "ADDITIONAL POOL PURCHASE PRICE") conveyed to the Company under this Agreement and the related PA Supplement on each Addition Date shall be a dollar amount equal to the aggregate outstanding principal balance of such Additional Loans sold on such date, subject to adjustment to reflect such factors as the Company and the Seller mutually agree will result in an Additional Pool Purchase Price equal to the fair market value of such Additional Loans and other related Transferred Assets.

Section 4. PAYMENT OF PURCHASE PRICE.

(a) CLOSING DATES. On the terms and subject to the conditions of this Agreement and the related PA Supplement payment of the Pool Purchase Price for each Series shall be made by the Company on the related Closing Date in immediately available funds to the

Seller to such accounts at such banks as the Seller shall designate to the Company not less than one Business Day prior to the such Closing Date.

(b) MANNER OF PAYMENT OF ADDITIONAL POOL PURCHASE PRICE. On the terms and subject to the conditions in this Agreement and the related PA Supplement, the Company shall pay to the Seller, on each Business Day on which any Additional Loans are purchased from the Seller by the Company pursuant to Section 2 of the related PA Supplement, the Additional Pool Purchase Price for such Additional Loans by paying such Additional Pool Purchase Price to the Seller in cash.

(c) SCHEDULED PAYMENTS UNDER LOANS AND CUT-OFF DATE. The Company shall be entitled to all Scheduled Payments, other Collections and all other funds with respect to any Loan received on or after the related Cut-Off Date or Addition Cut-Off Date, as applicable. The principal balance of each Loan as of the related Cut-Off Date or Addition Cut-Off Date, as applicable, shall be determined after deduction, in accordance with the terms of each such Loan, of payments of principal received before such Cut-Off Date or Addition Cut-Off Date.

Section 5. CONDITIONS PRECEDENT TO SALE OF LOANS.

No Purchase of Loans and related Transferred Assets shall be made hereunder or under any PA Supplement on any date on which:

(a) the Company does not have sufficient funds available to pay the related Pool Purchase Price or Additional Pool Purchase Price in cash; or

(b) an Insolvency Event has occurred and is continuing with respect to the Seller or the Company.

Section 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

(a) GENERAL REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants as of each Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(i) ORGANIZATION AND GOOD STANDING.

(A) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement, any related PA Supplement and each of the Facility Documents to which it is a party. The Seller is organized in the jurisdiction set forth in the preamble. The Seller is duly qualified to do business and is in good standing as a foreign corporation, and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Loan unenforceable by the Seller.

(B) The name of the Seller set forth in the preamble of this Agreement is its correct legal name and such name has not been changed in the past six years. The Seller does not utilize any trade names, assumed names, fictitious names or "doing business names."

(ii) DUE AUTHORIZATION AND NO CONFLICT. The execution, delivery and performance by the Seller of each of the Facility Documents to which it is a party, and the consummation by the Seller of the transactions contemplated hereby and under each other Facility Document to which it is a party, has been duly authorized by the Seller by all necessary corporate action, does not contravene (i) the Seller's charter or by-laws, (ii) any law, rule or regulation applicable to the Seller, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on the Seller or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Seller or its properties (except where such contravention would not have a Material Adverse Effect with respect to the Seller or its properties), and does not result in (except as provided in the Facility Documents) or require the creation of any Lien upon or with respect to any of its properties; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the Facility Documents to which the Seller is a party have been duly executed and delivered on behalf of the Seller. To the extent that this representation is being made with respect to Title I of ERISA or Section 4975 of the Code, it is made subject to the assumption that none of the assets being used to purchase the Loans and Transferred Assets constitute assets of any Benefit Plan or Plan with respect to which the Seller is a party in interest or disqualified person.

(iii) GOVERNMENTAL AND OTHER CONSENTS. All approvals, authorizations, consents or orders of any court or governmental agency or body required in connection with the execution and delivery by the Seller of this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, the consummation by such party of the transactions contemplated hereby or thereby, the performance by such party of and the compliance by such party with the terms hereof or thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect with respect to such Party.

(iv) ENFORCEABILITY OF FACILITY DOCUMENTS. Each of the Facility Documents to which the Seller is a party has been duly and validly executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller, enforceable against it in accordance with its respective terms, except as enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(v) NO LITIGATION. Except as disclosed in Schedule 5 to this Agreement or to any Assignment, there are no proceedings or investigations pending, or to the knowledge of the Seller threatened, against the Seller before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any of the other Facility Documents, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or

any of the other Facility Documents, (C) seeking any determination or ruling that would adversely affect the performance by the Seller of its obligations under this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, (D) seeking any

determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Facility Documents or (E) seeking any determination or ruling that would, if adversely determined, be reasonably likely to have a Material Adverse Effect with respect to such party.

(vi) GOVERNMENTAL REGULATIONS. The Seller is not (A) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or (B) a "public utility company" or a "holding company," a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(ii) of the Public Utility Holding Company Act of 1935, as amended.

(vii) MARGIN REGULATIONS. The Seller is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as each such term is defined or used in any of Regulations T, U or X of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the notes issued by the Issuer has been used by the Seller for so purchasing or carrying margin stock or for any purpose that violates or would be inconsistent with the provisions of any of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(viii) LOCATION OF CHIEF EXECUTIVE OFFICE AND RECORDS. The principal place of business and chief executive office of the Seller, and the office where the Seller maintains all of its Records, is 9805 Willows Road, Redmond, Washington 98052. The Seller has not changed its principal place of business or chief executive office (or the office where such entity maintains all of its Records) during the previous six years (except that the Seller changed its principal place of business and chief executive office from 12301 NE 10th Place, Bellevue, Washington 98005 on February 18, 1999). At any time after the Initial Closing Date, upon 30 days' prior written notice to the Trustee as assignee of the Company and the Issuer, the Seller may change its name or may change its type or its jurisdiction of organization to another jurisdiction within the United States, but only so long as all action necessary or reasonably requested by the Company to amend the existing financing statements and to file additional financing statements in all applicable jurisdictions to perfect the transfer of the Loans and the related Transferred Assets is taken.

(ix) LOCKBOX ACCOUNTS. Except in the case of any Lockbox Account pursuant to which only Collections in respect of Loans subject to a PAC or Credit Card Account are deposited, the Seller has filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes, are set forth in Schedule 4. Except as described in the Intercreditor Agreement, from and after the Initial

Closing Date, the Seller shall not have any right, title and/or interest in or to any of the Lockbox Accounts or the Post Office Boxes and will maintain no Lockbox accounts in its own name for the collection of payments in respect of the Loans. The Seller has no lockbox or other accounts for the collection of payments in respect of the Loans other than the Lockbox Accounts.

(x) FACILITY DOCUMENTS. This Agreement and any PA Supplement are the only agreements pursuant to which the Seller sells the Loans and other related Transferred Assets to the Company. The Seller has furnished to the Company true, correct and complete copies of each Facility Document to which the Seller is a party, each of which is in full force and effect. Neither the Seller nor any of its Affiliates (not including the Purchaser or the Issuer) is in default thereunder in any material respect.

(xi) TAXES. The Seller has timely filed or caused to be filed all federal, state and local tax returns required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller has set aside adequate reserves on its books in accordance with GAAP, and which proceedings have not given rise to any Lien.

(xii) ACCOUNTING TREATMENT. The Seller has accounted for the transactions contemplated in the Facility Documents to which it is a party in accordance with GAAP.

(xiii) ERISA. There has been no (A) occurrence or expected occurrence of any Reportable Event with respect to any Benefit Plan subject to Title IV of ERISA of the Seller or any ERISA Affiliate, or any

withdrawal from, or the termination, Reorganization or Plan Insolvency of any Multiemployer Plan or (B) institution of proceedings or the taking of any other action by Pension Benefit Guaranty Corporation or by the Seller or any ERISA Affiliate or any such Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Plan Insolvency of, any such Plan.

(xiv) NO ADVERSE SELECTION. No selection procedures materially adverse to the Company, the Issuer, the Noteholders, the Trustee or the Collateral Agent have been employed by the Seller in selecting the Loans for inclusion in the Loan Pool on such Closing Date or Addition Date, as applicable.

(xv) VACATION CREDIT PROGRAM. As of each Closing Date or any Addition Date, as applicable, for each Timeshare Property Regime for which the related Timeshare Properties are comprised primarily of Vacation Credits, the RATIO of (1) the total number of Vacation Credits actually allocated to such Timeshare Property Regime for the succeeding twelve-month period TO (2) the total number of Vacation Credits allocable to available space in such Timeshare Property Regime over such twelve-month period, does not exceed 1.0 to 1.0.

(xvi) SEPARATE IDENTITY. The Seller and its Affiliates have observed the applicable legal requirements on their part for the recognition of the Company as a legal entity separate and apart from the Seller and any of its Affiliates (other than the Company) and have taken all actions necessary on their part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct; PROVIDED, HOWEVER, that the Seller makes no representations or warranties in this Section 6(a)(xvi) with respect to the Company or the Issuer.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE LOANS. The Seller represents and warrants to the Company as of the applicable Cut-Off Date and Addition Cut-Off Date as to each Loan conveyed on and as of each Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) ELIGIBILITY. Such Loan is an Eligible Loan.

(ii) NO WAIVERS. The terms of such Loan have not been waived, altered, modified or extended in any respect other than (A) modifications entered into in accordance with Customary Practices and Credit Standards and Collections Policies that do not reduce the amount or extend the maturity of required Scheduled Payments and (B) modifications in the applicability of a PAC (which may result in a change in the related Loan Rate).

(iii) BINDING OBLIGATION. Such Loan is the legal, valid and binding obligation of the Obligor thereunder and is enforceable against the Obligor in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(iv) NO DEFENSES. Such Loan is not subject to any statutory right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury.

(v) LAWFUL ASSIGNMENT. Such Loan was not originated in, and is not subject to the laws of, any jurisdiction the laws of which would make the transfer of the Loan under this Agreement or any PA Supplement unlawful.

(vi) COMPLIANCE WITH LAW. The Seller has complied with requirements of all material federal, state and local laws (including without limitation usury, truth in lending and equal credit opportunity laws) applicable to such Loan in all material respects. The related Timeshare Property Regime is in compliance with any and all applicable zoning and building laws and regulations and any other laws and regulations relating to the use and occupancy of such Timeshare Property Regime, except where such noncompliance would not have a Material Adverse Effect with respect to the Seller. The Seller has not received notice of any material violation of any legal requirements applicable to such Timeshare Property Regime, except where such violation would not have a Material Adverse Effect with respect to the Seller. The Timeshare Property Regime related to such Loan complies with all applicable state statutes, including without limitation

condominium statutes, timeshare statutes, HUD filings relating to interstate land sales (if applicable) and the requirements of any governmental authority or local authority having jurisdiction with respect to such Timeshare Property Regime, and constitutes a valid and conforming condominium and timeshare regime under the laws of the State in which the related Resort is located, except where such noncompliance would not have a Material Adverse Effect with respect to the Seller.

(vii) LOAN IN FORCE; NO SUBORDINATION. Such Loan is in full force and effect and has not been subordinated, satisfied in whole or in part or rescinded.

(viii) CAPACITY OF PARTIES. All parties to such Loan had legal capacity to execute the Loan.

(ix) ORIGINAL LOANS. All original executed copies of such Loans are in the custody of the Custodian, except to the extent otherwise permitted pursuant to Section 6(b)(xiv).

(x) LOAN FORM/GOVERNING LAW. Such Loan was executed in substantially the form of one of the forms of Loan in Exhibit D (as such Exhibit D may be amended from time to time with the consent of the Seller and the Company), except for changes required by applicable law and certain other modifications that do not, individually or in the aggregate, affect the enforceability or collectibility of such Loan. In addition, such Loan was originated in and is governed by the laws of the State in which the Loan was executed.

(xi) INTEREST IN REAL PROPERTY. Each Timeshare Property that is a UDI constitutes a fee simple interest in real property and improvements on the real property.

(xii) ENVIRONMENTAL COMPLIANCE. Each Timeshare Property Regime related to a Loan is now, and at all times during the Seller's ownership thereof (or the ownership of any Affiliate thereof other than the Company and the Issuer), has been free of contamination from any substance, material or waste identified as toxic or hazardous according to any federal, state or local law, rule, regulation or order governing, imposing standards of conduct with respect to, or regulating in any way the discharge, generation, removal, transportation, storage or handling of toxic or hazardous substances, materials or waste or air or water pollution (hereinafter referred to as "ENVIRONMENTAL LAWS"), including without limitation any PCB, radioactive substance, methane, asbestos, volatile hydrocarbons, petroleum products or wastes, industrial solvents or any other material or substance that now or hereafter may cause or constitute a health, safety or other environmental hazard to any person or property (any such substance together with any substance, material or waste identified as toxic or hazardous under any Environmental Law now in effect or hereinafter enacted shall be referred to herein as "CONTAMINANTS"), but excluding from the foregoing any levels of Contaminants at or below which such Environmental Laws do not apply ("DE MINIMUS LEVELS"). Neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) has caused or suffered to occur any discharge, spill, uncontrolled loss or seepage of any petroleum or chemical product or any Contaminant (except for De Minimus Levels thereof) onto any property

comprising or adjoining any Timeshare Property Regime, and neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any Timeshare Property Regime is now or has been involved in operations at the related Timeshare Property Regime that could lead to liability for the Seller, the Company, any Affiliate of the Seller or any other owner of such Timeshare Property Regime or the imposition of a Lien on such Timeshare Property Regime under any Environmental Law. No practice, procedure or policy employed by the Seller (or any Affiliate thereof other than the Company and the Issuer) with respect to POAs for which the Seller acts as the manager or, to the best knowledge of the Seller, by the manager of the POAs with respect to POAs managed by parties unaffiliated with the Seller, violates any Environmental Law that, if enforced, would reasonably be expected to (A) have a Material Adverse Effect on such POA or the ability of such POA to do business, (B) have a Material Adverse Effect on the financial condition of the POA or (C) constitute grounds for the revocation of any license, charter, permit or registration that is material to the conduct of the business of the POA.

Except as set forth in Schedule 3, (1) all property owned, managed, or controlled by the Seller or any Affiliate of the Seller (other than the Company and the Issuer) and located within a Resort is now, and at all times during the Seller's ownership, management or control thereof (or the ownership, management or control of any Affiliate thereof (other than the Company and the Issuer)) has been free of contamination from any Contaminants, except for De Minimus Levels thereof, (2) neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) has

caused or suffered to occur any discharge, spill, uncontrolled loss or seepage of any Contaminants onto any property comprising or adjoining any of the Resorts, except for De Minimus Levels thereof, and (3) neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any of any Resort is now or previously has been involved in operations at any Resort that could lead to liability for the Seller, the Company, any Affiliate of the Seller or any other owner of any Resort or the imposition of a Lien on such Resort under any Environmental Law. None of the matters set forth in Schedule 3 will have a Material Adverse Effect with respect to the Company or its assignees or the interests of the Company or its assignees in the Loans. Each Resort, and the present use thereof, does not violate any Environmental Law in any manner that would materially adversely affect the value or use of such Resort or the performance by the POAs of their respective obligations under their applicable declarations, articles or similar charter documents. There is no condition presently existing, and to the best knowledge of the Seller no event has occurred or failed to occur with respect to any Resort, relating to any Contaminants or compliance with any Environmental Laws that would reasonably be expected to have a Materially Adverse Effect with respect to such Resort, including in connection with the present use of such Resort.

(xiii) TAX LIENS. All taxes applicable to such Loan and the related Timeshare Property have been paid, except where the failure to pay such tax would not have a Material Adverse Effect with respect to the Seller or its assignees or the Purchaser or the collectibility or enforceability of the Loan. There are no delinquent tax liens in respect of the Timeshare Property underlying such Loan.

(xiv) LOAN FILES. The related Loan File contains the following Loan Documents (which may include microfiche or other electronic copies of the Loan Documents to the extent provided in the Custodial Agreement):

(A) at least one original of each Loan (or, if the Loan and promissory note are contained in separate documents, an original of the promissory note); PROVIDED, HOWEVER, that the original Loan may have been removed from the Loan File in accordance with the Custodial Agreement for the performance of collection services and other routine servicing requirements; and

(B) for Loans with respect to which the related Timeshare Property has been deeded out to the related Obligor:

(1) a copy of the deed for such Timeshare Property; and

(2) the original recorded Mortgage (or a copy thereof, if applicable, for Mortgages that have been submitted for recording as set forth herein) and Assignments of Mortgages in favor of the Collateral Agent (or a copy of such recorded Mortgage or Assignment of Mortgage, as the case may be, certified to be a true and complete copy thereof, if the original of the recorded Mortgage or Assignment of Mortgage is lost or destroyed), PROVIDED that in the case of any Loan with respect to which the related Mortgage and/or deed has been removed from the Loan File for recording in the local real property recording office, the original Mortgage shall not have been at such real property recording office more than 180 days from the date on which the related Timeshare Property is required to be deeded to an Obligor.

(xv) LOCKBOX ACCOUNTS. As of the applicable Cut-Off Date, the Obligor of such Loan either:

(A) shall have been instructed to remit Payments thereunder to a Post Office Box for credit to a Lockbox Account or directly to a Lockbox Account, in each case maintained at a Lockbox Bank pursuant to the terms of a Lockbox Agreement; or

(B) has entered into a PAC or Credit Card Account pursuant to which a deposit account of such Obligor is made subject to a pre-authorized debit in respect of Payments as they become due and payable, and the Seller has caused a Lockbox Bank to take all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(xvi) OWNERSHIP INTEREST. As of the Closing Date or related Addition Date, as applicable, the Seller has good and marketable title to the Loan, free and clear of all Liens (other than Permitted Encumbrances).

(xvii) INTEREST IN LOAN. Such Loan constitutes either a "general intangible," an "instrument," "chattel paper" or an "account" under the Uniform Commercial Code of the States of Delaware, Oregon and New York.

(xviii) RECORDATION OF ASSIGNMENTS. The collateral Assignment of Mortgage to the Collateral Agent relating to the Mortgage with respect to each Loan has been recorded or delivered for recordation simultaneously with the related Mortgage to the proper office in the jurisdiction in which the related Timeshare Property is located.

(xix) MATERIAL DISPUTES. To the actual knowledge of the Seller, the Loan is not subject to any material dispute.

(xx) GOOD TITLE; NO LIENS. Upon the Purchase hereunder occurring on such Closing Date or Addition Date, as applicable, the Company will be the lawful owner of, and have good title to, each Loan and all of the other related Transferred Assets that are the subject of such Purchase, free and clear of any Liens (other than any Permitted Encumbrances on the related Timeshare Properties). All Loans and related Transferred Assets are purchased without recourse to the Seller except as described in this Agreement and any PA Supplement. Such Purchase by the Company under this Agreement and under any PA Supplement constitutes a valid and true sale and transfer for consideration (and not merely the grant of a security interest to secure a loan), enforceable against creditors of the Seller, and no Loan or other related Transferred Assets that are the subject of such Purchase will constitute property of the Seller after such Purchase.

(xxi) SOLVENCY. The Seller, both prior to and immediately after giving effect to the Purchase of Loans hereunder and under any PA Supplement occurring on such Closing Date or Addition Date, as applicable, (A) is not insolvent (as such term is defined in Section 101(32)(A) of the Bankruptcy Code), (B) is able to pay its debts as they become due and (C) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(xxii) POA RESERVES. The capital reserves and maintenance fee levels of the POAs related to each Timeshare Property Regime underlying the Loans Purchased on such Closing Date or Addition Date, as applicable, are adequate in light of the operating requirements of such POAs.

(c) REPRESENTATIONS AND WARRANTIES REGARDING THE LOAN FILES. The Seller represents and warrants to the Company as of each Closing Date and related Addition Date as to each Loan and the related Loan File conveyed by it hereunder on and as of such Closing Date or related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) POSSESSION. On or immediately prior to each Closing Date or related Addition Date, as applicable, the Custodian will have possession of each original Loan and the related Loan File and will have acknowledged such receipt, and its undertaking to hold such original Loan and the related Loan File for purposes of perfection of the Collateral Agent's interest in such original Loan and the related Loan File; PROVIDED, HOWEVER, that the fact that any document not required to be in its respective Loan File pursuant to Section 6(b)(xiv) of this Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a breach of this representation.

(ii) MARKING RECORDS. On or before each Closing Date or Addition Date, as applicable, the Seller shall have caused the portions of its computer files relating to the Loans sold on such date to the Company to be clearly and unambiguously marked to indicate that each such Loan has been conveyed on such date to the Company.

(d) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Loans with respect to any Series by the Seller to the Company under this Agreement and any PA Supplement, the conveyance of the Loans by the Company to the Issuer pursuant to the Pool Purchase Agreement and any PPA Supplement and the Grant of the Collateral by the Issuer to the Collateral Agent and shall inure to the benefit of the Company, the Issuer, the Trustee, the Collateral Agent and the Noteholders and their respective designees, successors and assigns.

(e) INDEMNIFICATION OF THE COMPANY. The Seller shall indemnify, defend and hold harmless the Company against any and all claims, losses and liabilities, including reasonable attorneys' fees (the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") that may at any time be imposed on, incurred by or asserted against the Company as a result of a breach by the Seller of any of its respective representations, warranties or covenants hereunder. Except as otherwise provided in Section 11(i), the Seller shall pay to the Company, on demand, any and all amounts necessary to indemnify the Company for (i) any and all recording and filing fees in connection with the

transfer of the Loans from the Seller to the Company, and any and all liabilities with respect to, or resulting from any delay in paying when due, any taxes (including sales, excise or property taxes) payable in connection with the transfer of the Loans from the Seller to the Company and (ii) costs, expenses and reasonable counsel fees in defending against the same. The agreements in this Section 6(e) shall survive the termination of this Agreement or any PA Supplement and the payment of all amounts payable hereunder, under any PA Supplement and under the Loans. For purposes of this Section 6(e), any reference to the Company shall include any officer, director, employee or agent thereof, or any successor or assignee thereof or of the Company.

Section 7. REPURCHASES OR SUBSTITUTION OF LOANS FOR BREACH OF REPRESENTATIONS AND WARRANTIES.

Provisions with respect to the repurchase or substitution of Loans of any Series for breach of representations and warranties under this Agreement and any PA Supplement shall be set forth in the related PA Supplement.

Section 8. COVENANTS OF THE SELLER.

(a) AFFIRMATIVE COVENANTS OF THE SELLER. The Seller covenants and agrees that it will, at any time prior to the Termination Date:

(i) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, provisions of ERISA, the Internal Revenue Code and all applicable regulations

and interpretations thereunder, and all Loans and Facility Documents to which it is a party.

(ii) PRESERVATION OF CORPORATE EXISTENCE. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation, and maintain all necessary licenses and approvals in each jurisdiction in which it does business, except where the failure to preserve and maintain such existence, rights, franchises, privileges, qualifications, licenses and approvals would not have a Material Adverse Effect with respect to it.

(iii) AUDITS. Upon at least two Business Days notice during regular business hours, permit the Company and/or its agents, representatives or assigns access:

(A) to the offices and properties of the Seller in order to examine and make copies of and abstracts from all books, correspondence and Records of the Seller as appropriate to verify the Seller's compliance with this Agreement, any PA Supplement or any other Facility Documents to which the Seller is a party and any other agreement contemplated hereby or thereby, and the Company and/or its agents, representatives and assigns may examine and audit the same and make photocopies, computer tapes or other computer replicas thereof, as appropriate, and the Seller will provide to the Company and/or its agents, representatives and assigns, at the expense of the Seller, such clerical and other assistance as may be reasonably requested in connection therewith; and

(B) to the officers or employees of the Seller designated by the Seller in order to discuss matters relating to the Loans and the performance of the Seller hereunder, under any PA Supplement or any other Facility Documents to which the Seller is a party and any other agreement contemplated hereby or thereby, and under the other Facility Documents to which it is a party with the officers or employees of the Seller having knowledge of such matters.

Each such audit shall be at the sole expense of the Seller. The Company shall be entitled to conduct such audits as frequently as it deems reasonable in the exercise of the Company's reasonable commercial judgment; PROVIDED, HOWEVER, that such audits shall not be conducted more frequently than annually unless an Event of Default or an Amortization Event shall have occurred. The Company and its agents, representatives and assigns also shall have the right to discuss the Seller's affairs with the officers, employees and independent accountants of the Seller and to verify under appropriate procedures the validity, amount, quality, quantity, value and condition of, or any other matter relating to, the Loans and other related Transferred Assets.

(iv) [Reserved.]

(v) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND LOANS. At its expense, timely and fully perform and comply in all material respects with the Credit Standards and Collection Policies and Customary Practices

with respect to the Loans and with all

provisions, covenants and other promises required to be observed by the Seller under the Loans.

(vi) [Reserved.]

(vii) OWNERSHIP INTEREST. Take such action with respect to each Loan as is necessary to ensure that the Company maintains a first priority ownership interest in such Loan and the other related Transferred Assets, in each case free and clear of any Liens arising through or under the Seller and, in the case of any Timeshare Properties, other than any Permitted Encumbrance thereon, and respond to any inquiries with respect to ownership of a Loan sold by it hereunder by stating that, from and after the Initial Closing Date or related Addition Date, as applicable, it is no longer the owner of such Loan and that ownership of such Loan has been transferred to the Company.

(viii) INSTRUMENTS. Not remove any portion of the Loans or related Transferred Assets with respect to any Series that consists of money or is evidenced by an instrument, certificate or other writing from the jurisdiction in which it was held under the related Custodial Agreement unless the Company shall have first received an Opinion of Counsel to the effect that the Company shall continue to have a first-priority perfected ownership or security interest with respect to such property after giving effect to such action or actions.

(ix) NO RELEASE. Not take any action, and use its best efforts not to permit any action to be taken by others, that would release any Person from such Person's covenants or obligations under any document, instrument or agreement relating to the Loans or the other Transferred Assets, or result in the hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such document, instrument or agreement, except as expressly provided in this Agreement or any PA Supplement or such other instrument or document.

(x) INSURANCE AND CONDEMNATION.

(A) The Seller shall do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort to cause each of the POAs for each Resort, in each case (1) to maintain one or more policies of "all-risk" property and general liability insurance with financially sound and reputable insurers providing coverage in scope and amount that (x) satisfy the requirements of the declarations (or any similar charter document) governing the POA for the maintenance of such insurance policies and (y) are at least consistent with the scope and amount of such insurance coverage obtained by prudent POAs and/or management of other similar developments in the same jurisdiction and (2) to the extent the Seller is the property manager of the Resort and possesses the right to direct the application of insurance proceeds, to use its best efforts to apply the proceeds of any such insurance policies in the manner specified in the related declarations (or any similar charter document) governing the POA and/or any similar charter documents of such POA (which exercise of best efforts shall include voting as a member of the POA or as a proxy or attorney-in-fact for a

member). For the avoidance of doubt, the parties acknowledge that the ultimate discretion and control relating to the maintenance of any such insurance policies is vested in the POA in accordance with the respective declaration (or any similar charter document) relating to each Timeshare Property Regime.

(B) The Seller shall remit to the Collection Account the portion of any proceeds received pursuant to a condemnation of property in any Resort relating to any Timeshare Property to the extent the Obligors are required to make such remittance under the terms of one or more Loans that have been sold to the Company hereunder and under the related PA Supplement.

(xi) SEPARATE IDENTITY. Take such action as is necessary to ensure compliance with Section 6(a)(xvi), including taking all actions necessary on its part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct.

(xii) COMPUTER FILES. Mark or cause to be marked each Loan in its

computer files as described in Section 6(c)(ii) and deliver to the Company, the Issuer, the Trustee and the Collateral Agent a copy of the Loan Schedule for each Series as amended from time to time.

(xiii) TAXES. File or cause to be filed, and cause each of its Affiliates with whom it shares consolidated tax liability to file, all federal, state and local tax returns that are required to be filed by it, except where the failure to file such returns could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser or the Seller, or otherwise be reasonably expected to expose the Purchaser or the Seller to material liability. The Seller will pay or cause to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller or the applicable Affiliate has set aside adequate reserves on its books in accordance with GAAP, and which proceedings could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser or the Seller or otherwise be reasonably expected to expose the Purchaser or the Seller to material liability.

(xiv) FACILITY DOCUMENTS. Comply in all material respects with the terms of, and employ the procedures outlined under, this Agreement, any PA Supplement and all other Facility Documents to which it is a party, and take all such action as may be from time to time reasonably requested by the Company to maintain this Agreement, any PA Supplement and all such other Facility Documents in full force and effect.

(xv) LOAN SCHEDULE. With respect to any Series, promptly amend the applicable Loan Schedule to reflect terms or discrepancies that become known after each Closing Date or any Addition Date, and promptly notify the Company, the Issuer, the Trustee and the Collateral Agent of any such amendments.

(xvi) SEGREGATION OF COLLECTIONS. Prevent, to the extent within its control, the deposit into the Collection Account or any Reserve Account of any funds other than Collections in respect of the Loans with respect to any Series, and to the extent that, to its knowledge, any such funds are nevertheless deposited into the Collection Account or any Reserve Account, promptly identify any such funds to the Master Servicer for segregation and remittance to the owner thereof.

(xvii) MANAGEMENT OF RESORTS. The Seller hereby covenants and agrees (to the extent that the Seller is responsible for maintaining or managing such Resort) to do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort in order to maintain such Resort (including without limitation all grounds, waters and improvements thereon and all other facilities related thereto) in at least as good condition, repair and working order as would be customary for prudent managers of similar timeshare properties.

(b) NEGATIVE COVENANTS OF THE SELLER. The Seller covenants and agrees that it will not, at any time prior to the final Series Termination Date without the prior written consent of the Company:

(i) SALES, LIENS, ETC. AGAINST LOANS AND TRANSFERRED ASSETS. Except for the transfers hereunder, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist, any Lien arising through or under it (other than, in the case of any Timeshare Properties, any Permitted Encumbrances thereon) upon or with respect to any Loan or other Transferred Asset or any interest therein. The Seller shall immediately notify the Company of the existence of any Lien arising through or under it on any Loan or other Transferred Asset.

(ii) EXTENSION OR AMENDMENT OF LOAN TERMS. Extend, amend, waive or otherwise modify the terms of any Loan (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices) or permit the rescission or cancellation of any Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Loan or otherwise.

(iii) CHANGE IN BUSINESS OR CREDIT STANDARDS OR COLLECTION POLICIES. (A) Make any change in the character of its business or (B) make any change in the Credit Standards and Collection Policies or (C) deviate from the exercise of Customary Practices, which change or deviation would, in any such case, materially impair the value or collectibility of any Loan.

(iv) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. Add or terminate any bank as a bank holding any account for the collection of payments in respect of the Loans from those listed in Exhibit E or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Company and the Trustee shall

have received (A) 30 days' prior written notice of such addition, termination or change, (B) written confirmation from the Seller that, after the effectiveness of any such termination, there will be at least one Lockbox in existence and (C) prior to the date of such addition, termination or change, (1) executed copies of

Lockbox Agreements executed by each new Lockbox Bank, the Seller, the Company, the Master Servicer and the Trustee and (2) copies of all agreements and documents signed by either the Company or the respective Lockbox Bank with respect to any new Lockbox Account.

(v) CHANGE IN CORPORATE NAME, ETC. Make any change to its name or its type or jurisdiction of organization that existed on the Initial Closing Date without providing at least 30 days' prior written notice to the Company and the Trustee and taking all action necessary or reasonably requested by the Trustee to amend its existing financing statements and file additional financing statements in all applicable jurisdictions as are necessary to maintain the perfection of the security interest of the Company.

(vi) ERISA MATTERS. (A) Engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (B) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Internal Revenue Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (C) fail to make any payments to any Multiemployer Plan that the Seller or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (D) terminate any Benefit Plan so as to result in any liability; (E) permit to exist any occurrence of any Reportable Event that represents a material risk of a liability of the Seller or any ERISA Affiliate under ERISA or the Internal Revenue Code; provided, however, that the ERISA Affiliates of the Seller may take or allow such prohibited transactions, accumulated funding deficiencies, payments, terminations and Reportable Events described in clauses (A) through (E) above so long as such events occurring within any fiscal year of the Seller, in the aggregate, involve a payment of money by or an incurrence of liability of any such ERISA Affiliate (collectively, "ERISA LIABILITIES") in an amount that does not exceed $2,000,000 or otherwise result in liability that would result in imposition of a lien.

(vii) TERMINATE OR REJECT LOANS. Without limiting the requirements of Section 8(b)(ii), terminate or reject any Loan prior to the end of the term of such Loan, whether such rejection or early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law unless, prior to such termination or rejection, such Loan and any related Transferred Assets have been repurchased by the Seller pursuant to Section 7 of the related PA Supplement.

(viii) FACILITY DOCUMENTS. Except as otherwise permitted under Section 8(b)(ii), terminate, amend or otherwise modify any Facility Document to which it is a party or grant any waiver or consent thereunder.

(ix) INSOLVENCY PROCEEDINGS. Institute Insolvency Proceedings with respect to WorldMark, the Company or the Issuer or consent to the institution of Insolvency Proceedings against WorldMark, the Company or the Issuer, or take any corporate action in furtherance of any such action.

Section 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants as of each Closing Date and Addition Date, or as of such other date specified in such representation and warranty, that:

(a) The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power, authority, and legal right to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and any PA Supplement. The Company is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction necessary to carry on its business as presently conducted and to perform its obligations under this Agreement and any PA Supplement. One hundred percent (100%) of the outstanding membership interests of the Company is directly owned (both beneficially and of record) by FAC. Such membership interests are validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire membership interests from the Company.

(b) The execution, delivery and performance of this Agreement and any PA Supplement by the Company and the consummation by the Company of the transactions provided for in this Agreement and any PA Supplement have been duly approved by all necessary limited liability company action on the part of the Company.

(c) This Agreement and any PA Supplement constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as such enforceability may be subject to or limited by Debtor Relief Laws and except as such enforceability may be limited by general principles of equity.

(d) The execution and delivery by the Company of this Agreement and any PA Supplement, the performance by the Company of the transactions contemplated hereby and the fulfillment by the Company of the terms hereof applicable to the Company will not conflict with, violate, result in any breach of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under any provision of any existing law or regulation or any order or decree of any court applicable to the Company or its certificate of formation or limited liability company agreement or any material indenture, contract, agreement, mortgage, deed of trust, or other material instrument to which the Company is a party or by which it or its properties is bound.

(e) There are no proceedings or investigations pending, or to the knowledge of the Company threatened, against the Company before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any PA Supplement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any PA Supplement, (C) seeking any determination or ruling that, in the reasonable judgment of the Company, would adversely affect the performance by the Company of its obligations under this Agreement or any PA Supplement or (D) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any PA Supplement.

(f) All approvals, authorizations, consents, orders or other actions of any person or entity or any governmental body or official required in connection with the execution and delivery of this Agreement and any PA Supplement by the Company, the performance by it of the transactions contemplated hereby and the fulfillment by it of the terms hereof, have been obtained and are in full force and effect.

(g) The Company is solvent and will not become insolvent immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company has not incurred debts beyond its ability to pay and, immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company shall have an adequate amount of capital to conduct its business in the foreseeable future.

Section 10. AFFIRMATIVE COVENANTS OF THE COMPANY.

The Company hereby acknowledges that the parties to the Facility Documents are entering into the transactions contemplated by the Facility Documents in reliance upon the Company's identity as a legal entity separate from the Seller and its Affiliates. From and after the date hereof until the final Series Termination Date under any Indenture Supplement, the Company will take such actions as shall be required in order that:

(a) The Company will conduct its business in office space allocated to it and for which it pays an appropriate rent and overhead allocation;

(b) The Company will maintain corporate records and books of account separate from those of the Seller and its Affiliates and telephone numbers and stationery that are separate and distinct from those of the Seller and its Affiliates;

(c) The Company's assets will be maintained in a manner that facilitates their identification and segregation from those of any of the Seller and its Affiliates;

(d) The Company will observe corporate formalities in its dealings with the public and with the Seller and its Affiliates and, except as contemplated by the Facility Documents, funds or other assets of the Company will not be commingled with those of any of the Seller and its Affiliates. The Company will at all times, in its dealings with the public and with the Seller and its Affiliates, hold itself out and conduct itself as a legal entity separate and distinct from the Seller and its Affiliates. The Company will not maintain joint bank accounts or other depository accounts to which the Seller and its Affiliates (other than the Master Servicer) has independent access;

(e) The duly elected board of directors of the Company and duly appointed officers of the Company will at all times have sole authority to control decisions and actions with respect to the daily business affairs of the Company;

(f) Not less than one member of the Company's board of directors will be an Independent Director. The Company will observe those provisions in its limited liability company agreement that provide that the Company's board of directors will not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Company unless the Independent Director and all other members of the Company's board of

directors unanimously approve the taking of such action in writing prior to the taking of such action;

(g) The Company will compensate each of its employees, consultants and agents from the Company's own funds for services provided to the Company; and

(h) Except as contemplated by the Facility Documents, the Company will not hold itself out to be responsible for the debts of the Seller and its Affiliates.

Section 10A NEGATIVE COVENANT OF THE COMPANY.

The Company covenants and agrees that it will not, at any time prior to the final Series Termination Date institute Insolvency Proceedings with respect to WorldMark or consent to the institution of Insolvency Proceedings against WorldMark, or take any corporate action in furtherance of any such action.

Section 11. MISCELLANEOUS.

(a) AMENDMENT. This Agreement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto; provided, however, that no such amendment, waiver or modification shall be effective without the prior written consent of the Trustee.

(b) ASSIGNMENT. The Company has the right to assign its interest under this Agreement and any PA Supplement as may be required to effect the purposes of the Pool Purchase Agreement without the consent of the Seller, and the assignee shall succeed to the rights hereunder of the Company. The Seller agrees to perform its obligations hereunder for the benefit of the Issuer, the Trustee, the Collateral Agent and the Noteholders agrees that such parties are intended third party beneficiaries of this Agreement and agrees that the Trustee or the Collateral Agent and (subject to the terms and conditions of the Indenture and Servicing Agreement and any applicable Indenture Supplement) the Noteholders may enforce the provisions of this Agreement and any PA Supplement, exercise the rights of the Company and enforce the obligations of the Seller hereunder without the consent of the Company.

(c) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(d) TERMINATION. The obligations of the Seller under this Agreement and any PA Supplement shall survive the sale of the Loans to the Company and the Company's transfer of the Loans and other related Transferred Assets to the Issuer.

(e) GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.

(f) NOTICES. All demands and notices hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by certified mail, postage prepaid and return receipt requested, or by express delivery service, to (i) in the case of the Seller, Trendwest Resorts, Inc., 9805 Willows Road, Redmond, Washington 98052, Attention: President, or such other address as may hereafter be furnished to the Company in writing by the Seller and (ii) in the case of the Company, Sierra Deposit Company, LLC, 10750 West Charleston Blvd., Suite 130, Mailstop 2067, Las Vegas, Nevada 89135, Attention: President, or such other address as may hereafter be furnished to the Seller in writing by the Company.

(g) SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements,

provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

(h) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon each of the Seller and the Company and their respective permitted successors and assigns, and shall inure to the benefit of each of the Seller and the Company and each of the Issuer, the Trustee and the Collateral Agent to the extent explicitly contemplated hereby.

(i) COSTS, EXPENSES AND TAXES.

(a) The Seller agrees to pay on demand to the Company all reasonable costs and expenses, if any, incurred or reimbursed (or to be reimbursed) by the Company (including reasonable counsel fees and expenses) in connection with the enforcement or preservation of the rights and remedies under this Agreement and any PA Supplement.

(b) The Seller agrees to pay, indemnify and hold the Company harmless from and against any and all stamp, sales, excise and other taxes and fees payable or determined to be payable by or reimbursed (or to be reimbursed) by the Company in connection with the execution, delivery, filing and recording of this Agreement or any PA Supplement, and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(j) NO BANKRUPTCY PETITION. The Seller covenants and agrees not to institute against the Company or the Issuer, or join any other person in instituting against the Company or the Issuer, any proceeding under any Debtor Relief Law.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

TRENDWEST RESORTS, INC.

By: /s/ Timothy P. O'Neil

Name: Timothy P. O'Neil
Title: Chief Financial Officer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for Trendwest MLPA]

EXHIBIT 10.66

EXECUTION COPY

SERIES 2002-1 SUPPLEMENT
Dated as of August 29, 2002

to

MASTER LOAN PURCHASE AGREEMENT
Dated as of August 29, 2002

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

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by and between

TRENDWEST RESORTS, INC.,
as Seller

and

SIERRA DEPOSIT COMPANY, LLC,
as Purchaser

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THIS PURCHASE AGREEMENT SUPPLEMENT (this "PA SUPPLEMENT"), dated as of August 29, 2002, is by and between TRENDWEST RESORTS, INC., an Oregon corporation, as seller (the "SELLER") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

Section 2 of the Agreement provides that the Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under Loans listed on the Loan Schedule of the related PA Supplement on the Closing Date for the related Series. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in a PA Supplement to the Agreement.

Pursuant to this PA Supplement and in accordance with Section 2 of the Agreement, the Seller hereby sells to the Company, and the Company hereby Purchases from the Seller, the Series 2002-1 Loans and the Seller and the Company hereby specify the principal terms of such sales and Purchases.

SECTION 1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Loans and to no other Loans purchased by the Company from the Seller.

In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Agreement, the terms and provisions of this PA Supplement shall be controlling.

The words "hereof," "herein" and "hereunder" and words of similar import when used in this PA Supplement shall refer to this PA Supplement as a whole and not to any particular provision of this PA Supplement; and Article, Section, subsection, Schedule and Exhibit references contained in this PA Supplement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this PA Supplement unless otherwise specified.

"ADDITION DATE" shall mean the date from and after which Additional Loans are sold pursuant to Section 2(d).

"AGREEMENT" shall mean the Master Loan Purchase Agreement dated as of August 29, 2002 by and between the Seller and the Purchaser, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with its terms.

"ASSIGNMENT" shall have the meaning set forth in Section 2(d)(iii)(E).

"CLOSING DATE" shall mean August 29, 2002.

"COMPANY" shall have the meaning set forth in the preamble.

"CUT-OFF DATE" shall mean August 27, 2002.

"ELIGIBLE LOAN" shall mean a Series 2002-1 Loan:

(a) with respect to which (i) the related Timeshare Property is not a Lot, (ii) the related Timeshare Property has been purchased by an Obligor, (iii) except in the case of a Green Loan, a certificate of occupancy for the related Timeshare Property has been issued, (iv) except in the case of a Green Loan, the unit for the related Timeshare Property is complete and ready for occupancy, is not in need of material maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (v) the related Timeshare Property Regime is not in need of maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (vi) there is no legal, judicial or administrative proceeding pending, or to the Seller's knowledge threatened, for the total condemnation of the related Timeshare Property or partial condemnation of any portion of the related Timeshare Property Regime that would have a material adverse effect on the value of the related Timeshare Property and (vii) the related Timeshare Property, if not Vacation Credits, is not related to a Resort located outside of the United States, Canada, Mexico or the United States Virgin Islands;

(b) with respect to which the rights of the Obligor thereunder are subject to declarations, covenants and restrictions of record affecting the Resort;

(c) in the case of a Series 2002-1 Loan that is an Installment Contract, with respect to which the Seller has a valid ownership or security interest in an underlying Timeshare Property, subject only to Permitted Encumbrances, unless the criteria in paragraph (d) are satisfied;

(d) with respect to which (i) if the related Timeshare Property has been deeded to the Obligor of the related Series 2002-1 Loan, (A) the Seller has a valid and enforceable first lien Mortgage on such Timeshare Property, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, (B) such Mortgage and related mortgage note have been assigned to the Collateral Agent, (C) such Mortgage and the related note for such Mortgage have been transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the Agreement and (D) if any Mortgage relating to such Series 2002-1 Loan is a deed of trust, a trustee duly qualified under applicable law to serve as such has been properly designated in accordance with applicable law and currently so serves or (ii) if the related Timeshare Property has not been deeded to the Obligor of the related Series 2002-1 Loan, the Seller has legal title to and an equitable interest in such Timeshare Property underlying the related Series 2002-1 Loan;

(e) that was issued in a transaction that complied, and is in compliance, in all material respects with all material requirements of applicable federal, state and local law;

(f) that requires the Obligor to pay the unpaid principal balance over an original term of not greater than 120 months and (ii) the original term of which does not exceed 84 months unless (A) the Series 2002-1 Loan relates to a Timeshare Upgrade or (B) the weighted average FICO score of all such Series 2002-1 Loans with original terms longer than 84 months is at least 640 and the Series 2002-1 Loan has a FICO score not less than 600;

(g) the Scheduled Payments on which are denominated and payable in United States dollars;

(h) that is not a Defective Loan or a Defaulted Loan;

(i) that is not a Delinquent Loan and has never been a Defaulted Loan, as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(j) that does not (i) finance the purchase of credit life insurance and (ii) finance, and was not originated in connection with, the "Explorer" program, unless such Loan has been converted to be in connection with the WorldMark program;

(k) with respect to which no Due Date thereunder occurring after the Cut-Off Date or the related Addition Cut-Off Date, as applicable, has been deferred;

(l) with respect to which the related Timeshare Property consists of Vacation Credits or a UDI;

(m) that was originated by the Seller and has been consistently serviced by the Seller, in each case in the ordinary course of its business and in accordance with the Seller's Customary Practices and Credit Standards and Collection Policies;

(n) that has not been specifically reserved against by the Seller or classified by the Seller as uncollectible or charged off;

(o) that arises from transactions in a jurisdiction in which the Seller is duly qualified to do business, except where the failure to so qualify will not adversely affect or impair the legality, validity, binding effect and enforceability of such Series 2002-1 Loan;

(p) that has not been cancelled or terminated by the related Obligor (regardless of whether such Obligor is legally entitled to do so) and constitutes a legal, valid, binding and enforceable obligation of the related Obligor, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(q) that is fully amortizing pursuant to a required schedule of substantially equal monthly payments of principal and interest;

(r) with respect to which (i) the downpayment has been made and (ii) no statutory rescission rights with respect to the related Obligor are continuing as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(s) that had an Equity Percentage of 10% or more at the time of the sale of the related Timeshare Property to the related Obligor (or, in the case of a Loan relating to a Timeshare Upgrade, an Equity Percentage of 10% or more of the value of all vacation credits owned by the related Obligor);

(t) with respect to which the related Obligor has not at any time made a written request for rescission of such Series 2002-1 Loan or otherwise stated in writing that it does not intend to consummate such Loan or to fully perform under such Series 2002-1 Loan;

(u) with respect to which at least one Scheduled Payment has been made by the Obligor;

(v) as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, has an outstanding loan balance not greater than $100,000; and

(w) that, in the case of a Green Loan, (i) satisfies each of the eligibility criteria set forth in paragraphs (a) through (v) above other than any such criteria that cannot be satisfied due solely to (A) the related Green Timeshare Property being located in a Resort that is not yet complete and ready for occupancy; (B) the Seller not having a valid ownership interest in the related Green Timeshare Property; or (C) the related Green Timeshare Property not having been deeded to the Obligor or legal title not being held by the Nominee; and (ii) the related Green Timeshare Property has a scheduled completion date no more than six months following the Cut-Off Date or related Addition Cut-Off Date, as applicable.

"EXCESS CONCENTRATION AMOUNT" shall have the meaning set forth in the Series 2002-1 Supplement.

"PA SUPPLEMENT" shall have the meaning set forth in the preamble.

"POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"PURCHASE" shall have the meaning set forth in Section 2(e).

"PURCHASER" shall have the meaning set forth in the preamble.

"REPURCHASE DATE" shall have the meaning set forth in Section 7.

"REPURCHASE PRICE" shall have the meaning set forth in Section 7.

"SERIES TERMINATION DATE" shall mean the date on which all obligations with respect to the Series 2002-1 Notes issued under the Series 2002-1 Supplement have been paid in full and the Series 2002-1 Supplement is discharged.

"SERIES 2002-1 ADDITIONAL LOAN" shall mean each Additional Loan constituting one of the Series 2002-1 Loans Purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"SERIES 2002-1 LOAN" shall mean each Loan listed from time to time on the Series 2002-1 Loan Schedule.

"SERIES 2002-1 LOAN SCHEDULE" shall mean the Loan Schedule for the Series 2002-1 Loans.

"SERIES 2002-1 NOTEHOLDER" shall mean any Noteholder under the Series 2002-1 Supplement.

"SERIES 2002-1 PLEDGED LOAN" shall have the meaning set forth in the Series 2002-1 Supplement.

"SERIES 2002-1 SUPPLEMENT" shall mean the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the original issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall have the meaning set forth in Section 7.

SECTION 2. SALE.

(a) SERIES 2002-1 LOANS. Subject to the terms and conditions and in reliance on the representations, warranties, and covenants and agreements set forth in the Agreement and this PA Supplement, the Seller hereby sells and assigns to the Company, and the Company hereby Purchases from the Seller, without recourse except as specifically set forth herein, all of the Seller's right, title and interest in, to and under the Initial Loans, if any, listed on the Series 2002-1 Loan Schedule delivered on the Closing Date, together with all Transferred Assets relating thereto. The Series 2002-1 Additional Loans existing at the close of business on the related Addition Cut-Off Date and all other Transferred Assets relating thereto shall be sold by the Seller and purchased by the Company on the related Addition Date. Notwithstanding the foregoing, and for avoidance of doubt, the Seller does not assign, and the Purchaser does not agree to assume, any obligations specific to the Seller as developer of any Timeshare Property underlying an Installment Contract.

(b) FILING OF FINANCING STATEMENTS. In connection with the foregoing sale, the Seller agrees to record and file a financing statement or statements (and continuation statements or other amendments with respect to such financing statements) with respect to the Series 2002-1 Loans and related Transferred Assets described in Section 2(a) sold by the Seller hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the interests of the Purchaser created hereby under the applicable UCC and

to deliver a file-stamped copy of such financing statements and continuation statements (or other amendments) or other evidence of such filings to the Purchaser.

(c) DELIVERY OF SERIES 2002-1 LOAN SCHEDULE. In connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the applicable Addition Date (in the case of Additional Series 2002-1 Loans) to indicate or cause to be indicated clearly and unambiguously in its accounting, computer and other records that the Series 2002-1 Loans and related Transferred Assets have been sold to the Purchaser pursuant to this PA Supplement. In addition, in connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the applicable Addition Date (in the case of Additional Series 2002-1 Loans) to deliver to the Company a Series 2002-1 Loan Schedule for such Series 2002-1 Loans or Additional Series 2002-1 Loans.

(d) PURCHASE OF ADDITIONAL SERIES 2002-1 LOANS.

(i) [Reserved].

(ii) The Seller may, with the consent of the Purchaser, designate Eligible Loans to be sold as Additional Series 2002-1 Loans.

(iii) On the Addition Date with respect to any Additional Series 2002-1 Loans, such Additional Series 2002-1 Loans shall become Series 2002-1 Loans, and the Purchaser shall Purchase the Seller's right, title and interest in, to and under the Additional Series 2002-1 Loans and the other related Transferred Assets as provided in the Assignment, subject to the satisfaction of the following conditions on such Addition Date:

(A) The Seller shall have delivered to the Purchaser copies of UCC financing statements covering such Additional Series 2002-1 Loans, if necessary to perfect the Purchaser's first priority interest in such Series 2002-1 Additional Loans and the other related Transferred Assets;

(B) On each of the Addition Cut-Off Date and the Addition Date, the sale of such Additional Series 2002-1 Loans and the other related Transferred Assets to the Purchaser shall not have caused the Seller's insolvency or have been made in contemplation of the Seller's insolvency;

(C) No selection procedure shall have been utilized by the Seller that would result in a selection of such Additional Series 2002-1 Loans (from the Eligible Loans available to the Seller) that would be materially adverse to the interests of the Purchaser as of the Addition Date;

(D) The Seller shall have indicated in its accounting, computer and other records that the Additional Series 2002-1 Loans and the other related Transferred Assets have been sold to the Purchaser and shall have delivered to the Purchaser the required Series 2002-1 Loan Schedule;

(E) The Seller and the Purchaser shall have entered into a duly executed, written assignment substantially in the form of Exhibit B to the Agreement (an "ASSIGNMENT");

(F) The Seller shall have delivered to the Purchaser an Officer's Certificate of the Seller dated the Addition Date, confirming, to the extent applicable, the items set forth in Section 2(d)(iii) (A) through (E);

(G) The Seller shall have executed the letter agreement relating to the amendment of documents and the letter agreement relating to inspections and audits which agreements were entered into by Fairfield Acceptance Corporation, the Purchaser and Sierra Receivables Funding Company, LLC on the date of this PA Supplement; and

(H) The Purchaser shall have paid the Additional Pool Purchase Price as provided in Section 3 of the Agreement.

(iv) The Seller shall have no obligation to sell the Additional Series 2002-1 Loans if it has not been paid the Additional Pool Purchase Price therefor.

(e) TREATMENT AS SALE. It is the express and specific intent of the parties that the sale of the Series 2002-1 Loans and related Transferred Assets from the Seller to the Company as provided in this Section 2 (the "PURCHASE") is and shall be construed for all purposes as a true and absolute sale of such Series 2002-1 Loans and related Transferred Assets, shall be absolute and irrevocable and provide the Company with the full benefits of ownership of the Series 2002-1 Loans and related Transferred Assets and will be treated as such for all federal income tax reporting and all other purposes.

(f) RECHARACTERIZATION. Without prejudice to the provisions of Section 2(e) providing for the absolute transfer of the Seller's interest in the Series 2002-1 Loans and related Transferred Assets to the Company in order to secure the prompt payment and performance of all of the obligations of the Seller to the Company and the Company's assignees arising in connection with the Agreement, this PA Supplement and the other Facility Documents, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Seller hereby assigns and grants to the Company a first priority security interest in all of the Seller's right, title and interest, whether now owned or hereafter acquired, if any, in, to and under all of the Series 2002-1 Loans and related Transferred Assets and the proceeds thereof.

(g) SECURITY INTEREST IN TRANSFERRED ASSETS. The Seller Sacknowledges that the Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the Indenture and Servicing Agreement for the benefit of the Trustee and the Series 2002-1 Noteholders (or to the Collateral Agent on behalf of the Trustee and the Series 2002-1 Noteholders).

(h) TRANSFER OF LOANS. All Series 2002-1 Loans conveyed to the Company hereunder shall be held by the Custodian pursuant to the terms of the Custodial Agreement for the benefit of the Company, the Issuer, the Trustee and the Collateral Agent. Upon each Purchase hereunder, the Custodian shall execute and deliver to the Company a certificate

acknowledging receipt of the applicable Series 2002-1 Loans pursuant to the Custodial Agreement.

The Seller acknowledges that the Company will convey the Series 2002-1 Loans and the other related Transferred Assets to the Issuer and that the Issuer will grant a security interest in the Series 2002-1 Loans and other related Transferred Assets to the Collateral Agent pursuant to the Indenture and Servicing Agreement and the related Series 2002-1 Supplement. The Seller agrees that, upon such grant, the Issuer, the Trustee and the Collateral Agent may enforce all of the Seller's obligations hereunder and under the Agreement directly, including without limitation the repurchase obligations of the Seller set forth in Section 7.

SECTION 3. PURCHASE PRICE.

No Series 2002-1 Loans shall be sold on the Closing Date. The purchase price for Additional Loans sold on an Addition Date shall be the Additional Pool Purchase Price.

SECTION 4. PAYMENT OF PURCHASE PRICE.

Sections 4(a) through (c) are set forth in the Agreement.

(d) The closing shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, Washington Harbour, 3050 K Street, NW, Washington, D.C. 20007, at 10:00 a.m. local time on the Closing Date, or such other time and place as shall

be mutually agreed upon among the parties hereto.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 LOANS AND ADDITIONAL LOANS.

(a) CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 LOANS. The Purchaser's obligations hereunder to Purchase and pay for the Series 2002-1 Loans and related Transferred Assets are subject to the fulfillment of the following conditions on or before the Closing Date:

(i) (A) The Purchaser shall have received the Series 2002-1 Pool Purchase Agreement relating to each Series 2002-1 Loan executed by all the parties thereto and (B) all conditions precedent to the sale of the Series 2002-1 Pool Loans thereunder shall have been fulfilled to the extent they are capable of being fulfilled prior to the performance by the Purchaser of its obligations under this PA Supplement.

(ii) The representations and warranties of the Seller made in the Agreement and herein shall be true and correct in all material respects on the Closing Date.

(b) CONDITIONS PRECEDENT TO SALE OF ADDITIONAL LOANS. No Purchase of Additional Loans and related Transferred Assets may be made hereunder until the Purchaser shall have received each of the following in form and substance acceptable to the Purchaser:

(i) Copies of search reports certified by parties acceptable to the Purchaser dated a date reasonably prior to the initial Addition Date (A) listing all effective financing statements which name the Seller (under its present name and any previous names) as debtor or seller and which are filed with respect to the Seller in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets except as contemplated by the Facility Documents);

(ii) Copies of proper UCC Financing Statement Amendments (Form UCC3), if any, necessary to terminate all security interests and other rights of any Person in the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets previously granted by the Seller (except as contemplated by the Facility Documents);

(iii) Copies of proper UCC Financing Statements (Form UCC1) naming the Seller as debtor or seller of the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets, the Issuer as total assignee and the Purchaser as assignor secured party, and such other similar instruments or documents with respect to the Seller as may be necessary or in the opinion of the Purchaser desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Purchaser's interest in the Series 2002-1 Loans and related Transferred Assets;

(iv) An opinion or opinions of counsel to the Seller, in the form required by the Purchaser, with respect to the following: (A) certain security interest matters, and (B) "true sale" and substantive consolidation matters; and

(v) Evidence that one or more Lockbox Accounts have been established.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

(a) REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants as of the Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(xvii) ACCURACY OF INFORMATION. All information with respect to the Seller and the Loans contained in the Confidential Information Memorandum dated June 2002 with respect to the Series 2002-1 Notes and Series 2002-1 Loans (including, without limitation, the Credit Standards and Collection Policy) was true and accurate in every respect material to the transactions contemplated hereby on the date as of which it was delivered, and did not omit to state any fact necessary to make the statements contained therein not materially misleading or, if any such information contained therein has been discovered to have been inaccurate on such date, such information has been corrected by subsequent information provided in writing to the Issuer.

(xviii) NO MATERIAL ADVERSE CHANGE. As of the Closing Date, there has been no material adverse change with respect to the business operations or financial condition of the Seller since December 31, 2001.

Sections 6(a)(i) through (xvi) are set forth in the Agreement.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE SERIES 2002-1 LOANS. The Seller represents and warrants to the Company as of the Cut-Off Date and Addition Cut-Off Date as to each Series 2002-1 Loan conveyed on and as of the Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(xxiii) LOAN SCHEDULE. The information set forth in the Series 2002-1 Loan Schedule is true and correct with respect to such Series 2002-1 Loan.

(xxiv) GOOD TITLE TO SERIES 2002-1 LOANS. The Seller has good and marketable title to such Series 2002-1 Loan free and clear of any Lien other than Permitted Encumbrances. (A) With respect to the related Timeshare Property that consists of a Vacation Credit and the related Loan Documents, the Seller has not sold, assigned or pledged such related Series 2002-1 Loan or any interest therein to any Person other than the Company and (B) with respect to the related Timeshare Property that consists of an UDI, the Assignment of Mortgage of such related Mortgage from the Seller to the Company and each related endorsement of the related Mortgage note constitutes a duly executed, legal, valid, binding and enforceable sale, assignment or endorsement of such related Mortgage and related Mortgage note, and all monies due or to become due thereunder and all proceeds thereof.

(xxv) NO DEFAULTS. As of the Cut-Off Date or related Addition Cut-Off Date, as applicable, such Series 2002-1 Loan is not a Defaulted Loan and no event has occurred which, with the taking of any action or the expiration of any grace or cure period or both, would cause such Series 2002-1 Loan to be a Defaulted Loan. The Seller has not waived any such default, breach, violation or event permitting acceleration with respect to such Series 2002-1 Loan.

(xxvi) EQUAL INSTALLMENTS. Such Series 2002-1 Loan has a fixed Loan Rate and provides for substantially equal monthly payments that fully amortize the Series 2002-1 Loan over its term.

(xxvii) EXCESS CONCENTRATION AMOUNT. The Purchase of such Series 2002-1 Loan occurring on such Closing Date or Addition Date, as applicable, and the inclusion of such Series 2002-1 Loan as a Series 2002-1 Pledged Loan pursuant to the Series 2002-1 Supplement to the Indenture and Servicing Agreement, does not cause an increase in the Excess Concentration Amount.

Sections 6(b)(i) through (xxii) are set forth in the Agreement.

SECTION 7. REPURCHASES OR SUBSTITUTION OF SERIES 2002-1 LOANS.

(a) REPURCHASE OR SUBSTITUTION OBLIGATION. Subject to Section 7(b), upon discovery by the Seller or upon written notice from the Company, the Issuer or the Trustee that any Series 2002-1 Loan is a Defective Loan, the Seller shall, within 90 days after the earlier of its discovery or receipt of notice thereof, cure such Defective Loan in all material respects or

either (i) repurchase such Defective Loan from the Company or its assignee at the Repurchase Price or (ii) substitute one or more Qualified Substitute Loans for such Defective Loan. For purposes of this Agreement, the term "Repurchase Price" shall mean an amount equal to the outstanding Principal Balance of such Defective Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the repurchase is to be made, plus accrued but unpaid interest thereon to the date of the repurchase. The Company hereby directs the Seller, for so long as the Indenture and Servicing Agreement is in effect, to make such payment on its behalf to the Collection Account pursuant to Section 7(b). The following defects with respect to documents in any Loan File, solely to the extent they do not impair the validity or enforceability of the subject document under applicable law, shall not be deemed to constitute a breach of the representations and warranties contained in Section 6(b): misspellings of or omissions of initials in names; name changes from divorce or marriage; discrepancies as to payment dates in a Series 2002-1 Loan of no more than 30 days; discrepancies as to Scheduled Payments of no more than $5.00; discrepancies as to origination dates of not more than 30 days; inclusion of additional parties other than the primary Obligor not listed in the Master Servicer's records or in the Series 2002-1 Loan Schedule and non-substantive typographical errors and other non-substantive minor errors of a clerical or administrative nature.

(b) REPURCHASES AND SUBSTITUTIONS. The Seller shall provide written notice to the Company of any repurchase pursuant to Section 7(a) not less than two Business Days prior to the date on which such repurchase is to be effected,

specifying the Defective Loan and the Repurchase Price therefor. Upon the repurchase of a Defective Loan pursuant to Section 7(a), the Seller shall deposit the Repurchase Price in the Collection Account on behalf of the Company no later than 12:00 noon, New York time, on the Payment Date on which such repurchase is made (the "REPURCHASE DATE").

If the Seller elects to substitute a Qualified Substitute Loan or Loans for a Defective Loan pursuant to this Section 7(b), the Seller shall deliver such Qualified Substitute Loan in the same manner as the other Series 2002-1 Loans sold hereunder, including delivery of the applicable Loan Documents as required pursuant to the Custodial Agreement and satisfaction of the same conditions with respect to such Qualified Substitute Loan as to the Purchase of Additional Loans set forth in Section 2(d)(iii). Payments due with respect to Qualified Substitute Loans prior to the last day of the Due Period next preceding the date of substitution shall not be property of the Company, but will be retained by the Master Servicer and remitted by the Master Servicer to the Seller on the next succeeding Payment Date. Scheduled Payments due on a Defective Loan prior to the last day of the Due Period next preceding the date of substitution shall be property of the Company, and after such last day of the Due Period next preceding the date of substitution the Seller shall be entitled to retain all Scheduled Payments due thereafter and other amounts received in respect of such Defective Loan. The Seller shall cause the Master Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Company and such schedule shall be an amendment to the Series 2002-1 Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Loans shall be subject to the terms of this PA Supplement in all respects, the Seller shall be deemed to have made the representations and warranties with respect to each Qualified Substitute Loan set forth in Section 6(b) of the Agreement and this PA Supplement and Section 6(c) of the Agreement, in each case as of the date of substitution, and the Seller shall be deemed to have made a representation and warranty that each Loan so substituted is an Qualified Substitute Loan as of the date of substitution. The

Seller shall be obligated to repurchase or substitute for any Eligible Substitute Loan as to which the Seller has breached the Seller's representations and warranties in Section 6(b) to the same extent as for any other Series 2002-1 Loan, as provided herein. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Master Servicer shall determine the amount (such amount, a "SUBSTITUTION ADJUSTMENT AMOUNT"), if any, by which the aggregate principal balance of all such Qualified Substitute Loans as of the date of substitution is less than the aggregate principal balance of all such Defective Loans (after application of the principal portion of the Scheduled Payments due in the month of substitution that are to be distributed to the Company in the month of substitution). The Seller shall deposit the amount of such shortfall into the Collection Account in immediately available funds on the date of substitution, without any reimbursement therefor.

Upon each repurchase or substitution, the Company shall automatically and without further action sell, transfer, assign, set over and otherwise convey to the Seller, without recourse, representation or warranty, all of the Company's right, title and interest in and to the related Defective Loan, the related Timeshare Property, the Loan File relating thereto and any other related Transferred Assets, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of transfer, subject to the payment of any Substitution Adjustment Amount). The Company shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 7(b).

Promptly after the occurrence of a Repurchase Date and after the repurchase of Defective Loans in respect of which the Repurchase Price has been paid on such date, the Seller shall direct the Master Servicer to delete such Defective Loans from the Series 2002-1 Loan Schedule.

The obligation of the Seller to repurchase or substitute for any Defective Loan shall constitute the sole remedy against the Seller with respect to any breach of the representations and warranties set forth in Section 6(b) available hereunder to the Company or its successors or assigns.

(c) REPURCHASES OF SERIES 2002-1 LOANS THAT BECOME DEFAULTED LOANS. If any Series 2002-1 Loan becomes a Defaulted Loan during any Due Period, the Seller may repurchase such Defaulted Loan from the Company or its assignees at the Repurchase Price therefor and in accordance with the additional provisions applicable to repurchases of Defective Loans under Section 7(b).

(d) MAXIMUM REPURCHASES. Notwithstanding anything to the contrary in the Agreement or this PA Supplement, no Defaulted Loans shall be repurchased by the Seller to the extent that the aggregate principal balance of all Defaulted Loans so repurchased is greater than the Defaulted Loan Repurchase Cap.

SECTION 8. COVENANTS OF THE SELLER.

Section 8 is set forth in the Agreement.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Section 9 is set forth in the Agreement.

SECTION 10. COVENANTS OF THE COMPANY.

Section 10 is set forth in the Agreement.

SECTION 11. MISCELLANEOUS PROVISIONS.

Sections 11(a) through (j) are set forth in the Agreement.

(k) RATIFICATION OF AGREEMENT. As supplemented by this PA Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this PA Supplement shall be read, taken and construed as one and the same instrument.

(l) AMENDMENT. This PA Supplement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

(m) COUNTERPARTS. This PA Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(n) GOVERNING LAW. THIS PA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(o) SUCCESSORS AND ASSIGNS. This PA Supplement shall be binding upon each of the Seller and the Company and their respective permitted successors and assigns, and shall inure to the benefit of, and be enforceable by, each of the Seller and the Company and each of the Issuer, the Trustee, the Collateral Agent and the Noteholders.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

TRENDWEST RESORTS, INC.

By: /s/ Timothy P. O'Neil

Name: Timothy P. O'Neil
Title: Chief Financial Officer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for Trendwest PA Supplement]

EXHIBIT 10.67

EXECUTION COPY

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MASTER LOAN PURCHASE AGREEMENT

Dated as of August 29, 2002

by and between

EFI DEVELOPMENT FUNDING, INC.,
as Seller

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

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SCHEDULES

EXHIBITS

MASTER LOAN PURCHASE AGREEMENT

THIS MASTER LOAN PURCHASE AGREEMENT (this "AGREEMENT"), dated as of August 29, 2002, is made by and between EFI DEVELOPMENT FUNDING, INC., a Delaware corporation, as seller (the "SELLER"), and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

RECITALS

WHEREAS, EFI has purchased certain Loans from time to time from Developers, which Loans were originated in connection with the sale to Obligors of Timeshare Properties at various Resorts;

WHEREAS, each of the Seller and the Company wishes to enter into this Agreement and the related Master Loan Purchase Agreement Supplement for each Series of Notes (each, a "PA SUPPLEMENT") in order to, among other things, effect the sale to the Company on the related Closing Date of Initial Loans and related Transferred Assets that the Seller owns as of the close of business on the related Cut-Off Date, and the sale to the Company of Additional Loans (including Additional Upgrade Balances) and related Transferred Assets that the Seller will own from time to time thereafter as of the close of business on the related Addition Cut-Off Dates; and

WHEREAS, the Company intends to transfer and assign the Loans and related Transferred Assets to the Issuer, which will then grant security interests in the Loans and related Transferred Assets to Wachovia Bank, National Association, as Collateral Agent on behalf of the Trustee and the holders of Notes issued from time to time pursuant to a Master Indenture and Servicing Agreement of even date herewith (the "INDENTURE AND SERVICING AGREEMENT"), together with any Indenture Supplements thereto, each by and between Sierra Receivables Funding Company, LLC as Issuer, FAC as Master Servicer, the Trustee and the Collateral Agent.

NOW, THEREFORE, in consideration of the purchase price set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS.

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ADDITION CUT-OFF DATE" shall mean, for Additional Loans of any Series, the date set forth in the related Assignment.

"ADDITION DATE" shall mean, with respect to any Series, the Addition Date as defined in the related PA Supplement.

"ADDITIONAL LOAN" shall mean, with respect to any Series, each installment contract or contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or

retention of title, in each case relating to the sale of one or more Timeshare Properties or Green Timeshare Properties to an Obligor and each Additional Upgrade Balance, in each case constituting one of the Loans of such Series purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"ADDITIONAL POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"ADDITIONAL UPGRADE BALANCE" shall mean, with respect to any Loan, any future borrowing made by the related Obligor pursuant to a modification of the

Loan relating to a Timeshare Upgrade after the Cut-Off Date or the Addition Cut-Off Date, as applicable, with respect to such Loan, together with all money due or to become due in respect of such borrowing.

"AFFILIATE" of any Person shall mean any other Person controlling or controlled by or under common control with such Person, and "control" shall mean the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" shall have meanings correlative to the foregoing.

"AGREEMENT" shall mean this Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"AMORTIZATION EVENT" shall mean, with respect to any Series, one or more of the events constituting an Amortization Event as defined in the related Indenture Supplement.

"ASSESSMENTS" shall mean any assessments made with respect to a Timeshare Property, including but not limited to real estate taxes, recreation fees, community club or property owners' association dues, water and sewer improvement district assessments or other similar assessments, the nonpayment of which could result in the imposition of a Lien or other encumbrance upon such Timeshare Property.

"ASSIGNMENT" shall mean, with respect to any Series, an Assignment as defined in the related PA Supplement.

"ASSIGNMENT OF MORTGAGE" shall mean any assignment (including any collateral assignment) of any Mortgage.

"BANKRUPTCY CODE" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"BENEFIT PLAN" shall mean any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Company or any ERISA Affiliate of the Company is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"BUSINESS DAY" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York, New York, Las Vegas, Nevada, or the city in which the Corporate Trust Office of the Trustee is located, or any other city specified in the PA Supplement for a Series, are authorized or obligated by law or executive order to be closed.

"CENDANT" shall mean Cendant Corporation or any successor thereof.

"CLOSING DATE" shall mean, with respect to any Series, the Closing Date as defined in the related PA Supplement.

"COLLATERAL" shall have the meaning set forth in the Indenture and Servicing Agreement.

"COLLATERAL AGENCY AGREEMENT" shall mean the Collateral Agency Agreement dated as of January 15, 1998 by and between Fleet National Bank as predecessor Collateral Agent, Fleet Securities, Inc. as deal agent and the secured parties named therein, as amended by the First Amendment to Collateral Agency Agreement dated as of July 31, 1998, as further amended by the Second Amendment to Collateral Agreement dated as of July 25, 2000, as further amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, and as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002 by and among the Collateral Agent, the Trustee and other secured parties, as such Collateral Agency Agreement may be amended, supplemented or otherwise modified from time to time in accordance therewith.

"COLLATERAL AGENT" shall mean Wachovia Bank, National Association, as Collateral Agent, its successors and assigns and any entity which is substituted as Collateral Agent under the terms of the Collateral Agency Agreement.

"COLLECTION ACCOUNT" shall mean the account or accounts established pursuant to Section 7.1(a) of the Indenture and Servicing Agreement.

"COLLECTIONS" shall mean, with respect to any Loan, all funds, cash collections and other cash proceeds of such Loan, including without limitation (i) all Scheduled Payments or recoveries made in the form of money, checks and like items to, or a wire transfer or an automated clearinghouse transfer received in, any of the Lockbox Accounts or received by the Issuer or the Master Servicer (or any Subservicer) in respect of such Loan, (ii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any Insurance Proceeds relating to such Loan or the related Timeshare Property and (iii) all amounts received by the Issuer, the Master Servicer (or any Subservicer) or the Trustee in respect of any proceeds in respect of a condemnation of property in any Resort, which proceeds relate to such Loan or

the related Timeshare Property.

"COMPANY" shall have the meaning set forth in the preamble.

"CONTAMINANTS" shall have the meaning set forth in Section 6(b)(xii).

"CORPORATE TRUST OFFICE" shall have the meaning set forth in the Indenture and Servicing Agreement.

"CREDIT CARD ACCOUNT" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit to a Major Credit Card.

"CREDIT STANDARDS AND COLLECTION POLICIES" shall mean the Credit Standards and Collection Policies of EFI, a copy of which is attached to this Agreement as Exhibit C, as the same may be amended from time to time in accordance with the provisions of Section 8(b)(iii).

"CUSTODIAL AGREEMENT" shall mean the custodial agreement dated as of August 29, 2002 by and between the Issuer, FAC, EFI, Trendwest, Wachovia Bank, National Association, as Custodian, the Trustee and the Collateral Agent, a copy of which is attached to this Agreement as Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with the terms hereof.

"CUSTODIAN" shall mean, at any time, the custodian under the Custodial Agreement at such time.

"CUSTOMARY PRACTICES" shall mean the Master Servicer's practices with respect to the servicing and administration of Loans as in effect from time to time, which practices shall be consistent with the practices employed by prudent lending institutions that originate and service instruments similar to the Loans or other timeshare loans in the jurisdictions in which the Resorts are located.

"CUT-OFF DATE" shall mean, with respect to any Series, the Cut-Off Date as defined in the related PA Supplement.

"DE MINIMUS LEVELS" shall have the meaning set forth in Section 6(b)(xii).

"DEBTOR RELIEF LAWS" shall mean the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"DEFAULTED LOAN" shall mean any Loan (a) with any portion of a Scheduled Payment delinquent more than 60 days, (b) with respect to which the Master Servicer shall have determined in good faith that the Obligor will not resume making Scheduled Payments, (c) for which the related Obligor has been the subject of a proceeding under a Debtor Relief Law or (d) for which cancellation or foreclosure actions have been commenced.

"DEFAULTED LOAN REPURCHASE CAP" shall mean, as of any date of determination, an amount equal to the PRODUCT of (a) 18.0% MULTIPLIED BY (b) the aggregate Loan principal balance of all Loans (calculated as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, for each Loan) sold by the Seller to the Depositor pursuant to this Agreement on or prior to such date of determination.

"DEFECTIVE LOAN" shall mean, with respect to any Series, any Loan with any uncured material breach of a representation or warranty of the Seller set forth in Section 6(b) hereof and in the related PA Supplement.

"DELINQUENT LOAN" shall mean, with respect to any Series, a Loan with any portion of a Scheduled Payment delinquent more than 30 days, other than any Loan that is a Defaulted Loan.

"DEPOSITOR ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Company.

"DEVELOPER" shall mean any developer of a Resort that originates Loans in accordance with the Credit Standards and Collection Policies for sale to EFI.

"DUE DATE" shall mean, with respect to any Loan, the date on which an Obligor is required to make a Scheduled Payment thereon.

"DUE PERIOD" shall mean, with respect to any Payment Date, the immediately preceding calendar month.

"EFI" shall mean EFI Development Funding, Inc., a Delaware corporation and

a wholly-owned indirect Subsidiary of Cendant.

"ELIGIBLE LOAN" shall mean, with respect to any Series, an Eligible Loan as defined in the related PA Supplement.

"ENVIRONMENTAL LAWS" shall have the meaning set forth in Section 6(b)(xii).

"EQUITY PERCENTAGE" shall mean, with respect to a Loan, a fraction, expressed as a percentage, the NUMERATOR of which is the EXCESS of (A) the Timeshare Price of the related Timeshare Property relating to a Loan paid or to be paid by an Obligor OVER (B) the outstanding principal balance of such Loan at the time of sale of such Timeshare Property to such Obligor (LESS the amount of any valid check presented by such Obligor at the time of such sale that has cleared the payment system), and the DENOMINATOR of which is the Timeshare Price of the related Timeshare Property, PROVIDED that any cash downpayments or principal payments made on any initial Loan that have been fully prepaid as part of a Timeshare Upgrade and financed downpayments under such initial Loan financed over a period not exceeding six months from the date of origination of such Loan that have actually been paid within such six-month period shall be included for purposes of calculating the numerator of such fraction.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as such Person, any corporation described in clause (i) or any trade or business described in clause (ii).

"ERISA LIABILITIES" shall have the meaning set forth in Section 8(b)(vi).

"EVENT OF DEFAULT" shall mean, with respect to any Series, one or more of the events constituting an Event of Default under the related Indenture Supplement.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned Subsidiary of FRI.

"FACILITY DOCUMENTS" shall mean, collectively, this Agreement, each PA Supplement, the Indenture and Servicing Agreement, each Indenture Supplement, the Pool Purchase Agreement, each PPA Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"FIXED WEEK" shall mean a Timeshare Property representing a Fee Simple interest in a lodging unit at a Resort that entitles the related Obligor to occupy such lodging unit for a specified one-week period each year.

"FRI" shall mean Fairfield Resorts, Inc., a Delaware corporation and the parent corporation of FAC.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GRANT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"GREEN LOAN" shall mean a Loan the proceeds of which are used to finance the purchase of a Green Timeshare Property.

"GREEN TIMESHARE PROPERTY" shall mean a Timeshare Property for which construction on the related Resort has not yet begun or is subject to completion.

"INDEMNIFIED AMOUNTS" shall have the meaning set forth in Section 6(e).

"INDENTURE AND SERVICING AGREEMENT" shall have the meaning set forth in the recitals.

"INDENTURE SUPPLEMENT" shall mean, with respect to any Series, an indenture supplement to the Indenture and Servicing Agreement, executed and delivered in connection with the issuance of the Notes of such Series pursuant to Section 2.10 of the Indenture and Servicing Agreement, and all amendments thereof and supplements thereto.

"INDEPENDENT DIRECTOR" shall mean an individual who is an Independent Director as defined in the Limited Liability Company Agreement of the Company as in effect on the date of this Agreement.

"INITIAL CLOSING DATE" shall mean August 29, 2002.

"INITIAL LOAN" shall mean, with respect to any Series, each Loan listed on the related Loan Schedule on the Closing Date for such Series.

"INSOLVENCY EVENT" shall mean, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, or the filing of a petition against such Person in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, which case remains unstayed and undismissed within 30 days of such filing, or the appointing of a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or liquidation of such Person's business; or (b) the commencement by such Person of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such Debtor Relief Law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the admission by such Person of its inability to pay its debts generally as they become due.

"INSOLVENCY PROCEEDING" shall mean any proceeding relating to an Insolvency Event.

"INSTALLMENT CONTRACT" shall mean, with respect to any Series, an installment sale contract for deed and retained title in a related Timeshare Property by and between the Seller and an Obligor.

"INSURANCE PROCEEDS" shall mean proceeds of any insurance policy relating to any Loan or the related Timeshare Property, including any refund of unearned premium, but only to the extent such proceeds are not to be applied to the restoration of any improvements on the related Timeshare Property or released to the Obligor in accordance with Customary Practices.

"INTERNAL REVENUE CODE" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

"ISSUER" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company.

"ISSUER ADMINISTRATIVE SERVICES AGREEMENT" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC, as administrator, and the Issuer.

"LIEN" shall mean any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including without limitation any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LOAN" shall mean, with respect to any Series, each installment contract or contract for deed or contract or note secured by a mortgage, deed of trust, vendor's lien or retention of title, in each case relating to the sale of one or more Timeshare Properties or Green Timeshare Properties to an Obligor, that is listed on the Loan Schedule for such Series on the related Closing Date and any Additional Loans that are listed from time to time on such Loan Schedule in accordance with the related PA Supplement.

"LOAN CONVEYANCE DOCUMENTS" shall mean, with respect to any Loan, (a) the Assignment of Additional Loans in the form of Exhibit B, if applicable, and (b) any such other releases, documents, instruments or agreements as may be required by the Company, the Issuer or the Trustee in order to more fully effect the sale (including any prior assignments) of such Loan and any related Transferred Assets.

"LOAN DOCUMENTS" shall mean, with respect to any Loan, all papers and documents related to such Loan, including the original of all applicable

promissory notes, stamped as required by the Custodial Agreement, the original of any related recorded or (to the extent permitted under this Agreement) unrecorded Mortgage (or a copy of such recorded Mortgage if the original of the recorded Mortgage is not available, certified to be a true and complete copy of the original) and a copy of any recorded or (to the extent permitted under this Agreement) unrecorded warranty deed transferring legal title to the related Timeshare Property to the Obligor; PROVIDED, HOWEVER, that the Loan Documents may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement.

"LOAN FILE" shall mean, with respect to any Loan, the Loan Documents pertaining to such Loan and any additional amendments, supplements, extensions, modifications or waiver agreements required to be added to the Loan File pursuant to this Agreement, the Credit Standards and Collection Policies and/or Customary Practices.

"LOAN POOL" shall mean, with respect to any Series, all Loans identified in the Loan Schedule for such Series.

"LOAN RATE" shall mean the annual rate at which interest accrues on any Loan, as modified from time to time in accordance with the terms of any related Credit Standards and Collection Policies.

"LOAN SCHEDULE" shall mean, with respect to any Series, the list of Loans attached to the related PA Supplement as Schedule 1, as amended from time to time on each Addition Date and Repurchase Date as provided in the related PA Supplement, which list shall set forth the following information with respect to each Loan therein as of the applicable date:

(a) the Loan number;

(b) the Obligor's name and the home address and telephone number for such Obligor set forth in the Loan;

(c) the Resort in which the related Timeshare Property is located;

(d) as to Fixed Weeks, the building, unit and week thereof; as to Timeshare Properties other than UDIs, the number of Vacation Credits related thereto for which occupancy rights in a Timeshare Property may be redeemed and which are represented thereby;

(e) the Loan Rate;

(f) whether the Obligor has elected a PAC with respect to the Loan;

(g) the original term of the Loan;

(h) the original Loan principal balance and outstanding Loan principal balance as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(i) the amount of the Scheduled Payment on the Loan; and

(j) whether the related Timeshare Property has been deeded to the Obligor.

The Loan Schedule also shall set forth the aggregate amounts described under clause (h) above for all outstanding Loans. The Loan Schedule may be in the form of more than one list, collectively setting forth all of the information required.

"LOCKBOX ACCOUNT" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"LOCKBOX AGREEMENT" shall mean any agreement substantially in the form of Exhibit E by and between the Issuer, the Trustee, the Master Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer, the Trustee and the applicable Lockbox Bank with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank to remit all Collections directly to the Trustee.

"LOCKBOX BANK" shall mean any of the commercial banks holding one or more Lockbox Accounts for the purpose of receiving Collections.

"LOT" shall mean a fully or partially developed parcel of real estate.

"MAJOR CREDIT CARD" shall mean a credit card issued by any Visa USA, Inc., MasterCard International Incorporated, American Express Company, Discover Bank or Diners Club International Ltd. credit card entity.

"MASTER SERVICER" shall mean the master servicer under the Indenture and Servicing Agreement.

"MATERIAL ADVERSE EFFECT" shall mean, with respect to any Person and any event or circumstance, a material adverse effect on:

(a) the business, properties, operations or condition (financial or otherwise) of

any of such Person;

(b) the ability of such Person to perform its respective obligations under any Facility Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, any Facility Documents to which it is a party;

(d) the status, existence, perfection or priority of any Lien arising through or under such Person under any Facility Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Loans pledged as collateral for any Series of Notes or any of the other Transferred Assets pledged as collateral for any Series of Notes.

"MORTGAGE" shall mean any mortgage, deed of trust, purchase money deed of trust or deed to secure debt encumbering the related Timeshare Property, granted by the related Obligor to the Seller to secure payments or other obligations under a Loan.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 3(37) of ERISA.

"NOTE" shall mean any Loan-backed note issued, executed and authenticated in accordance with the Indenture and Servicing Agreement and any related Indenture Supplement.

"NOTEHOLDER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"OBLIGOR" shall mean, with respect to any Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"OPINION OF COUNSEL" shall mean a written opinion of counsel in form and substance reasonably satisfactory to the recipient thereof.

"PAC" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized bank account debit.

"PA SUPPLEMENT" shall have the meaning set forth in the recitals.

"PAYMENT DATE" shall mean, with respect to any Series, the payment date set forth in the related Indenture Supplement.

"PERMITTED ENCUMBRANCE" shall mean, with respect to a Loan, any of the following Liens against the related Timeshare Property: (i) the interest therein of the Obligor, (ii) the Lien of due and unpaid Assessments, (iii) covenants, conditions and restrictions, rights of way, easements and other matters of public record, such exceptions appearing of record being consistent with the normal business practices of the Seller or specifically disclosed in the applicable land sales registrations filed with the applicable regulatory agencies and (iv) other

matters to which properties of the same type as those underlying such Loan are commonly subject that do not materially interfere with the benefits of the security intended to be provided by such Timeshare Property.

"PERSON" shall mean any person or entity, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity, or any other organization or entity, whether or not a legal entity.

"PLAN" shall mean an employee benefit plan or other retirement arrangement subject to ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time.

"PLAN INSOLVENCY" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"POA" shall mean each property owners' association or similar timeshare owner body for a Timeshare Property Regime or Resort or portion thereof, in each

case established pursuant to the declarations, articles or similar charter documents applicable to each such Timeshare Property Regime, Resort or portion thereof.

"POOL PURCHASE AGREEMENT" shall mean the master purchase agreement relating to the Loans, dated the date hereof, by and between the Company and the Issuer, and all amendments thereof and supplements thereto including, with respect to any Series, the related PPA Supplement.

"POOL PURCHASE PRICE" shall mean, with respect to any Series, the Pool Purchase Price as defined in the related PA Supplement.

"POST OFFICE BOX" shall mean each post office box to which Obligors are directed to mail payments in respect of the Loans of any Series.

"PPA SUPPLEMENT" shall mean any supplement to the Pool Purchase Agreement relating to a particular Series of Notes.

"PURCHASE" shall mean, with respect to any Series, a Purchase as defined in the related PA Supplement.

"PURCHASER" shall have the meaning set forth in the preamble.

"QUALIFIED SUBSTITUTE LOAN" shall mean, with respect to any Series, a substitute Loan that (i) is an Eligible Loan on the applicable date of substitution for such substitute Loan, (ii) on such date of substitution has a Loan Rate not less than the Loan Rate of the substituted Loan and (iii) is not selected in a manner adverse to the Purchaser and its assignees.

"RECORDS" shall mean all copies of Loans (not including originals) and other documents, books, records and other information (including without limitation computer programs, tapes, discs, punch cards, data processing software and related property and rights)

maintained by the Seller or any of its respective Affiliates (not including the Purchaser or the Issuer) with respect to Loans, the related Transferred Assets and the related Obligors.

"REORGANIZATION" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT" shall mean any of the events described in Section 4043 of ERISA.

"REPURCHASE DATE" shall mean, with respect to any Series, the Repurchase Date as defined in the related PA Supplement.

"REPURCHASE PRICE" shall mean, with respect to any Series, the Repurchase Price as defined in the related PA Supplement.

"RESERVATION SYSTEM" shall mean the system with respect to Timeshare Properties pursuant to which a reservation for a particular location, time, length of stay and unit type is received, accepted, modified or canceled.

"RESERVE ACCOUNT" shall, with respect to any Series, mean any reserve account established pursuant to the related Indenture Supplement.

"RESORT" shall mean each resort or development listed on Schedule 2 (as such Schedule 2 may be amended from time to time with the written consent of the Company and the Seller in connection with proposed sales of Additional Loans relating to resorts or developments with respect to which Loans have not previously been sold under this Agreement).

"SCHEDULED PAYMENT" shall mean each scheduled monthly payment of principal and interest on a Loan.

"SELLER" shall have the meaning set forth in the preamble.

"SERIES" shall mean any Series of Notes issued and established pursuant to an Indenture Supplement.

"SERIES TERMINATION DATE" shall mean, with respect to any Series, the Series Termination Date as defined in the related PA Supplement.

"STATE" shall mean any of the 50 United States or the District of Columbia.

"SUBSERVICER" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSERVICING AGREEMENT" shall have the meaning set forth in the Indenture and Servicing Agreement.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity of which more than 50% of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors of such corporation

(notwithstanding that at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) or other persons performing similar functions is at the time directly or indirectly owned by such Person.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall, with respect to any Series, have the meaning set forth in the related PA Supplement.

"TIMESHARE PRICE" shall mean the original price of the Timeshare Property paid by an Obligor, PLUS any accrued and unpaid interest and other amounts owed by the Obligor.

"TIMESHARE PROPERTY" shall mean the underlying ownership interest that is the subject of a Loan, which ownership interest may be either a Fixed Week, a UDI or Vacation Credits.

"TIMESHARE PROPERTY REGIME" shall mean any of the various interval ownership regimes located at a Resort, each of which is an arrangement established under applicable state law whereby all or a designated portion of a development is made subject to a declaration permitting the transfer of Timeshare Properties therein, which Timeshare Properties shall, in the case of Fixed Weeks and UDIs, constitute real property under the applicable local law of each of the jurisdictions in which such regime is located.

"TIMESHARE UPGRADE" shall mean the upgrade by an Obligor of the Obligor's existing Timeshare Property to an upgraded Timeshare Property.

"TRANSFERRED ASSETS" shall mean, with respect to any Series, any and all right, title and interest of the Seller in, to and under:

(a) the Loans from time to time, including without limitation the Initial Loans as of the close of business on the Cut-Off Date and the Additional Loans as of the close of business on the related Addition Cut-Off Dates and all Scheduled Payments, other Collections and other funds received in respect of such Initial Loans and Additional Loans on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, and any other monies due or to become due on or after the Cut-Off Date or Addition Cut-Off Date, as applicable, in respect of any such Loans, and any security therefor;

(b) the Timeshare Properties relating to the Loans;

(c) any Mortgages relating to the Loans;

(d) any Insurance Policies relating to the Loans;

(e) the Loan Files and other Records relating to the Loans;

(f) the Loan Conveyance Documents relating to the Loans;

(g) all interest, dividends, cash, instruments, financial assets and other investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, or on account of, the sale or

other disposition of the Transferred Assets, and including all payments under Insurance Policies (whether or not any of the Seller, the Purchaser, the Master Servicer, the Issuer or the Trustee is the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any Transferred Assets, and any security granted or purported to be granted in respect of any Transferred Assets; and

(h) all proceeds of any of the foregoing property described in clauses (a) through (g).

"TRENDWEST" shall mean Trendwest Resorts, Inc., a wholly-owned indirect Subsidiary of Cendant.

"TRUSTEE" shall mean Wachovia Bank, National Association, as Trustee under the Indenture and Servicing Agreement, and its successors and assigns.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"UDI" shall mean an individual interest in fee simple (as tenants in common with all other undivided interest owners) in a lodging unit or group of lodging units at a Resort.

"VACATION CREDITS" shall mean ownership interests that entitle the owner thereof to use a Resort.

SECTION 2. PURCHASE AND SALE OF LOANS.

The Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under the Loans listed on the Loan Schedule with respect to the related PA Supplement. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in the related PA Supplement.

SECTION 3. POOL PURCHASE PRICE.

Provisions with respect to the Purchase and sale of the Loans for each Series shall be set forth in the related PA Supplement.

The purchase price for any Additional Loans and other related Transferred Assets (the "ADDITIONAL POOL PURCHASE PRICE") conveyed to the Company under this Agreement and the related PA Supplement on each Addition Date shall be a dollar amount equal to the aggregate outstanding principal balance of such Additional Loans sold on such date, subject to adjustment to reflect such factors as the Company and the Seller mutually agree will result in an Additional Pool Purchase Price equal to the fair market value of such Additional Loans and other related Transferred Assets.

SECTION 4. PAYMENT OF PURCHASE PRICE.

(a) CLOSING DATES. On the terms and subject to the conditions of this Agreement and the related PA Supplement, payment of the Pool Purchase Price for each Series shall be made by the Company on the related Closing Date in immediately available funds to the Seller to such accounts at such banks as the Seller shall designate to the Company not less than one Business Day prior to the such Closing Date.

(b) MANNER OF PAYMENT OF ADDITIONAL POOL PURCHASE PRICE. On the terms and subject to the conditions in this Agreement and the related PA Supplement, the Company shall pay to the Seller, on each Business Day on which any Additional Loans are purchased from the Seller by the Company pursuant to Section 2 of the related PA Supplement, the Additional Pool Purchase Price for such Additional Loans by paying such Additional Pool Purchase Price to the Seller in cash.

(c) SCHEDULED PAYMENTS UNDER LOANS AND CUT-OFF DATE. The Company shall be entitled to all Scheduled Payments, other Collections and all other funds with respect to any Loan received on or after the related Cut-Off Date or Addition Cut-Off Date, as applicable. The principal balance of each Loan as of the related Cut-Off Date or Addition Cut-Off Date, as applicable, shall be determined after deduction, in accordance with the terms of each such Loan, of payments of principal received before such Cut-Off Date or Addition Cut-Off Date.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF LOANS.

No Purchase of Loans and related Transferred Assets shall be made hereunder or under any PA Supplement on any date on which:

(a) the Company does not have sufficient funds available to pay the related Pool Purchase Price or Additional Pool Purchase Price in cash; or

(b) an Insolvency Event has occurred and is continuing with respect to the Seller or the Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

(a) GENERAL REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants as of each Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(i) ORGANIZATION AND GOOD STANDING.

(A) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement, any related PA Supplement and each of the Facility Documents to which it is a party. The Seller is organized in the jurisdiction set forth in the preamble. The Seller is duly

qualified to do business and is in good standing as a foreign corporation, and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Loan unenforceable by the Seller.

(B) The name of the Seller set forth in the preamble of this Agreement is its correct legal name and such name has not been changed in the past six years. The Seller does not utilize any trade names, assumed names, fictitious names or "doing business names."

(ii) DUE AUTHORIZATION AND NO CONFLICT. The execution, delivery and performance by the Seller of each of the Facility Documents to which it is a party, and the -consummation by the Seller of the transactions contemplated hereby and under each other Facility Document to which it is a party, has been duly authorized by the Seller by all necessary corporate action, does not contravene (i) the Seller's charter or by-laws, (ii) any law, rule or regulation applicable to the Seller, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on the Seller or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Seller or its properties (except where such contravention would not have a Material Adverse Effect with respect to the Seller or its properties), and does not result in (except as provided in the Facility Documents) or require the creation of any Lien upon or with respect to any of its properties; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the Facility Documents to which the Seller is a party have been duly executed and delivered on behalf of the Seller. To the extent that this representation is being made with respect to Title I of ERISA or Section 4975 of the Code, it is made subject to the assumption that none of the assets being used to purchase the Loans and Transferred Assets constitute assets of any Benefit Plan or Plan with respect to which the Seller is a party in interest or disqualified person.

(iii) GOVERNMENTAL AND OTHER CONSENTS. All approvals, authorizations, consents or orders of any court or governmental agency or body required in connection with the execution and delivery by the Seller of this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, the consummation by such party of the transactions contemplated hereby or thereby, the performance by such party of and the compliance by such party with the terms hereof or thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect with respect to such Party.

(iv) ENFORCEABILITY OF FACILITY DOCUMENTS. Each of the Facility Documents to which the Seller is a party has been duly and validly executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller, enforceable against it in accordance with its respective terms, except as enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(v) NO LITIGATION. Except as disclosed in Schedule 5 to this Agreement or to any Assignment, there are no proceedings or investigations pending, or to the knowledge of the Seller threatened, against the Seller before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any of the other Facility Documents, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Facility Documents, (C) seeking any determination or ruling that would adversely affect the performance by the Seller of its obligations under this Agreement, any related PA Supplement or any of the other Facility Documents to which it is a party, (D) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Facility Documents or (E) seeking any determination or ruling that would, if adversely determined, be reasonably likely to have a Material Adverse Effect with respect to such party.

(vi) GOVERNMENTAL REGULATIONS. The Seller is not (A) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or (B) a "public utility company" or a "holding company," a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(ii) of the Public Utility Holding Company Act of 1935, as amended.

(vii) MARGIN REGULATIONS. The Seller is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as each such term is defined or used in any of Regulations T, U or X of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the notes issued by the Issuer has been used by the Seller for so purchasing or carrying margin stock or for any purpose that violates or would be inconsistent with the provisions of any of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(viii) LOCATION OF CHIEF EXECUTIVE OFFICE AND RECORDS. The principal place of business and chief executive office of the Seller, and the office where the Seller maintains all of its Records, is 2 Clinton Square, Syracuse, New York 13202. The Seller has not changed its principal place of business or chief executive office (or the office where such entity maintains all of its Records) during the previous six years. At any time after the Initial Closing Date, upon 30 days' prior written notice to the Trustee as assignee of the Company and the Issuer, the Seller may change its name or may change its type or its jurisdiction of organization to another jurisdiction within the United States, but only so long as all action necessary or reasonably requested by the Company to amend the existing financing statements and to file additional financing statements in all applicable jurisdictions to perfect the transfer of the Loans and the related Transferred Assets is taken.

(ix) LOCKBOX ACCOUNTS. Except in the case of any Lockbox Account pursuant to which only Collections in respect of Loans subject to a PAC or Credit Card Account are deposited, the Seller has filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post

Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes, are set forth in Schedule 4. From and after the Initial Closing Date, the Seller shall not have any right, title and/or interest in or to any of the Lockbox Accounts or the Post Office Boxes and will maintain no Lockbox accounts in its own name for the collection of payments in respect of Loans. The Seller has no lockbox or other accounts for the collection of payments in respect of the Loans other than the Lockbox Accounts.

(x) FACILITY DOCUMENTS. This Agreement and any PA Supplement are the only agreements pursuant to which the Seller sells the Loans and other related Transferred Assets to the Company. The Seller has furnished to the Company true, correct and complete copies of each Facility Document to which the Seller is a party, each of which is in full force and effect. Neither the Seller nor any of its Affiliates (not including the Purchaser or the Issuer) is in default thereunder in any material respect.

(xi) TAXES. The Seller has timely filed or caused to be filed all federal, state and local tax returns required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller has set aside adequate reserves on its books in accordance with GAAP, and which proceedings have not given rise to any Lien.

(xii) ACCOUNTING TREATMENT. The Seller has accounted for the transactions contemplated in the Facility Documents to which it is a party in accordance with GAAP.

(xiii) ERISA. There has been no (A) occurrence or expected occurrence of any Reportable Event with respect to any Benefit Plan subject to Title IV of ERISA of the Seller or any ERISA Affiliate, or any withdrawal from, or the termination, Reorganization or Plan Insolvency of any Multiemployer Plan or (B) institution of proceedings or the taking of any other action by Pension Benefit Guaranty Corporation or by the Seller or any ERISA Affiliate or any such Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Plan Insolvency of, any such Plan.

(xiv) NO ADVERSE SELECTION. No selection procedures materially adverse to the Company, the Issuer, the Noteholders, the Trustee or the Collateral Agent have been employed by the Seller in selecting the Loans for inclusion in the Loan Pool on such Closing Date or Addition Date, as applicable.

(xv) VACATION CREDIT PROGRAM.

(A) As of each Closing Date or any Addition Date, as applicable, for each Timeshare Property Regime for which the

related Timeshare Properties are comprised primarily of Vacation Credits, the ratio of (1) the total number of Vacation Credits actually allocated to such Timeshare Property Regime for the

succeeding twelve-month period to (2) the total number of Vacation Credits allocable to available space in such Timeshare Property Regime over such twelve-month period, does not exceed 1.0 to 1.0.

(B) On each Closing Date or any Addition Date, as applicable, for each owner of Vacation Credits, the ratio, expressed as a percentage, of (1) the number of Vacation Credits allocated to such owner to (2) the total number of Vacation Credits assigned to all Vacation Credit owners in the applicable Timeshare Property Regime(s), does not exceed the percentage of such owner's undivided interest in such Timeshare Property Regime(s) as described in such owner's Loan.

(xvi) SEPARATE IDENTITY. The Seller and its Affiliates have observed the applicable legal requirements on their part for the recognition of the Company as a legal entity separate and apart from the Seller and its Affiliates (other than the Company) and have taken all actions necessary on their part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct; PROVIDED, HOWEVER, that the Seller makes no representations or warranties in this Section 6(a)(xvi) with respect to the Company or the Issuer.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE LOANS. The Seller represents and warrants to the Company as of the applicable Cut-Off Date and Addition Cut-Off Date as to each Loan conveyed on and as of each Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) ELIGIBILITY. Such Loan is an Eligible Loan.

(ii) NO WAIVERS. The terms of such Loan have not been waived, altered, modified or extended in any respect other than (A) modifications entered into in accordance with Customary Practices and Credit Standards and Collections Policies that do not reduce the amount or extend the maturity of required Scheduled Payments and (B) modifications in the applicability of a PAC (which may result in a change in the related Loan Rate).

(iii) BINDING OBLIGATION. Such Loan is the legal, valid and binding obligation of the Obligor thereunder and is enforceable against the Obligor in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(iv) NO DEFENSES. Such Loan is not subject to any statutory right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury.

(v) LAWFUL ASSIGNMENT. Such Loan was not originated in, and is not subject to the laws of, any jurisdiction the laws of which would make the transfer of the Loan under this Agreement or any PA Supplement unlawful.

(vi) COMPLIANCE WITH LAW. The Seller has complied with requirements of all material federal, state and local laws (including without limitation usury, truth in lending and equal credit opportunity laws) applicable to such Loan in all material respects. The related Timeshare Property Regime is in compliance with any and all applicable zoning and building laws and regulations and any other laws and regulations relating to the use and occupancy of such Timeshare Property Regime, except where such noncompliance would not have a Material Adverse Effect with respect to the Seller. The Seller has not received notice of any material violation of any legal requirements applicable to such Timeshare Property Regime, except where such violation would not have a Material Adverse Effect with respect to the Seller. The Timeshare Property Regime related to such Loan complies with all applicable state statutes, including without limitation condominium statutes, timeshare statutes, HUD filings relating to interstate land sales (if applicable) and the requirements of any governmental authority or local authority having jurisdiction with respect to such Timeshare Property Regime, and constitutes a valid and conforming condominium and timeshare regime under the laws of the State in which the related Resort is located, except where such noncompliance would not have a Material Adverse Effect with respect to the Seller.

(vii) LOAN IN FORCE; NO SUBORDINATION. Such Loan is in full force and effect and has not been subordinated, satisfied in whole or in part or rescinded.

(viii) CAPACITY OF PARTIES. All parties to such Loan had legal capacity to execute the Loan.

(ix) ORIGINAL LOANS. All original executed copies of such Loans are in the custody of the Custodian, except to the extent otherwise permitted pursuant to Section 6(b)(xiv).

(x) LOAN FORM/GOVERNING LAW. Such Loan was executed in substantially the form of one of the forms of Loan in Exhibit D (as such Exhibit D may be amended from time to time with the consent of the Seller and the Company), except for changes required by applicable law and certain other modifications that do not, individually or in the aggregate, affect the enforceability or collectibility of such Loan. In addition, such Loan was originated in and is governed by the laws of the State in which the related Resort is located.

(xi) INTEREST IN REAL PROPERTY. Each Timeshare Property that is either a Fixed Week or a UDI constitutes a fee simple interest in real property, and (except for a Timeshare Property that is a Green Timeshare Property) such Timeshare Property has been deeded to the related Obligor in accordance with the requirements of the related Loan and applicable law.

(xii) ENVIRONMENTAL COMPLIANCE. Each Timeshare Property Regime related to a Loan is now, and at all times during the Seller's ownership thereof (or the ownership of any Affiliate thereof other than the Company and the Issuer), has been free of contamination from any substance, material or waste identified as toxic or hazardous according to any federal, state or local law, rule, regulation or order governing, imposing

standards of conduct with respect to, or regulating in any way the discharge, generation, removal, transportation, storage or handling of toxic or hazardous substances, materials or waste or air or water pollution (hereinafter referred to as "ENVIRONMENTAL LAWS"), including without limitation any PCB, radioactive substance, methane, asbestos, volatile hydrocarbons, petroleum products or wastes, industrial solvents or any other material or substance that now or hereafter may cause or constitute a health, safety or other environmental hazard to any person or property (any such substance together with any substance, material or waste identified as toxic or hazardous under any Environmental Law now in effect or hereinafter enacted shall be referred to herein as "CONTAMINANTS"), but excluding from the foregoing any levels of Contaminants at or below which such Environmental Laws do not apply ("DE MINIMUS LEVELS"). Neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) has caused or suffered to occur any discharge, spill, uncontrolled loss or seepage of any petroleum or chemical product or any Contaminant (except for De Minimus Levels thereof) onto any property comprising or adjoining any Timeshare Property Regime, and neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any Timeshare Property Regime is now or has been involved in operations at the related Timeshare Property Regime that could lead to liability for the Seller, the Company, any Affiliate of the Seller or any other owner of such Timeshare Property Regime or the imposition of a Lien on such Timeshare Property Regime under any Environmental Law. No practice, procedure or policy employed by the Seller (or any Affiliate thereof other than the Company and the Issuer) with respect to POAs for which the Seller acts as the manager or, to the best knowledge of the Seller, by the manager of the POAs with respect to POAs managed by parties unaffiliated with the Seller, violates any Environmental Law that, if enforced, would reasonably be expected to (A) have a Material Adverse Effect on such POA or the ability of such POA to do business, (B) have a Material Adverse Effect on the financial condition of the POA or (C) constitute grounds for the revocation of any license, charter, permit or registration that is material to the conduct of the business of the POA.

Except as set forth in Schedule 3, (1) all property owned, managed, or controlled by the Seller or any Affiliate of the Seller (other than the Company and the Issuer) and located within a Resort is now, and at all times during the Seller's ownership, management or control thereof (or the ownership, management or control of any Affiliate thereof (other than the Company and the Issuer)) has been free of contamination from any Contaminants, except for De Minimus Levels thereof, (2) neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) has caused or suffered to occur any discharge, spill, uncontrolled loss or seepage of any Contaminants onto any property comprising or adjoining any of the Resorts, except for De Minimus Levels thereof, and (3) neither the Seller nor any Affiliate of the Seller (other than the Company and the Issuer) nor any Obligor or occupant of all or part of any of any Resort is now or previously has been involved in operations at any Resort that could

lead to liability for the Seller, the Company, any Affiliate of the Seller or any other owner of any Resort or the imposition of a Lien on such Resort under any Environmental Law. None of the matters set forth in Schedule 3 will have a Material Adverse Effect with respect to the Company or its assignees or the interests of the Company or its assignees in the Loans. Each Resort, and the present use thereof, does

not violate any Environmental Law in any manner that would materially adversely affect the value or use of such Resort or the performance by the POAs of their respective obligations under their applicable declarations, articles or similar charter documents. There is no condition presently existing, and to the best knowledge of the Seller no event has occurred or failed to occur with respect to any Resort, relating to any Contaminants or compliance with any Environmental Laws that would reasonably be expected to have a Materially Adverse Effect with respect to such Resort, including in connection with the present use of such Resort.

(xiii) TAX LIENS. All taxes applicable to such Loan and the related Timeshare Property have been paid, except where the failure to pay such tax would not have a Material Adverse Effect with respect to the Seller or its assignees or the Purchaser or the collectibility or enforceability of the Loan. There are no delinquent tax liens in respect of the Timeshare Property underlying such Loan.

(xiv) LOAN FILES. The related Loan File contains the following Loan Documents (which may include microfiche or other electronic copies of the Loan Documents to the extent provided in the Custodial Agreement):

(A) for Loans other than Loans described in clause (B) below, at least one original of each Loan (or, if the Loan and promissory note are contained in separate documents, an original of the promissory note); PROVIDED, HOWEVER, that the original Loan may have been removed from the Loan File in accordance with the Custodial Agreement for the performance of collection services and other routine servicing requirements; and

(B) for Loans relating to Timeshare Properties located in Resorts in North Carolina or South Carolina with respect to which two originals of such Loans have been executed, each original Loan is in the Loan File and each contains the following legend (whether by stamp or otherwise) on its face:

"THIS COPY IS ONE OF TWO ORIGINALS, AND WAS EXECUTED SOLELY FOR RECORDATION. TO THE EXTENT THAT POSSESSION OF THIS CONTRACT IS REQUIRED TO TRANSFER OR PERFECT A TRANSFER OF ANY INTEREST IN OR TO THIS CONTRACT, POSSESSION OF THE OTHER ORIGINAL HEREOF IS REQUIRED";

and

(C) for Loans with respect to which the related Timeshare Property has been deeded out to the related Obligor:

(1) a copy of the deed for such Timeshare Property; and

(2) the original recorded Mortgage (or a copy thereof, if applicable, for Mortgages that have been submitted for recording as set forth herein) and Assignments of Mortgages in favor of the Collateral Agent (or a copy of such recorded Mortgage or Assignment of Mortgage, as the case may be, certified to be

a true and complete copy thereof, if the original of the recorded Mortgage or Assignment of Mortgage is lost or destroyed), PROVIDED that in the case of any Loan with respect to which the related Mortgage and/or deed has been removed from the Loan File for recording in the local real property recording office: (x) the original Mortgage shall not have been at such real property recording office more than (1) 180 days from the related loan closing date (in the case of Loans (other than Green Loans) relating to Timeshare Properties located in the State of Florida) or (2) 180 days from the date on which the related Timeshare Property is required to be deeded to an Obligor (in the case of Green Loans or Loans relating to Timeshare Properties located in any other State) and (y) in the case of any Loan (other than a Green Loan) relating to a Timeshare Property located in the State of Florida, the Loan File shall contain one or more certificates from the Seller's applicable title agents in Florida to the effect that the related Mortgage has been delivered for purposes of recordation to the appropriate local real property recording office.

(xv) LOCKBOX ACCOUNTS. As of the applicable Cut-Off Date, the Obligor of such Loan either:

(A) shall have been instructed to remit Payments thereunder to a Post Office Box for credit to a Lockbox Account or directly to a Lockbox Account, in each case maintained at a Lockbox Bank pursuant to the terms of a Lockbox Agreement; or

(B) has entered into a PAC or Credit Card Account pursuant to which a deposit account of such Obligor is made subject to a pre-authorized debit in respect of Payments as they become due and payable, and the Seller has caused a Lockbox Bank to take all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(xvi) OWNERSHIP INTEREST. As of the Closing Date or related Addition Date, as applicable, the Seller has good and marketable title to the Loan, free and clear of all Liens (other than Permitted Encumbrances).

(xvii) INTEREST IN LOAN. Such Loan constitutes either a "general intangible," an "instrument," "chattel paper" or an "account" under the Uniform Commercial Code of the States of Delaware and New York.

(xviii) RECORDATION OF ASSIGNMENTS. The collateral Assignment of Mortgage to the Collateral Agent relating to the Mortgage with respect to each Loan has been recorded or delivered for recordation simultaneously with the related Mortgage to the proper office in the jurisdiction in which the related Timeshare Property is located, except to the extent the related Timeshare Property is located in the State of Florida and the Seller shall have delivered an Opinion of Counsel to the effect that recordation of the Assignment of Mortgage is not necessary to perfect a security interest therein in favor of the Collateral Agent.

(xix) MATERIAL DISPUTES. To the actual knowledge of the Seller, the Loan is not subject to any material dispute.

(xx) GOOD TITLE; NO LIENS. Upon the Purchase hereunder occurring on such Closing Date or Addition Date, as applicable, the Company will be the lawful owner of, and have good title to, each Loan and all of the other related Transferred Assets that are the subject of such Purchase, free and clear of any Liens (other than any Permitted Encumbrances on the related Timeshare Properties). All Loans and related Transferred Assets are purchased without recourse to the Seller except as described in this Agreement and any PA Supplement. Such Purchase by the Company under this Agreement and under any PA Supplement constitutes a valid and true sale and transfer for consideration (and not merely the grant of a security interest to secure a loan), enforceable against creditors of the Seller, and no Loan or other related Transferred Assets that are the subject of such Purchase will constitute property of the Seller after such Purchase.

(xxi) SOLVENCY. The Seller, both prior to and immediately after giving effect to the Purchase of Loans hereunder and under any PA Supplement occurring on such Closing Date or Addition Date, as applicable, (A) is not insolvent (as such term is defined in Section 101(32)(A) of the Bankruptcy Code), (B) is able to pay its debts as they become due and (C) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(xxii) POA RESERVES. The capital reserves and maintenance fee levels of the POAs related to each Timeshare Property Regime underlying the Loans Purchased on such Closing Date or Addition Date, as applicable, are adequate in light of the operating requirements of such POAs.

(c) REPRESENTATIONS AND WARRANTIES REGARDING THE LOAN FILES. The Seller represents and warrants to the Company as of each Closing Date and related Addition Date as to each Loan and the related Loan File conveyed by it hereunder on and as of such Closing Date or related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(i) POSSESSION. On or immediately prior to each Closing Date or related Addition Date, as applicable, the Custodian will have possession of each original Loan and the related Loan File, and will have acknowledged such receipt and its undertaking to hold such original Loan and the related Loan File for purposes of perfection of the Collateral Agent's interest in such original Loan and the related Loan File; PROVIDED, HOWEVER, that the fact that any document not required to be in its respective Loan File pursuant to Section 6(b)(xiv) of this Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a breach of this representation.

(ii) MARKING RECORDS. On or before each Closing Date or Addition Date, as applicable, the Seller shall have caused the portions of

its computer files relating to the Loans sold on such date to the Company to be clearly and unambiguously marked to indicate that each such Loan has been conveyed on such date to the Company.

(d) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Loans with respect to any Series

by the Seller to the Company under this Agreement and any PA Supplement, the conveyance of the Loans by the Company to the Issuer pursuant to the Pool Purchase Agreement and any PPA Supplement and the Grant of the Collateral by the Issuer to the Collateral Agent and shall inure to the benefit of the Company, the Issuer, the Trustee, the Collateral Agent and the Noteholders and their respective designees, successors and assigns.

(e) INDEMNIFICATION OF THE COMPANY. The Seller shall indemnify, defend and hold harmless the Company against any and all claims, losses and liabilities, including reasonable attorneys' fees (the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") that may at any time be imposed on, incurred by or asserted against the Company as a result of a breach by the Seller of any of its respective representations, warranties or covenants hereunder. Except as otherwise provided in Section 11(i), the Seller shall pay to the Company, on demand, any and all amounts necessary to indemnify the Company for (i) any and all recording and filing fees in connection with the transfer of the Loans from the Seller to the Company, and any and all liabilities with respect to, or resulting from any delay in paying when due, any taxes (including sales, excise or property taxes) payable in connection with the transfer of the Loans from the Seller to the Company and (ii) costs, expenses and reasonable counsel fees in defending against the same. The agreements in this Section 6(e) shall survive the termination of this Agreement or any PA Supplement and the payment of all amounts payable hereunder, under any PA Supplement and under the Loans. For purposes of this Section 6(e), any reference to the Company shall include any officer, director, employee or agent thereof, or any successor or assignee thereof or of the Company.

SECTION 7. REPURCHASES OR SUBSTITUTION OF LOANS FOR BREACH OF REPRESENTATIONS AND WARRANTIES.

Provisions with respect to the repurchase or substitution of Loans of any Series for breach of representations and warranties under this Agreement and any PA Supplement shall be set forth in the related PA Supplement.

SECTION 8. COVENANTS OF THE SELLER.

(a) AFFIRMATIVE COVENANTS OF THE SELLER. The Seller covenants and agrees that it will, at any time prior to the Termination Date:

(i) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, provisions of ERISA, the Internal Revenue Code and all applicable laws, regulations and interpretations thereunder, and all Loans and Facility Documents to which it is a party.

(ii) PRESERVATION OF CORPORATE EXISTENCE. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation, and maintain all necessary licenses and approvals in each jurisdiction in which it does business, except where the failure to preserve and maintain such existence, rights, franchises, privileges, qualifications, licenses and approvals would not have a Material Adverse Effect with respect to it.

(iii) AUDITS. Upon at least two Business Days notice during regular business hours, permit the Company and/or its agents, representatives or assigns access:

(A) to the offices and properties of the Seller in order to examine and make copies of and abstracts from all books, correspondence and Records of the Seller as appropriate to verify the Seller's compliance with this Agreement, any PA Supplement or any other Facility Documents to which the Seller is a party and any other agreement contemplated hereby or thereby, and the Company and/or its agents, representatives and assigns may examine and audit the same and make photocopies, computer tapes or other computer replicas thereof, as appropriate, and the Seller will provide to the Company and/or its agents, representatives and assigns, at the expense of the Seller, such clerical and other assistance as may be reasonably requested in connection therewith;

and

(B) to the officers or employees of the Seller designated by the Seller in order to discuss matters relating to the Loans and the performance of the Seller hereunder, under any PA Supplement or any other Facility Documents to which the Seller is a party and any other agreement contemplated hereby or thereby, and under the other Facility Documents to which it is a party with the officers or employees of the Seller having knowledge of such matters.

Each such audit shall be at the sole expense of the Seller. The Company shall be entitled to conduct such audits as frequently as it deems reasonable in the exercise of the Company's reasonable commercial judgment; PROVIDED, HOWEVER, that such audits shall not be conducted more frequently than annually unless an Event of Default or an Amortization Event shall have occurred. The Company and its agents, representatives and assigns also shall have the right to discuss the Seller's affairs with the officers, employees and independent accountants of the Seller and to verify under appropriate procedures the validity, amount, quality, quantity, value and condition of, or any other matter relating to, the Loans and other related Transferred Assets.

(iv) [Reserved].

(v) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND LOANS. At its expense, timely and fully perform and comply in all material respects with the Credit Standards and Collection Policies and Customary Practices with respect to the Loans and with all provisions, covenants and other promises required to be observed by the Seller under the Loans.

(vi) [Reserved].

(vii) OWNERSHIP INTEREST. Take such action with respect to each Loan as is necessary to ensure that the Company maintains a first priority ownership interest in such Loan and the other related Transferred Assets, in each case free and clear of any Liens arising through or under the Seller and, in the case of any Timeshare Properties, other than any Permitted Encumbrance thereon, and respond to any inquiries with respect to ownership of a Loan sold by it hereunder by stating that, from and after the Initial Closing

Date or related Addition Date, as applicable, it is no longer the owner of such Loan and that ownership of such Loan has been transferred to the Company.

(viii) INSTRUMENTS. Not remove any portion of the Loans or related Transferred Assets with respect to any Series that consists of money or is evidenced by an instrument, certificate or other writing from the jurisdiction in which it was held under the related Custodial Agreement unless the Company shall have first received an Opinion of Counsel to the effect that the Company shall continue to have a first-priority perfected ownership or security interest with respect to such property after giving effect to such action or actions.

(ix) NO RELEASE. Not take any action, and use its best efforts not to permit any action to be taken by others, that would release any Person from such Person's covenants or obligations under any document, instrument or agreement relating to the Loans or the other Transferred Assets, or result in the hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such document, instrument or agreement, except as expressly provided in this Agreement or any PA Supplement or such other instrument or document.

(x) INSURANCE AND CONDEMNATION.

(A) The Seller shall do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort to cause each of the POAs for each Resort, in each case (1) to maintain one or more policies of "all-risk" property and general liability insurance with financially sound and reputable insurers providing coverage in scope and amount that (x) satisfy the requirements of the declarations (or any similar charter document) governing the POA for the maintenance of such insurance policies and (y) are at least consistent with the scope and amount of such insurance coverage obtained by prudent POAs and/or management of other similar developments in the same jurisdiction and (2) to the extent the Seller is the property manager of the Resort and possesses the right to direct the application of insurance proceeds, to use its best efforts to apply the proceeds of any such insurance policies in the manner specified in the related declarations (or any similar charter document) governing the POA and/or any similar charter documents of such POA (which exercise of

best efforts shall include voting as a member of the POA or as a proxy or attorney-in-fact for a member). For the avoidance of doubt, the parties acknowledge that the ultimate discretion and control relating to the maintenance of any such insurance policies is vested in the POA in accordance with the respective declaration (or any similar charter document) relating to each Timeshare Property Regime.

(B) The Seller shall remit to the Collection Account the portion of any proceeds received pursuant to a condemnation of property in any Resort relating to any Timeshare Property to the extent the Obligors are required to make such remittance under the terms of one or more Loans that have been sold to the Company hereunder and under the related PA Supplement.

(xi) SEPARATE IDENTITY. Take such action as is necessary to ensure compliance with Section 6(a)(xvi), including taking all actions necessary on its part to be taken in order to ensure that the facts and assumptions relating to the Company set forth in the opinion of Orrick, Herrington & Sutcliffe LLP of even date herewith relating to substantive consolidation matters with respect to the Seller and the Company are true and correct.

(xii) COMPUTER FILES. Mark or cause to be marked each Loan in its computer files as described in Section 6(c)(ii) and deliver to the Company, the Issuer, the Trustee and the Collateral Agent a copy of the Loan Schedule for each Series as amended from time to time.

(xiii) TAXES. File or cause to be filed, and cause each of its Affiliates with whom it shares consolidated tax liability to file, all federal, state and local tax returns that are required to be filed by it, except where the failure to file such returns could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser or the Seller, or otherwise be reasonably expected to expose the Purchaser or the Seller to material liability. The Seller will pay or cause to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Seller or the applicable Affiliate has set aside adequate reserves on its books in accordance with GAAP, and which proceedings could not reasonably be expected to have a Material Adverse Effect with respect to the Purchaser or the Seller, or otherwise be reasonably expected to expose the Purchaser or the Seller to material liability.

(xiv) FACILITY DOCUMENTS. Comply in all material respects with the terms of, and employ the procedures outlined under, this Agreement, any PA Supplement and all other Facility Documents to which it is a party, and take all such action as may be from time to time reasonably requested by the Company to maintain this Agreement, any PA Supplement and all such other Facility Documents in full force and effect.

(xv) LOAN SCHEDULE. With respect to any Series, promptly amend the applicable Loan Schedule to reflect terms or discrepancies that become known after each Closing Date or any Addition Date, and promptly notify the Company, the Issuer, the Trustee and the Collateral Agent of any such amendments.

(xvi) SEGREGATION OF COLLECTIONS. Prevent, to the extent within its control, the deposit into the Collection Account or any Reserve Account of any funds other than Collections in respect of the Loans with respect to any Series, and to the extent that, to its knowledge, any such funds are nevertheless deposited into the Collection Account or any Reserve Account, promptly identify any such funds to the Master Servicer for segregation and remittance to the owner thereof.

(xvii) MANAGEMENT OF RESORTS. The Seller hereby covenants and agrees that it will use its best efforts to cause the Developer with respect to each Resort (to the extent that such Developer is responsible for maintaining or managing such Resort) to do or

cause to be done all things that it may accomplish with a reasonable amount of cost or effort in order to maintain such Resort (including without limitation all grounds, waters and improvements thereon and all other facilities relating thereto) in at least as good condition, repair and working order as would be customary for prudent managers of similar timeshare properties.

(b) NEGATIVE COVENANTS OF THE SELLER. The Seller covenants and agrees that it will not, at any time prior to the final Series Termination Date without

the prior written consent of the Company:

(i) SALES, LIENS, ETC. AGAINST LOANS AND TRANSFERRED ASSETS. Except for the transfers hereunder, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist, any Lien arising through or under it (other than, in the case of any Timeshare Properties, any Permitted Encumbrances thereon) upon or with respect to any Loan or other Transferred Asset or any interest therein. The Seller shall immediately notify the Company of the existence of any Lien arising through or under it on any Loan or other Transferred Asset.

(ii) EXTENSION OR AMENDMENT OF LOAN TERMS. Extend, amend, waive or otherwise modify the terms of any Loan (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices) or permit the rescission or cancellation of any Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Loan or otherwise.

(iii) CHANGE IN BUSINESS OR CREDIT STANDARDS OR COLLECTION POLICIES. (A) Make any change in the character of its business or (B) make any change in the Credit Standards and Collection Policies or (C) deviate from the exercise of Customary Practices, which change or deviation would, in any such case, materially impair the value or collectibility of any Loan.

(iv) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. Add or terminate any bank as a bank holding any account for the collection of payments in respect of the Loans from those listed in Exhibit E or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Company and the Trustee shall have received (A) 30 days' prior written notice of such addition, termination or change, (B) written confirmation from the Seller that, after the effectiveness of any such termination, there will be at least one Lockbox in existence and (C) prior to the date of such addition, termination or change, (1) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the Seller, the Company, the Master Servicer and the Trustee and (2) copies of all agreements and documents signed by either the Company or the respective Lockbox Bank with respect to any new Lockbox Account.

(v) CHANGE IN CORPORATE NAME, ETC. Make any change to its name or its type or jurisdiction of organization that existed on the Initial Closing Date without providing at least 30 days' prior written notice to the Company and the Trustee and taking all action necessary or reasonably requested by the Trustee to amend its existing financing

statements and file additional financing statements in all applicable jurisdictions as are necessary to maintain the perfection of the security interest of the Company.

(vi) ERISA MATTERS. (A) Engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (B) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Internal Revenue Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (C) fail to make any payments to any Multiemployer Plan that the Seller or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (D) terminate any Benefit Plan so as to result in any liability; (E) permit to exist any occurrence of any Reportable Event that represents a material risk of a liability of the Seller or any ERISA Affiliate under ERISA or the Internal Revenue Code; PROVIDED, HOWEVER, that the ERISA Affiliates of the Seller may take or allow such prohibited transactions, accumulated funding deficiencies, payments, terminations and Reportable Events described in clauses (A) through (E) above so long as such events occurring within any fiscal year of the Seller, in the aggregate, involve a payment of money by or an incurrence of liability of any such ERISA Affiliate (collectively, "ERISA LIABILITIES") in an amount that does not exceed $2,000,000 or otherwise result in liability that would result in imposition of a lien.

(vii) TERMINATE OR REJECT LOANS. Without limiting the requirements of Section 8(b)(ii), terminate or reject any Loan prior to the end of the term of such Loan, whether such rejection or early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law unless, prior to such termination or rejection, such Loan and any related Transferred Assets have been repurchased by the Seller pursuant to Section 7 of the related PA Supplement.

(viii) FACILITY DOCUMENTS. Except as otherwise permitted under Section 8(b)(ii), terminate, amend or otherwise modify any Facility

Document to which it is a party or grant any waiver or consent thereunder.

(ix) INSOLVENCY PROCEEDINGS. Institute Insolvency Proceedings with respect to the Company or the Issuer or consent to the institution of Insolvency Proceedings against the Company or the Issuer, or take any corporate action in furtherance of any such action.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants as of each Closing Date and Addition Date, or as of such other date specified in such representation and warranty, that:

(a) The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power, authority, and legal right to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and any PA Supplement. The Company is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction necessary to carry on its business as presently

conducted and to perform its obligations under this Agreement and any PA Supplement. One hundred percent (100%) of the outstanding membership interests of the Company is directly owned (both beneficially and of record) by FAC. Such membership interests are validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire membership interests from the Company.

(b) The execution, delivery and performance of this Agreement and any PA Supplement by the Company and the consummation by the Company of the transactions provided for in this Agreement and any PA Supplement have been duly approved by all necessary limited liability company action on the part of the Company.

(c) This Agreement and any PA Supplement constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as such enforceability may be subject to or limited by Debtor Relief Laws and except as such enforceability may be limited by general principles of equity.

(d) The execution and delivery by the Company of this Agreement and any PA Supplement, the performance by the Company of the transactions contemplated hereby and the fulfillment by the Company of the terms hereof applicable to the Company will not conflict with, violate, result in any breach of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under any provision of any existing law or regulation or any order or decree of any court applicable to the Company or its certificate of formation or limited liability company agreement or any material indenture, contract, agreement, mortgage, deed of trust, or other material instrument to which the Company is a party or by which it or its properties is bound.

(e) There are no proceedings or investigations pending, or to the knowledge of the Company threatened, against the Company before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any PA Supplement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any PA Supplement, (C) seeking any determination or ruling that, in the reasonable judgment of the Company, would adversely affect the performance by the Company of its obligations under this Agreement or any PA Supplement or (D) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any PA Supplement.

(f) All approvals, authorizations, consents, orders or other actions of any person or entity or any governmental body or official required in connection with the execution and delivery of this Agreement and any PA Supplement by the Company, the performance by it of the transactions contemplated hereby and the fulfillment by it of the terms hereof, have been obtained and are in full force and effect.

(g) The Company is solvent and will not become insolvent immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company has not incurred debts beyond its ability to pay and, immediately after giving effect to the transactions contemplated by this Agreement and any PA Supplement, the Company shall have an adequate amount of capital to conduct its business in the foreseeable future.

SECTION 10. COVENANTS OF THE COMPANY.

The Company hereby acknowledges that the parties to the Facility Documents are entering into the transactions contemplated by the Facility Documents in reliance upon the Company's identity as a legal entity separate from the Seller and its Affiliates. From and after the date hereof until the final Series Termination Date under any Indenture Supplement, the Company will take such actions as shall be required in order that:

(a) The Company will conduct its business in office space allocated to it and for which it pays an appropriate rent and overhead allocation;

(b) The Company will maintain corporate records and books of account separate from those of the Seller and its Affiliates and telephone numbers and stationery that are separate and distinct from those of the Seller and its Affiliates;

(c) The Company's assets will be maintained in a manner that facilitates their identification and segregation from those of any of the Seller and its Affiliates;

(d) The Company will observe corporate formalities in its dealings with the public and with the Seller and its Affiliates and, except as contemplated by the Facility Documents, funds or other assets of the Company will not be commingled with those of any of the Seller and its Affiliates. The Company will at all times, in its dealings with the public and with the Seller and its Affiliates, hold itself out and conduct itself as a legal entity separate and distinct from the Seller and its Affiliates. The Company will not maintain joint bank accounts or other depository accounts to which the Seller and its Affiliates (other than the Master Servicer) has independent access;

(e) The duly elected board of directors of the Company and duly appointed officers of the Company will at all times have sole authority to control decisions and actions with respect to the daily business affairs of the Company;

(f) Not less than one member of the Company's board of directors will be an Independent Director. The Company will observe those provisions in its limited liability company agreement that provide that the Company's board of directors will not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Company unless the Independent Director and all other members of the Company's board of directors unanimously approve the taking of such action in writing prior to the taking of such action;

(g) The Company will compensate each of its employees, consultants and agents from the Company's own funds for services provided to the Company; and

(h) Except as contemplated by the Facility Documents, the Company will not hold itself out to be responsible for the debts of the Seller and its Affiliates.

SECTION 11. MISCELLANEOUS.

(a) AMENDMENT. This Agreement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto; PROVIDED, HOWEVER, that no such amendment, waiver or modification shall be effective without the prior written consent of the Trustee.

(b) ASSIGNMENT. The Company has the right to assign its interest under this Agreement and any PA Supplement as may be required to effect the purposes of the Pool Purchase Agreement without the consent of the Seller, and the assignee shall succeed to the rights hereunder of the Company. The Seller agrees to perform its obligations hereunder for the benefit of the Issuer, the Trustee, the Collateral Agent and the Noteholders, agrees that such parties are intended third party beneficiaries of this Agreement and agrees that the Trustee (or the Collateral Agent) and (subject to the terms and conditions of the Indenture and Servicing Agreement and any applicable Indenture Supplement) the Noteholders may enforce the provisions of this Agreement and any PA Supplement, exercise the rights of the Company and enforce the obligations of the Seller hereunder without the consent of the Company.

(c) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(d) TERMINATION. The obligations of the Seller under this Agreement and any PA Supplement shall survive the sale of the Loans to the Company and the Company's transfer of the Loans and other related Transferred Assets to the Issuer.

(e) GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE

WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.

(f) NOTICES. All demands and notices hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by certified mail, postage prepaid and return receipt requested, or by express delivery service, to (i) in the case of the Seller, EFI Development Funding, Inc., 2 Clinton Square, Syracuse, New York 13202, Attention: President, or such other address as may hereafter be furnished to the Company in writing by the Seller, and (ii) in the case of the Company, Sierra Deposit Company, LLC, 10750 West Charleston Blvd., Suite 130, Mailstop 2067, Las Vegas, Nevada 89135, Attention: President, or such other address as may hereafter be furnished to the Seller in writing by the Company.

(g) SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

(h) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon each of the Seller and the Company and their respective permitted successors and assigns, and shall inure to

the benefit of each of the Seller and the Company and each of the Issuer, the Trustee and the Collateral Agent to the extent explicitly contemplated hereby.

(i) COSTS, EXPENSES AND TAXES.

(i) The Seller agrees to pay on demand to the Company all reasonable costs and expenses, if any, incurred or reimbursed (or to be reimbursed) by the Company (including reasonable counsel fees and expenses) in connection with the enforcement or preservation of the rights and remedies under this Agreement.

(ii) The Seller agrees to pay, indemnify and hold the Company harmless from and against any and all stamp, sales, excise and other taxes and fees payable or determined to be payable by or reimbursed (or to be reimbursed) by the Company in connection with the execution, delivery, filing and recording of this Agreement, and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(j) NO BANKRUPTCY PETITION. The Seller covenants and agrees not to institute against the Company or the Issuer, or join any other person in instituting against the Company or the Issuer, any proceeding under any Debtor Relief Law.

(k) TREATMENT OF TIMESHARE UPGRADES. Notwithstanding anything in this Agreement to the contrary (but subject to the other provisions of this paragraph), the Seller (or the Master Servicer on the Seller's behalf) may upgrade any Timeshare Property by entering into a new Loan with the related Obligor, but only if the proceeds of such new Loan are used to prepay all obligations in full of such Obligor under the existing Loan (the proceeds of which shall be the property of the Company and shall be deposited in the Collections Account). Upon its creation, the new Loan created by such Timeshare Upgrade shall not be property of the Company, but may be sold by the Seller to the Company as an Additional Loan pursuant to the terms and conditions of this Agreement and any PA Supplement. The parties hereto intend that the Seller (or the Master Servicer on the Seller's behalf) will not upgrade a Timeshare Property pursuant to this Section 11(k) in order to provide direct or indirect assurance to the Seller, the Trustee or any Noteholder against loss by reason of the bankruptcy or insolvency (or other credit condition) of, or default by, the Obligor on, or the uncollectibility of, any Loan.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

EFI DEVELOPMENT FUNDING,
INC.,
as Seller

By: /s/ Lisa Henson

Name: Lisa Henson
Title: Vice President

SIERRA DEPOSIT COMPANY, LLC,
as Purchaser

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for EFI MLPA]

EXHIBIT 10.68

EXECUTION COPY

SERIES 2002-1 SUPPLEMENT
Dated as of August 29, 2002

to

MASTER LOAN PURCHASE AGREEMENT
Dated as of August 29, 2002

- ---

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

- ---

by and between

EFI DEVELOPMENT FUNDING, INC.
as Seller

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

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THIS PURCHASE AGREEMENT SUPPLEMENT (this "PA SUPPLEMENT"), dated as of August 29, 2002, is by and between EFI DEVELOPMENT FUNDING, INC., a Delaware corporation, as seller (the "SELLER"), and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "PURCHASER" or the "COMPANY").

Section 2 of the Agreement provides that the Seller may from time to time sell and assign to the Company, and the Company may from time to time Purchase from the Seller, all the Seller's right, title and interest in, to and under Loans listed on the Loan Schedule of the related PA Supplement on the Closing Date for the related Series. The principal terms of the Purchase and sale of Loans for each Series shall be set forth in a PA Supplement to the Agreement.

Pursuant to this PA Supplement and in accordance with Section 2 of the Agreement, the Seller hereby sells to the Company, and the Company hereby Purchases from the Seller, the Series 2002-1 Loans, and the Seller and the Company hereby specify the principal terms of such sales and Purchases.

SECTION 1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Loans and to no other Loans purchased by the Company from the Seller.

In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Agreement, the terms and provisions of this PA Supplement shall be controlling.

The words "hereof," "herein" and "hereunder" and words of similar import when used in this PA Supplement shall refer to this PA Supplement as a whole and not to any particular provision of this PA Supplement; and Article, Section, subsection, Schedule and Exhibit references contained in this PA Supplement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this PA Supplement unless otherwise specified.

"ADDITION DATE" shall mean the date from and after which Additional Loans are sold pursuant to Section 2(d).

"AGREEMENT" shall mean the Master Loan Purchase Agreement dated as of August 29, 2002 by and between the Seller and the Purchaser, as the same may be amended, supplemented or otherwise modified from time to time thereafter in accordance with its terms.

"ASSIGNMENT" shall have the meaning set forth in Section 2(d)(iii)(E).

"CLOSING DATE" shall mean August 29, 2002.

"COMPANY" shall have the meaning set forth in the preamble.

"CUT-OFF DATE" shall mean August 27, 2002.

"EFI HYPOTHECATION LOAN" shall mean a loan from Equivest Capital, Inc. to a Developer.

"ELIGIBLE LOAN" shall mean a Series 2002-1 Loan:

(a) with respect to which (i) the related Timeshare Property is not a Lot, (ii) the related Timeshare Property has been purchased by an Obligor, (iii) except in the case of a Green Loan, a certificate of occupancy for the related Timeshare Property has been issued, (iv) except in the case of a Green Loan, the unit for the related Timeshare Property is complete and ready for occupancy, is not in need of material maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (v) the related Timeshare Property Regime is not in need of maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (vi) there is no

legal, judicial or administrative proceeding pending, or to the Seller's knowledge threatened, for the total condemnation of the related Timeshare Property or partial condemnation of any portion of the related Timeshare Property Regime that would have a material adverse effect on the value of the related Timeshare Property and (vii) the related Timeshare Property is not related to a Resort located outside of the United States, Canada, Mexico or the United States Virgin Islands;

(b) with respect to which the rights of the Obligor thereunder are subject to declarations, covenants and restrictions of record affecting the Resort;

(c) in the case of a Series 2002-1 Loan that is an Installment Contract, with respect to which the Seller has a valid ownership or security interest in an underlying Timeshare Property, subject only to Permitted Encumbrances, unless the criteria in paragraph (d) are satisfied;

(d) with respect to which (i) if the related Timeshare Property has been deeded to the Obligor of the related Series 2002-1 Loan, (A) the Seller has a valid and enforceable first lien Mortgage on such Timeshare Property, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, (B) such Mortgage and related mortgage note have been assigned to the Collateral Agent, (C) such Mortgage and the related note for such Mortgage have been transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the Agreement and (D) if any Mortgage relating to such Series 2002-1 Loan is a deed of trust, a trustee duly qualified under applicable law to serve as such has been properly designated in accordance with applicable law and currently so serves or (ii) if the related Timeshare Property has not been deeded to the Obligor of the related Series 2002-1 Loan, the Seller has legal title to and an equitable interest in such Timeshare Property;

(e) that was issued in a transaction that complied, and is in compliance, in all material respects with all material requirements of applicable federal, state and local law;

(f) that requires the Obligor to pay the unpaid principal balance over an original term of not greater than 120 months and (ii) the original term of which does not exceed 84 months unless (A) the Series 2002-1 Loan relates to a Timeshare Upgrade or (B) the weighted average FICO score of all such Series 2002-1 Loans with original terms longer than 84 months is at least 640 and the Series 2002-1 Loan has a FICO score not less than 600;

(g) the Scheduled Payments on which are denominated and payable in United States dollars;

(h) that is not a Defective Loan or a Defaulted Loan;

(i) that (i) is not a Delinquent Loan as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, and (ii) with respect to which no Scheduled Payment was (A) delinquent for more than 30 days past its Due Date more than once during the 18-month period preceding the Cut-Off Date or related Addition Cut-Off Date, as applicable, with respect to such Series 2002-1 Loan, or (B) delinquent for more than 60 days at any time during such 18-month period (each such determination under this clause (ii) being made without giving effect to the grant of any extension of the Due Date of any such Scheduled Payment).

(j) that does not finance the purchase of credit life insurance;

(k) with respect to which no Due Date thereunder occurring after the Cut-Off Date or the related Addition Cut-Off Date, as applicable, has been deferred;

(l) with respect to which the related Timeshare Property (A) consists of a Fixed Week, Vacation Credits or a UDI and (B) if it consists of a Fixed Week, it has been converted into a UDI, which conversion does not give rise to the extension of the maturity of any payments under such Series 2002-1 Loan;

(m) that was originated by a Developer and has been consistently serviced by an Affiliate of the Seller, in each case in the ordinary course of its respective business and in accordance with Customary Practices and Credit Standards and Collection Policies;

(n) that has not been specifically reserved against by the Seller or classified by the Seller as uncollectible or charged off;

(o) that arises from transactions in a jurisdiction in which the Seller is duly qualified to do business, except where the failure to so qualify will not adversely affect or impair the legality, validity, binding effect and enforceability of such Series 2002-1 Loan;

(p) that has not been cancelled or terminated by the related Obligor (regardless of whether such Obligor is legally entitled to do so) and constitutes a legal, valid, binding and enforceable obligation of the related Obligor, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(q) that is fully amortizing pursuant to a required schedule of substantially equal monthly payments of principal and interest;

(r) with respect to which (i) the downpayment has been made and (ii) no statutory rescission rights with respect to the related Obligor are continuing as of the Cut-Off Date or related Addition Cut-Off Date, as applicable;

(s) that had an Equity Percentage of 10% or more at the time of the sale of the related Timeshare Property to the related Obligor (or, in the case of a Loan relating to a Timeshare Upgrade, an Equity Percentage of 10% or more of the value of all vacation credits owned by the related Obligor);

(t) with respect to which the related Obligor has not at any time made a written request for rescission of such Series 2002-1 Loan or otherwise stated in writing that it does not intend to consummate such Loan or to fully perform under such Series 2002-1 Loan;

(u) that is not an EFI Hypothecation Loan;

(v) with respect to which at least one Scheduled Payment has been made by the Obligor;

(w) as of the Cut-Off Date or related Addition Cut-Off Date, as applicable, has an outstanding loan balance not greater than $100,000; and

(x) that, in the case of a Green Loan, (i) satisfies each of the eligibility criteria set forth in paragraphs (a) through (w) above other than any such criteria that cannot be satisfied due solely to (A) the related Green Timeshare Property being located in a Resort that is not yet complete and ready for occupancy; (B) the Seller not having a valid ownership interest in the related Green Timeshare Property; or (C) the related Green Timeshare Property not having been deeded to the Obligor or legal title not being held by the Nominee; and (ii) the related Green Timeshare Property has a scheduled completion date no more than six months following the Cut-Off Date or related Addition Cut-Off Date, as applicable.

"EXCESS CONCENTRATION AMOUNT" shall have the meaning set forth in the Series 2002-1 Supplement.

"PA SUPPLEMENT" shall have the meaning set forth in the preamble.

"POOL PURCHASE PRICE" shall have the meaning set forth in Section 3.

"PURCHASE" shall have the meaning set forth in Section 2(e).

"PURCHASER" shall have the meaning set forth in the preamble.

"REPURCHASE DATE" shall have the meaning set forth in Section 7.

"REPURCHASE PRICE" shall have the meaning set forth in Section 7.

"SERIES TERMINATION DATE" shall mean the date on which all obligations with respect to the Series 2002-1 Notes issued under the Series 2002-1 Supplement have been paid in full and the Series 2002-1 Supplement is discharged.

"SERIES 2002-1 ADDITIONAL LOAN" shall mean each Additional Loan constituting one of the Series 2002-1 Loans Purchased from the Seller on an Addition Cut-Off Date and listed on Schedule 1 to the related Assignment.

"SERIES 2002-1 LOAN" means each Loan listed from time to time on the Series

2002-1 Loan Schedule.

"SERIES 2002-1 LOAN SCHEDULE" shall mean the Loan Schedule for the Series 2002-1 Loans.

"SERIES 2002-1 NOTEHOLDER" shall mean any Noteholder under the Series 2002-1 Supplement.

"SERIES 2002-1 PLEDGED LOAN" shall have the meaning set forth in the Series 2002-1 Supplement.

"SERIES 2002-1 SUPPLEMENT" shall mean the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the original issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall have the meaning set forth in Section 7.

SECTION 2. SALE.

(a) SERIES 2002-1 LOANS. Subject to the terms and conditions and in reliance on the representations, warranties, and covenants and agreements set forth in the Agreement and this PA Supplement, the Seller hereby sells and assigns to the Company, and the Company hereby Purchases from the Seller, without recourse except as specifically set forth herein, all of the Seller's right, title and interest in, to and under the Initial Loans, if any, listed on the Series 2002-1 Loan Schedule delivered on the Closing Date, together with all Transferred Assets relating thereto. The Series 2002-1 Additional Loans existing at the close of business on the related Addition Cut-Off Date and all other Transferred Assets relating thereto shall be sold by the Seller and purchased by the Company on the related Addition Date. Notwithstanding the foregoing, and for avoidance of doubt, the Seller does not assign, and the Purchaser does not

agree to assume, any obligations specific to any Developer as developer of any Timeshare Property underlying an Installment Contract.

(b) FILING OF FINANCING STATEMENTS. In connection with the foregoing sale, the Seller agrees to record and file a financing statement or statements (and continuation statements or other amendments with respect to such financing statements) with respect to the Series 2002-1 Loans and related Transferred Assets described in Section 2(a) sold by the Seller hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the interests of the Purchaser created hereby under the applicable UCC and to deliver a file-stamped copy of such financing statements and continuation statements (or other amendments) or other evidence of such filings to the Purchaser.

(c) DELIVERY OF SERIES 2002-1 LOAN SCHEDULE. In connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the applicable Addition Date (in the case of Additional Series 2002-1 Loans) to indicate or cause to be indicated clearly and unambiguously in its accounting, computer and other records that the Series 2002-1 Loans and related Transferred Assets have been sold to the Purchaser pursuant to this PA Supplement. In addition, in connection with the sale and conveyance hereunder, the Seller agrees on or prior to the Closing Date and on or prior to the applicable Addition Date (in the case of Additional Series 2002-1 Loans) to deliver to the Company a Series 2002-1 Loan Schedule for such Series 2002-1 Loans or Additional Series 2002-1 Loans.

(d) PURCHASE OF ADDITIONAL SERIES 2002-1 LOANS.

(i) [Reserved].

(ii) The Seller may, with the consent of the Purchaser, designate Eligible Loans to be sold as Additional Series 2002-1 Loans.

(iii) On the Addition Date with respect to any Additional Series 2002-1 Loans, such Additional Series 2002-1 Loans shall become Series 2002-1 Loans, and the Purchaser shall Purchase the Seller's right, title and interest in, to and under the Additional Series 2002-1 Loans and the other related Transferred Assets as provided in the Assignment, subject to the satisfaction of the following conditions on such Addition Date:

(A) The Seller shall have delivered to the Purchaser copies of UCC financing statements covering such Additional Series 2002-1 Loans, if necessary to perfect the Purchaser's first priority interest in such Series 2002-1 Additional Loans and the other related Transferred Assets;

(B) On each of the Addition Cut-Off Date and the Addition Date, the sale of such Additional Series 2002-1 Loans and the other related Transferred Assets to the Purchaser shall not

have caused the Seller's insolvency or have been made in contemplation of the Seller's insolvency;

(C) No selection procedure shall have been utilized by the Seller that would result in a selection of such Additional Series 2002-1 Loans (from the

Eligible Loans available to the Seller) that would be materially adverse to the interests of the Purchaser as of the Addition Date;

(D) The Seller shall have indicated in its accounting, computer and other records that the Additional Series 2002-1 Loans and the other related Transferred Assets have been sold to the Purchaser and shall have delivered to the Purchaser the required Series 2002-1 Loan Schedule;

(E) The Seller and the Purchaser shall have entered into a duly executed, written assignment substantially in the form of Exhibit B to the Agreement (an "ASSIGNMENT");

(F) The Seller shall have delivered to the Purchaser an Officer's Certificate of the Seller dated the Addition Date, confirming, to the extent applicable, the items set forth in Section 2(d)(iii) (A) through (E);

(G) The Seller shall have executed the letter agreement relating to the amendment of documents and the letter agreement relating to inspections and audits which agreements were entered into by Fairfield Acceptance Corporation, the Purchaser and Sierra Receivables Funding Company, LLC on the date of this PA Supplement; and

(H) The Purchaser shall have paid the Additional Pool Purchase Price as provided in Section 3 of the Agreement.

(iv) The Seller shall have no obligation to sell the Additional Series 2002-1 Loans if it has not been paid the Additional Pool Purchase Price therefor.

(e) TREATMENT AS SALE. It is the express and specific intent of the parties that the sale of the Series 2002-1 Loans and related Transferred Assets from the Seller to the Company as provided in this Section 2 (the "PURCHASE") is and shall be construed for all purposes as a true and absolute sale of such Series 2002-1 Loans and related Transferred Assets, shall be absolute and irrevocable and provide the Company with the full benefits of ownership of the Series 2002-1 Loans and related Transferred Assets and will be treated as such for all federal income tax reporting and all other purposes.

(f) RECHARACTERIZATION. Without prejudice to the provisions of Section 2(e) providing for the absolute transfer of the Seller's interest in the Series 2002-1 Loans and related Transferred Assets to the Company in order to secure the prompt payment and performance of all of the obligations of the Seller to the Company and the Company's assignees arising in connection with the Agreement, this PA Supplement and the other Facility Documents, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Seller hereby assigns and grants to the Company a first priority security interest in all of the Seller's right, title and interest, whether now owned or hereafter acquired, if any, in, to and under all of the Series 2002-1 Loans and related Transferred Assets and the proceeds thereof.

(g) SECURITY INTEREST IN TRANSFERRED ASSETS. The Seller acknowledges that the Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the Indenture and

Servicing Agreement for the benefit of the Trustee and the Series 2002-1 Noteholders (or to the Collateral Agent on behalf of the Trustee and the Series 2002-1 Noteholders).

(h) TRANSFER OF LOANS. All Series 2002-1 Loans conveyed to the Company hereunder shall be held by the Custodian pursuant to the terms of the Custodial Agreement for the benefit of the Company, the Issuer, the Trustee and the Collateral Agent. Upon each Purchase hereunder, the Custodian shall execute and deliver to the Company a certificate acknowledging receipt of the applicable Series 2002-1 Loans pursuant to the Custodial Agreement.

The Seller acknowledges that the Company will convey the Series 2002-1 Loans and the other related Transferred Assets to the Issuer and that the Issuer will grant a security interest in the Series 2002-1 Loans and other related Transferred Assets to the Collateral Agent pursuant to the Indenture and Servicing Agreement and the related Series 2002-1 Supplement. The Seller agrees

that, upon such grant, the Issuer, the Trustee and the Collateral Agent may enforce all of the Seller's obligations hereunder and under the Agreement directly, including without limitation the repurchase obligations of the Seller set forth in Section 7.

SECTION 3. PURCHASE PRICE.

No Series 2002-1 Loans shall be sold on the Closing Date. The purchase price for Additional Loans sold on an Addition Date shall be the Additional Pool Purchase Price.

SECTION 4. PAYMENT OF PURCHASE PRICE.

Sections 4(a) through (c) are set forth in the Agreement.

(d) The closing shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, Washington Harbour, 3050 K Street, NW, Washington, D.C. 20007, at 10:00 a.m. local time on the Closing Date, or such other time and place as shall be mutually agreed upon among the parties hereto.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 LOANS AND ADDITIONAL LOANS.

(a) CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 LOANS. The Purchaser's obligations hereunder to Purchase and pay for the Series 2002-1 Loans and related Transferred Assets are subject to the fulfillment of the following conditions on or before the Closing Date:

(i) (A) The Purchaser shall have received the Series 2002-1 Pool Purchase Agreement relating to each Series 2002-1 Loan executed by all the parties thereto and (B) all conditions precedent to the sale of the Series 2002-1 Pool Loans thereunder shall have been fulfilled to the extent they are capable of being fulfilled prior to the performance by the Purchaser of its obligations under this PA Supplement.

(ii) The representations and warranties of the Seller made in the Agreement and herein shall be true and correct in all material respects on the Closing Date.

(b) CONDITIONS PRECEDENT TO SALE OF ADDITIONAL LOANS. No Purchase of Additional Loans and related Transferred Assets may be made hereunder until the Purchaser shall have received each of the following in form and substance acceptable to the Purchaser:

(i) Copies of search reports certified by parties acceptable to the Purchaser dated a date reasonably prior to the initial Addition Date listing all effective financing statements which name the Seller (under its present name and any previous names) as debtor or seller and which are filed with respect to the Seller in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets except as contemplated by the Facility Documents);

(ii) Copies of proper UCC Financing Statement Amendments (Form UCC3), if any, necessary to terminate all security interests and other rights of any Person in the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets previously granted by the Seller (except as contemplated by the Facility Documents);

(iii) Copies of proper UCC Financing Statements (Form UCC1) naming the Seller as debtor or seller of the Series 2002-1 Loans being purchased from the Seller and related Transferred Assets, the Issuer as total assignee and the Purchaser as assignor secured party, and such other similar instruments or documents with respect to the Seller as may be necessary or in the opinion of the Purchaser desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Purchaser's interest in the Series 2002-1 Loans and related Transferred Assets;

(iv) An opinion or opinions of counsel to the Seller, in the form required by the Purchaser, with respect to the following: (A) certain security interest matters, and (B) "true sale" and substantive consolidation matters; and

(v) Evidence that one or more Lockbox Accounts have been established.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

(a) REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants as of the Closing Date and as of each Addition Date, or

as of such other date specified in such representation and warranty, that:

(xvii) ACCURACY OF INFORMATION. All information with respect to the Seller contained in the Confidential Information Memorandum dated June 2002 with respect to the Series 2002-1 Notes and Series 2002-1 Loans (including, without limitation, the Credit Standards and Collection Policies) was true and accurate in every respect material to the transactions contemplated hereby on the date as of which it was delivered, and did not omit to state any fact necessary to make the statements contained therein not materially misleading or, if any such information contained therein has been discovered to have been inaccurate on such date, such information has been corrected by subsequent information provided in writing to the Issuer.

(xviii) NO MATERIAL ADVERSE CHANGE. As of the Closing Date, there has been no material adverse change with respect to the business operations or financial condition of the Seller since December 31, 2001.

Sections 6(a)(i) through (xvi) are set forth in the Agreement.

(b) REPRESENTATIONS AND WARRANTIES REGARDING THE SERIES 2002-1 LOANS. The Seller represents and warrants to the Company as of the Cut-Off Date and Addition Cut-Off Date as to each Series 2002-1 Loan conveyed on and as of the Closing Date or the related Addition Date, as applicable (except as otherwise expressly stated) as follows:

(xxiii) LOAN SCHEDULE. The information set forth in the Series 2002-1 Loan Schedule is true and correct with respect to such Series 2002-1 Loan.

(xxiv) GOOD TITLE TO SERIES 2002-1 LOANS. The Seller has good and marketable title to such Series 2002-1 Loan free and clear of any Lien other than Permitted Encumbrances. The Seller has not sold, assigned or pledged such Series 2002-1 Loan or any interest therein to any Person other than the Company. With respect to the related Timeshare Property, either (A) a generally accepted form of title insurance policy insuring the fee estate ownership of the real property subject to the Timeshare Property Regime by the Persons owning the respective interests therein and their successors and assigns (1) was effective either at the time the Developer (or a Subsidiary thereof) acquired the Timeshare Property or at the time of registration of the Timeshare Property Regime, (2) is valid and remains in full force and effect and (3) was issued by a title insurer qualified to do business in the applicable jurisdiction; or (B) either at the time the Developer (or a Subsidiary thereof) acquired the Timeshare Property or at the time of registration of the Timeshare Property Regime, such fee estate ownership had been verified by an attorney's opinion of title, the form and substance of which is of a type acceptable for purposes of registration of sales of Timeshare Properties and which may be relied upon by Persons subsequently owning the respective interests therein and their successors and assigns.

(xxv) NO DEFAULTS. As of the Cut-Off Date or related Addition Cut-Off Date, as applicable, such Series 2002-1 Loan is not a Defaulted Loan and no event has occurred which, with the taking of any action or the expiration of any grace or cure period or both, would cause such Series 2002-1 Loan to be a Defaulted Loan. The Seller has not waived any such default, breach, violation or event permitting acceleration with respect to such Series 2002-1 Loan.

(xxvi) EQUAL INSTALLMENTS. Such Series 2002-1 Loan has a fixed Loan Rate and provides for substantially equal monthly payments that fully amortize the Series 2002-1 Loan over its term.

(xxvii) EXCESS CONCENTRATION AMOUNT. The Purchase of such Series 2002-1 Loan occurring on such Closing Date or Addition Date, as applicable, and the inclusion of such Series 2002-1 Loan as a Series 2002-1 Pledged Loan pursuant to the

Series 2002-1 Supplement to the Indenture and Servicing Agreement, does not cause an increase in the Excess Concentration Amount.

Sections 6(b)(i) through (xxii) are set forth in the Agreement.

SECTION 7. REPURCHASES OR SUBSTITUTION OF SERIES 2002-1 LOANS.

(a) REPURCHASE OR SUBSTITUTION OBLIGATION. Subject to Section 7(b), upon discovery by the Seller or upon written notice from the Company, the Issuer or the Trustee that any Series 2002-1 Loan is a Defective Loan, the Seller shall, within 90 days after the earlier of its discovery or receipt of notice thereof, cure such Defective Loan in all material respects or

either (i) repurchase such Defective Loan from the Company or its assignee at the Repurchase Price or (ii) substitute one or more Qualified Substitute Loans for such Defective Loan. For purposes of this Agreement, the term "REPURCHASE PRICE" shall mean an amount equal to the outstanding Principal Balance of such Defective Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the repurchase is to be made, plus accrued but unpaid interest thereon to the date of the repurchase. The Company hereby directs the Seller, for so long as the Indenture and Servicing Agreement is in effect, to make such payment on its behalf to the Collection Account pursuant to Section 7(b). The following defects with respect to documents in any Loan File, solely to the extent they do not impair the validity or enforceability of the subject document under applicable law, shall not be deemed to constitute a breach of the representations and warranties contained in Section 6(b): misspellings of or omissions of initials in names; name changes from divorce or marriage; discrepancies as to payment dates in a Series 2002-1 Loan of no more than 30 days; discrepancies as to Scheduled Payments of no more than $5.00; discrepancies as to origination dates of not more than 30 days; inclusion of additional parties other than the primary Obligor not listed in the Master Servicer's records or in the Series 2002-1 Loan Schedule and non-substantive typographical errors and other non-substantive minor errors of a clerical or administrative nature.

(b) REPURCHASES AND SUBSTITUTIONS. The Seller shall provide written notice to the Company of any repurchase pursuant to Section 7(a) not less than two Business Days prior to the date on which such repurchase is to be effected, specifying the Defective Loan and the Repurchase Price therefor. Upon the repurchase of a Defective Loan pursuant to Section 7(a), the Seller shall deposit the Repurchase Price in the Collection Account on behalf of the Company no later than 12:00 noon, New York time, on the Payment Date on which such repurchase is made (the "REPURCHASE DATE").

If the Seller elects to substitute a Qualified Substitute Loan or Loans for a Defective Loan pursuant to this Section 7(b), the Seller shall deliver such Qualified Substitute Loan in the same manner as the other Series 2002-1 Loans sold hereunder, including delivery of the applicable Loan Documents as required pursuant to the Custodial Agreement and satisfaction of the same conditions with respect to such Qualified Substitute Loan as to the Purchase of Additional Loans set forth in Section 2(d)(iii). Payments due with respect to Qualified Substitute Loans prior to the last day of the Due Period next preceding the date of substitution shall not be property of the Company, but will be retained by the Master Servicer and remitted by the Master Servicer to the

Seller on the next succeeding Payment Date. Scheduled Payments due on a Defective Loan prior to the last day of the Due Period next preceding the date of substitution shall be property of the Company, and after such last day of the Due Period next preceding the date of substitution the Seller shall be entitled to retain all Scheduled Payments due thereafter and other amounts received in respect of such Defective Loan. The Seller shall cause the Master Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Company and such schedule shall be an amendment to the Series 2002-1 Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Loans shall be subject to the terms of this PA Supplement in all respects, the Seller shall be deemed to have made the representations and warranties with respect to each Qualified Substitute Loan set forth in Section 6(b) of the Agreement and this PA Supplement and Section 6(c) of the Agreement, in each case as of the date of substitution, and the Seller shall be deemed to have made a representation and warranty that each Loan so substituted is an Qualified Substitute Loan as of the date of substitution. The Seller shall be obligated to repurchase or substitute for any Eligible Substitute Loan as to which the Seller has breached the Seller's representations and warranties in Section 6(b) to the same extent as for any other Series 2002-1 Loan, as provided herein. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Master Servicer shall determine the amount (such amount, a "SUBSTITUTION ADJUSTMENT AMOUNT"), if any, by which the aggregate principal balance of all such Qualified Substitute Loans as of the date of substitution is less than the aggregate principal balance of all such Defective Loans (after application of the principal portion of the Scheduled Payments due in the month of substitution that are to be distributed to the Company in the month of substitution). The Seller shall deposit the amount of such shortfall into the Collection Account in immediately available funds on the date of substitution, without any reimbursement therefor.

Upon each repurchase or substitution, the Company shall automatically and without further action sell, transfer, assign, set over and otherwise convey to the Seller, without recourse, representation or warranty, all of the Company's right, title and interest in and to the related Defective Loan, the related Timeshare Property, the Loan File relating thereto and any other related Transferred Assets, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of transfer, subject to the payment of any Substitution Adjustment Amount). The Company shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the

Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 7(b).

Promptly after the occurrence of a Repurchase Date and after the repurchase of Defective Loans in respect of which the Repurchase Price has been paid on such date, the Seller shall direct the Master Servicer to delete such Defective Loans from the Series 2002-1 Loan Schedule.

The obligation of the Seller to repurchase or substitute for any Defective Loan shall constitute the sole remedy against the Seller with respect to any breach of the representations and warranties set forth in Section 6(b) available hereunder to the Company or its successors or assigns.

(c) REPURCHASES OF SERIES 2002-1 LOANS THAT BECOME DEFAULTED LOANS. If any Series 2002-1 Loan becomes a Defaulted Loan during any Due Period, the Seller may repurchase such Defaulted Loan from the Company or its assignees at the Repurchase Price therefor and in accordance with the additional provisions applicable to repurchases of Defective Loans under Section 7(b).

(d) MAXIMUM REPURCHASES. Notwithstanding anything to the contrary in the Agreement or this PA Supplement, no Defaulted Loans shall be repurchased by the Seller to the extent that the aggregate principal balance of all Defaulted Loans so repurchased is greater than the Defaulted Loan Repurchase Cap.

SECTION 8. COVENANTS OF THE SELLER.

Section 8 is set forth in the Agreement.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Section 9 is set forth in the Agreement.

SECTION 10. COVENANTS OF THE COMPANY.

Section 10 is set forth in the Agreement.

SECTION 11. MISCELLANEOUS PROVISIONS.

(l) RATIFICATION OF AGREEMENT. As supplemented by this PA Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this PA Supplement shall be read, taken and construed as one and the same instrument.

(m) AMENDMENT. This PA Supplement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

(n) COUNTERPARTS. This PA Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(o) GOVERNING LAW. THIS PA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING Section 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(p) SUCCESSORS AND ASSIGNS. This PA Supplement shall be binding upon each of the Seller and the Company and their respective permitted successors and assigns, and shall inure to the benefit of, and be enforceable by, each of the Seller and the Company and each of the Issuer, the Trustee, the Collateral Agent and the Noteholders.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

EFI DEVELOPMENT FUNDING, INC.,
as Seller

By: /s/ Lisa Henson

Name: Lisa Henson
Title: Vice President

SIERRA DEPOSIT COMPANY,

LLC,
as Purchaser

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for EFI PA Supplement]

EXHIBIT 10.69

EXECUTION COPY

MASTER POOL PURCHASE AGREEMENT

dated as of August 29, 2002

by and between

SIERRA DEPOSIT COMPANY, LLC
as Depositor

and

SIERRA RECEIVABLES FUNDING COMPANY, LLC
as Issuer

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MASTER POOL PURCHASE AGREEMENT

THIS MASTER POOL PURCHASE AGREEMENT (the "AGREEMENT") dated as of August 29, 2002 is made by and between SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as depositor (the "DEPOSITOR") and SIERRA RECEIVABLES FUNDING COMPANY, LLC, a Delaware limited liability company, as issuer (the "ISSUER").

RECITALS

WHEREAS, the Depositor has purchased certain Pool Loans and related Pool Assets (including an interest in the Timeshare Properties underlying such Pool Loans) from FAC, EFI and Trendwest (collectively with other sellers of Pool Loans that may be named in the future, the "SELLERS") pursuant to the applicable Purchase Agreements and related PA Supplements and from time to time hereafter will purchase from the Sellers additional Pool Loans and related Pool Assets; and

WHEREAS, the Depositor wishes to sell the Pool Loans and related Pool Assets that it now owns and the Pool Loans and related Pool Assets that it from time to time hereafter will own to the Issuer, and the Issuer is willing to purchase such Pool Loans and related Pool Assets from the Depositor from time to time, on the terms and subject to the conditions contained in this Agreement and the related Pool Purchase Agreement Supplement (each, a "PPA SUPPLEMENT") for each Series of Notes; and

WHEREAS, the Issuer intends to grant security interests in the Pool Loans and related Pool Assets that it purchases from the Depositor to the Collateral Agent on behalf of the Trustee and the holders of Notes issued from time to time pursuant to a Master Indenture and Servicing Agreement of even date herewith, together with any Indenture Supplements thereto (collectively, the "INDENTURE AND SERVICING AGREEMENT"), each by and between the Issuer, FAC as Master Servicer, the Trustee and the Collateral Agent.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. DEFINITIONS.

All terms used but not otherwise specifically defined herein shall have the meanings ascribed to them in the Purchase Agreements. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ADDITION CUT-OFF DATE" shall mean any Addition Cut-Off Date under the applicable Purchase Agreement.

"ADDITION DATE" shall mean any Addition Date under the applicable Purchase Agreement.

"ADDITIONAL POOL LOAN" shall mean, for each Series, a Loan constituting one of the Pool

Loans of such Series purchased from the Depositor on an Addition Date and listed on Schedule 1 to the related Assignment.

"ADDITIONAL POOL LOAN PURCHASE PRICE" shall have the meaning set forth in Section 3.

"AGREEMENT" shall have the meaning set forth in the preamble.

"ASSIGNMENT" shall have the meaning set forth in the applicable PPA Supplement.

"CENDANT" shall mean Cendant Corporation or any successor thereof.

"CLOSING DATE" shall mean, for each Series, the Closing Date set forth in the applicable PPA Supplement.

"DEFECTIVE LOAN" shall mean any Defective Loan under the applicable

Purchase Agreement.

"DEPOSITOR" shall have the meaning set forth in the preamble.

"DEPOSITOR INDEMNIFIED AMOUNTS" shall have the meaning set forth in Section 14.

"DEPOSITOR INDEMNIFIED PARTY" shall have the meaning set forth in Section 14.

"DUE DATE" shall mean, with respect to any Pool Loan, the date on which an Obligor is required to make a Scheduled Payment thereon.

"EFI" shall mean EFI Development Funding, Inc., a wholly-owned indirect Subsidiary of Cendant.

"ELIGIBLE POOL LOAN" shall mean any Pool Loan that is an Eligible Loan as defined in the applicable PA Supplement.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned indirect Subsidiary of FRI.

"FACILITY DOCUMENTS" shall mean, collectively, this Agreement, each PPA Supplement, the Purchase Agreements, each PA Supplement, the Indenture and Servicing Agreement, each Indenture Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Title Clearing Agreements, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements, all other documents specified in a PPA Supplement as Facility Documents and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"FRI" shall mean Fairfield Resorts, Inc., a Delaware corporation and the parent corporation of FAC.

"GUARANTEE" shall mean the performance guarantee dated as of the date hereof, executed by the Performance Guarantor in favor of the Depositor, the Issuer and the Trustee.

"INDENTURE AND SERVICING AGREEMENT" shall have the meaning set forth in the recitals.

"INDENTURE SUPPLEMENT" shall mean, with respect to any Series, an indenture supplement to the Indenture and Servicing Agreement, executed and delivered in connection with the issuance of the Notes of such Series pursuant to Section 2.10 of the Indenture and Servicing Agreement, and all amendments thereof and supplements thereto.

"INDEPENDENT DIRECTOR" shall mean an individual who is an Independent Director as defined in the Limited Liability Company Agreement of the Depositor or the Issuer, as applicable, as in effect on the date of this Agreement.

"INITIAL POOL LOANS" shall mean, with respect to any Series, the Pool Loans listed on the Pool Loan Schedule on the Closing Date for such Series.

"INSTALLMENT CONTRACT" shall mean any Installment Contract under the applicable Purchase Agreement.

"ISSUER" shall have the meaning set forth in the preamble.

"ISSUER ADMINISTRATIVE SERVICES AGREEMENT" shall mean the Administrative Services Agreement dated as of August 29, 2002 by and between FAC as administrator and the Issuer.

"LOAN" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"MORTGAGE" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"NOTES" shall mean any Series of Notes issued by the Issuer pursuant to the Indenture and Servicing Agreement and the respective Indenture Supplements.

"OBLIGOR" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"ORIGINATOR" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"PA SUPPLEMENT" shall mean any supplement to a Purchase Agreement relating to Loans constituting collateral for a particular Series of Notes.

"PERFORMANCE GUARANTOR" shall mean Cendant.

"PERMITTED ENCUMBRANCE" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"POOL ASSETS" shall mean, with respect to any Series, any and all right, title, and interest of the Depositor in, to and under (a) the Pool Loans from time to time and the related Transferred

Assets and all of the Depositor's rights under the Purchase Agreements and the Guarantee, (b) the Pool Collections and (c) the proceeds of any of the foregoing.

"POOL COLLECTIONS" shall mean, for any Series, all funds that are received on account of or otherwise in connection with the Pool Loans for such Series, including without limitation (a) all Collections in respect of any Pool Loans, (b) all amounts received from any Seller in respect of amounts relating to Repurchase Prices and Substitution Adjustment Amounts under the applicable PA Supplement or from Cendant in respect of any payments made by Cendant as guarantor of the obligations of the Seller or the Master Servicer under the Guarantee.

"POOL LOAN" shall mean, for each Series, each Loan that is listed on the applicable Pool Loan Schedule on the Closing Date for the related Series and Additional Pool Loans that are listed from time to time on such Pool Loan Schedule.

"POOL LOAN CONVEYANCE DOCUMENTS" shall mean, with respect to any Pool Loan, (a) the Assignment of Additional Pool Loans in the form of Exhibit A, if applicable, and (b) any such other releases, documents, instruments or agreements as may be required by the Depositor, the Issuer or the Trustee in order to more fully effect the sale (including any prior assignments) of such Pool Loan and any other related Pool Assets.

"POOL LOAN PURCHASE PRICE," for the Pool Assets with respect to any Series, shall have the meaning set forth in the applicable PPA Supplement.

"POOL LOAN SCHEDULE" shall mean the list of Loans attached to the applicable PPA Supplement as Schedule 1, as amended from time to time on each Addition Date and Repurchase Date as provided in the applicable PPA Supplement and Section 8(b) of this Agreement, which list shall set forth the same information with respect to each Pool Loan as required in the Loan Schedules for the applicable Purchase Agreement.

"POOL PURCHASE PRICE," for each Series, shall have the meaning set forth in the applicable PPA Supplement.

"PPA SUPPLEMENT" shall have the meaning set forth in the recitals.

"PURCHASE" shall mean, with respect to any Series, the sale of Loans and related Transferred Assets from the Depositor to the Issuer.

"PURCHASE AGREEMENT" shall mean each of the Master Loan Purchase Agreement dated as of August 29, 2002 by and between FAC as seller, FRI as co-originator, Fairfield Myrtle Beach, Inc. as co-originator, Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group, Ocean Ranch Vacation Group and the Depositor as purchaser; the Master Loan Purchase Agreement dated as of August 29, 2002 by and between EFI as Seller and the Depositor as purchaser; or the Master Loan Purchase Agreement dated as of August 29, 2002 by and between Trendwest as Seller and the Depositor as purchaser, in each case as such agreements may be amended, modified or supplemented from time to time in accordance with the terms thereof, and any other purchase agreement relating to the purchase of Loans from a Seller by the Depositor.

"PURCHASE TERMINATION DATE" shall mean the date specified by the Trustee following the occurrence of a Purchase Termination Event; PROVIDED, HOWEVER, that if an Insolvency Event has occurred with respect to either the Depositor or the Issuer, the Purchase Termination Date shall be deemed to have occurred automatically without any such notice.

"PURCHASE TERMINATION EVENT" shall have the meaning set forth in Section 13.

"REPURCHASE DATE," for each Series, shall have the meaning set forth in the applicable PPA Supplement.

"REPURCHASE PRICE," for each Series, shall have the meaning set forth in the applicable PPA Supplement.

"SCHEDULE 1-A POOL LOAN" shall have the meaning set forth in Section 12.

"SCHEDULE 1-B POOL LOAN" shall have the meaning set forth in Section 12.

"SELLER" shall have the meaning set forth in the recitals.

"SELLER SUBSIDIARY" shall mean any Subsidiary of a Seller, other than the Depositor or the Issuer.

"TIMESHARE PROPERTY" shall have the meaning set forth in the applicable Purchase Agreement.

"TRENDWEST" shall mean Trendwest Resorts, Inc., a wholly-owned indirect Subsidiary of Cendant.

"TRUSTEE" shall have the meaning set forth in the recitals.

"WORLDMARK" shall mean WorldMark, The Club, a California not-for-profit mutual benefit corporation.

SECTION 2. PURCHASE AND SALE.

Provisions with respect to the Purchase and sale of the Pool Loans and the related Pool Assets for each Series shall be set forth in the related PPA Supplement.

SECTION 3. POOL LOAN PURCHASE PRICE.

The Pool Loan Purchase Price for the Pool Loans and the related Pool Assets of each Series sold on each Closing Date shall be set forth in the related PPA Supplement.

The purchase price for any Additional Pool Loans and the related Pool Assets (the "ADDITIONAL POOL LOAN PURCHASE PRICE") conveyed to the Issuer under this Agreement and the related PPA Supplement on each Addition Date shall be a dollar amount equal to the aggregate outstanding principal balance of such Additional Pool Loans sold on such Addition Date, subject to adjustment to reflect such factors as the Issuer and the Depositor mutually agree, and further subject to any requirements of the related PPA Supplement.

SECTION 4. PAYMENT OF PURCHASE PRICE.

(a) CLOSING DATES. On the terms and subject to the conditions of this Agreement and the related PPA Supplement, payment of the Pool Loan Purchase Price for the Pool Loans and the related Pool Assets transferred on each Closing Date shall be made by the Issuer on such Closing Date in immediately available funds to the Depositor to such accounts at such banks as the Depositor shall designate to the Issuer not less than one Business Day prior to such Closing Date.

(b) MANNER OF PAYMENT OF ADDITIONAL POOL LOAN PURCHASE PRICE. On the terms and subject to the conditions of this Agreement and the related PPA Supplement, the Issuer shall pay to the Depositor, on each other Business Day on which any Pool Assets are purchased from the Depositor by the Issuer pursuant to the related PPA Supplement, the Additional Pool Loan Purchase Price for such Pool Assets by paying such Additional Pool Loan Purchase Price to the Depositor in cash.

(c) PAYMENT OF ADJUSTMENTS. The Depositor shall pay to the Issuer in cash, on the date of receipt by the Depositor, any payment in respect of Repurchase Prices or Substitution Adjustment Amounts relating to the Pool Assets made by any Seller to the Depositor pursuant to any Purchase Agreement. The Depositor shall instruct the Sellers to deposit all payments in respect of such Repurchase Prices and Substitution Adjustment Amounts directly in the Collection Account.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF POOL LOANS.

The conditions precedent to a sale of Pool Assets shall be as specified in the related PPA Supplement.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE DEPOSITOR.

The Depositor represents and warrants as of each Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(a) The Depositor is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power, authority and legal right to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and the related PPA Supplement. The Depositor is duly qualified to do business and is in good standing as a foreign

entity, and has obtained all necessary licenses and approvals in each jurisdiction necessary to carry on its business as presently conducted and to perform its obligations under this Agreement and the related PPA Supplement.

(b) The execution, delivery and performance by the Depositor of each of the Facility Documents to which it is a party and the consummation by the Depositor of the transactions provided for in this Agreement, the related PPA Supplement and each other Facility Document to which it is a party have been duly authorized by the Depositor by all necessary limited liability company action.

(c) This Agreement, the related PPA Supplement and each other Facility Document to which it is a party has been duly and validly executed and delivered by the Depositor and constitutes the legal, valid and binding obligation of the Depositor, enforceable against it in accordance with its respective terms, except as such enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(d) The execution, delivery and performance by the Depositor of this Agreement, the related PPA Supplement and each other Facility Document to which it is a party and the consummation by the Depositor of the transactions contemplated hereby and thereby do not contravene (i) the Depositor's limited liability company agreement, (ii) any law, rule or regulation applicable to the Depositor, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on the Depositor or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Depositor or its properties (except where such contravention would not have a Material Adverse Effect with respect to the Depositor or its properties), and do not result in (except as provided in the Facility Documents) or require the creation of any Lien upon or with respect to any of its properties; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. To the extent that this representation is being made with respect to Title I of ERISA or Section 4975 of the Code, it is made subject to the assumption that none of the assets being used to purchase the Pool Loans and Pool Assets constitute assets of any Benefit Plan or Plan with respect to which the Depositor is a party in interest or disqualified person.

(e) There are no proceedings or investigations pending, or to the best knowledge of the Depositor threatened, against the Depositor before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, (C) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party or (D) seeking any determination or ruling that would, if adversely determined, be reasonably likely to have a Material Adverse Effect with respect to the Depositor.

(f) All approvals, authorizations, consents or orders of any court or governmental agency or body required in connection with the execution and delivery by the Depositor of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, the consummation by it of the transactions contemplated hereby or thereby and the performance by it of, and the compliance by it with, the terms hereof or thereof, have been obtained, except where the failure to do so would not have a Material Adverse Effect with respect to the Depositor.

(g) The Depositor, both prior to and immediately after giving effect to the sale of Pool Loans to the Issuer on such date, (A) is not insolvent (as such term is defined in the Bankruptcy Code), (B) is able to pay its debts as they become due and (C) does not have

unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(h) The Depositor has observed the applicable legal requirements on its part for the recognition of the Depositor as a legal entity separate and apart from each of the Seller, the Seller Subsidiaries and any of their respective Affiliates.

It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Pool Loans by the Depositor to the Issuer and the grant of a security interest in the Pool Assets by the Issuer to the Collateral Agent and shall inure to the benefit of the Issuer, the Trustee, the Collateral Agent and the Noteholders and their respective

designees, successors and assigns.

SECTION 7. AFFIRMATIVE COVENANTS OF THE DEPOSITOR.

From and after the date hereof until the termination of this Agreement, the Depositor shall:

(a) SEPARATE LEGAL ENTITY. Take such actions as shall be required on its part in order that the identity of the Depositor as a legal entity separate from each of the Sellers, the Seller Subsidiaries and any of their respective Affiliates will be recognized, including:

(i) The Depositor will conduct its business in office space allocated to it and for which it pays an appropriate rent and overhead allocation;

(ii) The Depositor will maintain corporate records and books of account separate from those of the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer and telephone numbers and stationery that are separate and distinct from those of the Seller, the Seller Subsidiaries, their respective Affiliates and the Issuer;

(iii) The Depositor's assets will be maintained in a manner that facilitates their identification and segregation from those of any of the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer;

(iv) The Depositor will strictly observe corporate formalities in its dealings with the public and with the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer and, except as contemplated by the Facility Documents, funds or other assets of the Depositor will not be commingled with those of any of the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer. The Depositor will at all times, in its dealings with the public and with the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer, hold itself out and conduct itself as a legal entity separate and distinct from the Sellers, the Seller Subsidiaries, their respective Affiliates and the Issuer. The Depositor will not maintain joint bank accounts or other depository accounts to which any of the Sellers, the Seller Subsidiaries or their respective Affiliates (other than the Master Servicer) has independent access;

(v) The duly elected board of directors of the Depositor and duly appointed officers of the Depositor will at all times have sole authority to control decisions and actions with respect to the daily business affairs of the Depositor;

(vi) Not less than one member of the Depositor's board of directors will be an Independent Director. The Depositor will observe those provisions in its limited liability agreement that provide that the Depositor's board of directors will not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Depositor unless the Independent Director and all other members of the Depositor's board of directors unanimously approve the taking of such action in writing prior to the taking of such action;

(vii) The Depositor will compensate each of its employees, consultants and agents from the Depositor's own funds for services provided to the Depositor; and

(viii) The Depositor will not hold itself out to be responsible for the debts of any of the Sellers, the Seller Subsidiaries or their respective Affiliates.

(b) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations, judgments, decrees and orders (including without limitation those relating to the Loans and related Timeshare Properties), in each case to the extent that any such failure to comply, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect with respect to the Depositor.

(c) PRESERVATION OF CORPORATE EXISTENCE. Preserve and maintain its limited liability company existence, rights, franchises and privileges in the jurisdiction of its formation and qualify and remain qualified in good standing as a foreign entity in each jurisdiction in which the failure to preserve and maintain such qualification as a foreign corporation could reasonably be expected to have a Material Adverse Effect with respect to the Depositor.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Mark its computer

files, books and records to indicate the sale of all Pool Assets to the Issuer hereunder and under each PPA Supplement.

(e) PAYMENT OF TAXES. To the extent required by applicable law, file (or cause to be filed on its behalf as a member of a consolidated group) all tax returns and reports required by law to be filed by it and pay all taxes, assessments and governmental charges thereby shown to be owing by it, except for any such taxes, assessments or charges (i) that are being diligently contested in good faith by appropriate proceedings, for which adequate reserves in accordance with GAAP have been set aside on its books and that have not given rise to any Liens (other than Permitted Encumbrances) or (ii) the amount of which, either singly or in the aggregate, would not have a Material Adverse Effect with respect to the Depositor.

(f) TURNOVER OF COLLECTIONS. If the Depositor or any of its agents or representatives at any time receives any cash, checks or other instruments constituting Pool Collections, segregate and hold such payments in trust for, and in a manner acceptable to, the Master Servicer and promptly upon receipt (and in any event within two Business Days

following receipt) remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the applicable Collection Account.

SECTION 8. NEGATIVE COVENANTS OF THE DEPOSITOR.

From and after the date hereof until the final Series Termination Date, the Depositor agrees that it will not:

(a) SALES, LIENS, ETC. Sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien (other than Permitted Encumbrances) of anyone claiming by or through it on or with respect to, any Pool Asset or any interest therein, other than sales of Pool Assets pursuant to this Agreement.

(b) NO MERGERS, ETC. Consolidate with or merge with or into any other Person or convey, transfer or sell (other than to the Issuer) all or substantially all of its properties and assets to any Person.

(c) CHANGE IN NAME. Change its name or its type or jurisdiction of organization unless the Depositor has given the Issuer and its assignees and the rating agencies then rating any Series of Notes at least 30 days' prior written notice thereof and taken all action necessary or reasonably requested by the Trustee to amend its existing financing statements and file additional financing statements in all applicable jurisdictions in order to perfect and maintain the perfection of the ownership interest or security interest of the Issuer in the Pool Loans and the related Pool Assets.

(d) INDEBTEDNESS. Create, incur or permit to exist, or give any guarantee or indemnity in respect of, any indebtedness except for (A) liabilities created or incurred by the Depositor pursuant to the Facility Documents or contemplated by such Facility Documents and (B) other reasonable and customary operating expenses; PROVIDED that the Depositor shall not incur any indebtedness for borrowed money in excess of $9,500 unless the related creditor shall agree in writing to a non-petition covenant substantially similar to Section 15(h)(ii) hereof for the benefit of the Depositor.

(e) AMENDMENTS, ETC. Permit the validity or effectiveness of any Facility Document to which it is a party or the rights and obligations created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any amendment to any Facility Document to which it is a party without the consent of the Issuer and the Indenture Trustee, or permit any Person whose obligations form part of the Pool Assets to be released from such obligations, except in accordance with the terms of such Facility Document.

(f) CAPITAL EXPENDITURES. Incur or make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

(g) LIMITATION ON BUSINESS. Engage in any business other than financing, purchasing, owning and selling and managing the Pool Assets in the manner contemplated by the Facility Documents and all activities incidental thereto, or enter into or be a party to any agreement or instrument other than any Facility Document or documents and agreements incidental thereto.

(h) CAPITAL CONTRIBUTIONS. Except as contemplated by the Facility Documents, make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or

indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person.

SECTION 9. REPURCHASES OR SUBSTITUTIONS OF POOL LOANS FOR BREACH OF REPRESENTATIONS AND WARRANTIES.

Provisions with respect to repurchase and substitution of the Pool Loans for each Series for breaches of representations and warranties shall be set forth in the related PPA Supplement.

SECTION 10. REPRESENTATIONS AND WARRANTIES OF THE ISSUER.

The Issuer represents and warrants as of each Closing Date and as of each Addition Date, or as of such other date specified in such representation and warranty, that:

(a) The Issuer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power, authority, and legal right to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and the related PPA Supplement. The Issuer is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction necessary to carry on its business as presently conducted and to perform its obligations under this Agreement.

(b) The execution, delivery and performance by the Issuer of each of the Facility Documents to which it is a party and the consummation by the Issuer of the transactions provided for in this Agreement, the related PPA Supplement and each other Facility Document to which it is a party have been duly authorized by the Issuer by all necessary limited liability company action.

(c) This Agreement, the related PPA Supplement and each other Facility Document to which it is a party constitutes the legal, valid and binding obligation of the Issuer, enforceable against it in accordance with its respective terms, except as such enforceability may be subject to or limited by Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(d) The execution, delivery and performance by the Issuer of this Agreement, the related PPA Supplement and each other Facility Document to which it is a party and the consummation by the Issuer of the transactions contemplated hereby and thereby do not contravene (i) the Issuer's limited liability company agreement, (ii) any law, rule or regulation applicable to the Issuer, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on the Issuer or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Issuer or its properties (except where such

contravention would not have a Material Adverse Effect with respect to the Issuer or its properties), and do not result in (except as provided in the Facility Documents) or require the creation of any Lien upon or with respect to any of its properties; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. To the extent that this representation is being made with respect to Title I of ERISA or Section 4975 of the Code, it is made subject to the assumption that none of the assets being used to purchase the Pool Loans and Pool Assets constitute assets of any Benefit Plan or Plan with respect to which the Issuer is a party in interest or disqualified person.

(e) There are no proceedings or investigations pending, or to the best knowledge of the Issuer threatened, against the Issuer before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, (C) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party or (D) seeking any determination or ruling that would, if adversely determined, be reasonably likely to have a Material Adverse Effect with respect to the Issuer.

(f) All approvals, authorizations, consents or orders of any court or governmental agency or body required in connection with the execution and delivery by the Issuer of this Agreement, the related PPA Supplement or any other Facility Document to which it is a party, the consummation by it of the transactions contemplated hereby or thereby and the performance by it of, and the compliance by it with, the terms hereof or thereof, have been obtained,

except where the failure to do so would not have a Material Adverse Effect with respect to the Issuer.

(g) The Issuer (A) is not insolvent (as such term is defined in the Bankruptcy Code), (B) is able to pay its debts as they become due and (C) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(h) The Issuer has observed the applicable legal requirements on its part for the recognition of the Issuer as a legal entity separate and apart from each of the Seller, the Seller Subsidiaries and any of their respective Affiliates.

SECTION 11. AFFIRMATIVE COVENANTS OF THE ISSUER.

From and after the date hereof until the termination of this Agreement, the Issuer shall take such actions as shall be required on its part in order that the identity of the Issuer as a legal entity separate from the Depositor, the Sellers, the Seller Subsidiaries and any of their respective Affiliates will be recognized, including:

(i) The Issuer will conduct its business in office space allocated to it and for which it pays an appropriate rent and overhead allocation;

(ii) The Issuer will maintain corporate records and books of account separate from those of the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates and telephone numbers and stationery that are separate and distinct from those of the Sellers, the Seller Subsidiaries and their respective Affiliates;

(iii) The Issuer's assets will be maintained in a manner that facilitates their identification and segregation from those of any of the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates;

(iv) The Issuer will strictly observe corporate formalities in its dealings with the public and with the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates and, except as contemplated by the Facility Documents, funds or other assets of the Issuer will not be commingled with those of any the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates. The Issuer will at all times, in its dealings with the public and with any of the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates, hold itself out and conduct itself as a legal entity separate and distinct from the Depositor, the Sellers and their respective Affiliates. The Issuer will not maintain joint bank accounts or other depository accounts to which any of the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates (other than the Master Servicer) has independent access;

(v) The duly elected board of directors of the Issuer and duly appointed officers of the Issuer will at all times have sole authority to control decisions and actions with respect to the daily business affairs of the Issuer;

(vi) Not less than one member of the Issuer's board of directors will be an Independent Director. The Issuer will observe those provisions in its limited liability company agreement that provide that the Issuer's board of directors will not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Issuer unless the Independent Director and all other members of the Issuer's board of directors unanimously approve the taking of such action in writing prior to the taking of such action;

(vii) The Issuer will compensate each of its employees, consultants and agents from the Issuer's own funds for services provided to the Issuer; and

(viii) The Issuer will not hold itself out to be responsible for the debts of any of the Depositor, the Sellers, the Seller Subsidiaries and their respective Affiliates.

SECTION 12. DEPOSITOR REPURCHASES.

(a) OPTIONAL SUBSTITUTION OF SCHEDULE 1-A POOL LOANS. On each Closing Date and each Addition Date, the Depositor shall designate the Pool Loans, if any, Purchased on such date that will be subject to optional substitution in whole or in part by the Depositor (such Pool Loans, the "SCHEDULE 1-A POOL LOANS"), and such Pool Loans shall be listed as Schedule 1-A

Pool Loans in the Pool Loan Schedule for the applicable Series as set forth in the related PPA Supplement. All other Pool Loans Purchased by the Issuer from the Depositor on any Closing Date or Addition Cut-Off Date (the "SCHEDULE 1-B POOL LOANS") shall be listed as Schedule 1-B Pool Loans in the Pool Loan Schedule for the applicable Series and shall not be subject to optional substitution pursuant to this Section 12. The Depositor may not change the designation of any Pool Loan from a Schedule 1-B Pool Loan to a Schedule 1-A Pool Loan.

(b) SUBSTITUTION OF OTHER POOL LOANS. The PPA Supplement for any Series may designate additional categories of Pool Loans that will be subject to substitution by the Depositor.

(c) SUBSTITUTIONS. Schedule 1-A Pool Loans and any other Pool Loans subject to substitution pursuant to this Section 12 and any PPA Supplement shall be removed from the Schedule 1-A Pool Loans and another Pool Loan substituted therefore by the Depositor subject to the notice and re-conveyance provisions applicable to Defective Loans substitution provisions of the related PPA Supplement.

(d) CONDITION PRECEDENT TO SUBSTITUTION OF POOL LOANS. No removal and substitution of any Pool Loans shall be made under Section 12 of this Agreement or any PPA Supplement on any date unless the Depositor provides a Pool Loan in substitution for the Pool Loan released in accordance with the provisions applicable to substitution for Defective Loans under the related PPA Supplement.

SECTION 13. TERMINATION.

(a) PURCHASE TERMINATION EVENTS. "PURCHASE TERMINATION EVENTS" for each Series, if any, shall be set forth in the related PPA supplement.

If a Purchase Termination Event occurs, the Depositor shall promptly give notice to the Issuer and its assignees of such Purchase Termination Event.

(b) PURCHASE TERMINATION. On the Purchase Termination Date, the Depositor shall cease transferring Pool Assets to the Issuer. Notwithstanding any cessation of the transfer to the Issuer of additional Pool Assets, Pool Assets transferred to the Issuer prior to the Purchase Termination Date and Pool Collections in respect of such Pool Assets, whenever accrued in respect of such Pool Assets, shall continue to be property of the Issuer available for grant of security interest pursuant to the Indenture and Servicing Agreement.

SECTION 14. INDEMNITIES BY THE DEPOSITOR.

Without limiting any other rights that any Depositor Indemnified Party may have hereunder or under applicable law, the Depositor agrees to indemnify the Issuer and each of its successors, permitted transferees and assigns (including the Trustee for the benefit of Noteholders), and all officers, directors, shareholders, controlling Persons, employees and agents of any of the foregoing (each of the foregoing Persons, a "DEPOSITOR INDEMNIFIED PARTY"), from and against any and all damages, losses, claims (whether on account of settlements or otherwise), actions, suits, demands, judgments, liabilities (including penalties), obligations or disbursements of any kind or nature and related costs and expenses (including reasonable attorneys' fees and

disbursements) awarded against or incurred by any of them, arising out of or as a result of any of the following (all of the foregoing, collectively, "DEPOSITOR INDEMNIFIED LOSSES"):

(a) any representation or warranty made by the Depositor under any of the Facility Documents having been untrue or incorrect in any respect when made or deemed to have been made; PROVIDED, HOWEVER, that the Depositor's obligation to repurchase Defective Loans pursuant to Section 9 with respect to any representation assigned to the Issuer pursuant to the related PPA Supplement having been incorrect when made shall be the only remedy available to the Issuer or its assignees relating to such incorrect representation;

(b) the failure to vest and maintain in the Issuer a first priority perfected ownership or security interest in the Pool Assets, free and clear of any Lien arising through the Depositor or anyone claiming through or under the Depositor; or

(c) any failure of the Depositor to perform its duties or obligations in accordance with the provisions of any Facility Documents to which it is a party.

Notwithstanding the foregoing, no indemnification payments shall be payable by the Depositor pursuant to this Section 14 except to the extent of

funds available to the Depositor for such purpose.

Notwithstanding the foregoing (and with respect to clause (ii) below, without prejudice to the rights that the Issuer may have pursuant to the other provisions of this Agreement or the provisions of any of the other Facility Documents), in no event shall any Depositor Indemnified Party be indemnified for any Depositor Indemnified Losses (i) resulting from negligence or willful misconduct on the part of such Depositor Indemnified Party, (ii) to the extent the same includes losses in respect of Pool Assets and reimbursement therefor that would constitute credit recourse to the Depositor for the amount of any Pool Asset not paid by the related Obligor or (iii) resulting from the action or omission of the Master Servicer.

If for any reason the indemnification provided in this Section 15 is unavailable to a Depositor Indemnified Party or is insufficient to hold a Depositor Indemnified Party harmless, then the Depositor shall contribute to the maximum amount payable or paid to such Depositor Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Depositor Indemnified Party on the one hand and the Depositor on the other hand, but also the relative fault of such Depositor Indemnified Party and the Depositor, and any other relevant equitable considerations.

SECTION 15. MISCELLANEOUS.

(a) AMENDMENT. This Agreement and any PPA Amendment may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto or thereto by written agreement signed by the parties hereto or thereto.

(b) ASSIGNMENT. The Issuer has the right to assign its interest under this Agreement and any PPA Amendment as may be required to effect the purposes of the Indenture and Servicing Agreement without the consent of the Depositor, and the assignee shall succeed to the rights hereunder of the Issuer. In addition, but only to the extent allowed by the Indenture and

Servicing Agreement, each of the Collateral Agent and the Trustee has the right to assign its interest hereunder and under any PPA Agreement without the written consent of the Depositor and the assignee shall succeed to the rights hereunder or thereunder of Collateral Agent or Trustee.

(c) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(d) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(e) NOTICES. All demands and notices hereunder shall be in writing and shall be deemed to have been duly given, if personally delivered at or mailed by registered mail, postage prepaid, or by express delivery service, to (i) in the case of Depositor, Sierra Deposit Company, LLC, 10750 West Charleston Blvd., Suite 130, Mailstop 2067, Las Vegas, Nevada 89135, Attention: President, or such other address as may hereafter be furnished to the Issuer and (ii) in the case of the Issuer, Sierra Receivables Funding Company, LLC, 10750 West Charleston Blvd., Suite 130, Mailstop 2046, Las Vegas, Nevada 89135, Attention: President, or such other address an may be furnished to the Depositor.

(f) SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

(g) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Depositor and the Issuer and their respective successors and assigns, as may be permitted hereunder, and shall inure to the benefit of, and be enforceable by, the Depositor and the Issuer and each of the Collateral Agent, the Trustee and the Noteholders.

(h) NO PROCEEDINGS.

(i) The Depositor hereby agrees that it will not institute against the Issuer or join any other Person in instituting against the Issuer any proceeding under any Debtor Relief Law so long as the Termination Date shall not have occurred or there shall not have elapsed one year plus one day since the Termination Date. The foregoing shall not limit the right of the Depositor to file any claim in or otherwise take any action with respect to any proceeding under any Debtor Relief Law that was instituted against the Issuer by any Person other than the Depositor.

(ii) The Issuer hereby agrees that it will not institute against the Depositor or WorldMark or join any other Person in instituting against the Depositor or WorldMark any proceeding under any Debtor Relief Law so long as the Termination Date shall not have occurred or there shall not have elapsed one year plus one day since the Termination

Date. The foregoing shall not limit the right of the Issuer to file any claim in or otherwise take any action with respect to any proceeding under any Debtor Relief Law that was instituted against the Depositor or WorldMark by any Person other than the Issuer.

(i) RECOURSE TO THE DEPOSITOR. Except to the extent expressly provided otherwise in the Facility Documents, the obligations of the Depositor under the Facility Documents to which it is a party are solely the obligations of the Depositor, and no recourse shall be had for payment of any fee payable by or other obligation of or claim against the Depositor that arises out of any Facility Document to which the Depositor is a party against any director, officer or employee of the Depositor. The provisions of this Section 15(i) shall survive the termination of this Agreement.

(j) RECOURSE TO THE ISSUER. Except to the extent expressly provided otherwise in the Facility Documents, the obligations of the Issuer under the Facility Documents to which it is a party (i) are solely the obligations of the Issuer, and no recourse shall be had for payment of any fee payable by or other obligation of or claim against the Issuer that arises out of any Facility Document to which the Issuer is a party against any director, officer or employee of the Issuer and (ii) are payable solely from funds available to the Issuer under the Indenture and Servicing Agreement for such purpose. The provisions of this Section 15(j) shall survive the termination of this Agreement.

(k) CONFIDENTIALITY. The Issuer agrees to maintain the confidentiality of any information regarding the Sellers, the Seller Subsidiaries, the Depositor and Cendant obtained in accordance with the terms of this Agreement that is not publicly available; PROVIDED, HOWEVER, that the Issuer may reveal such information (i) as necessary or appropriate in connection with the administration or enforcement of this Agreement or its funding of Purchases under this Agreement, (ii) as required by law, government regulation, court proceeding or subpoena and (iii) as necessary or appropriate in connection with the financing statements filed pursuant to this Agreement or any PPA Supplement.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA DEPOSIT COMPANY, LLC
as Depositor

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

SIERRA RECEIVABLES FUNDING COMPANY, LLC
as Issuer

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

[Signature page for Pool Purchase Agreement]

EXHIBIT 10.70

EXECUTION COPY

SERIES 2002-1 SUPPLEMENT
Dated as of August 29, 2002

to

MASTER POOL PURCHASE AGREEMENT
Dated as of August 29, 2002

- ---

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

- ---

by and between

SIERRA DEPOSIT COMPANY, LLC
as Depositor

and

SIERRA RECEIVABLES FUNDING COMPANY, LLC
as Issuer

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THIS POOL PURCHASE AGREEMENT SUPPLEMENT (this "PPA SUPPLEMENT"), dated as of August 29, 2002, is by and between SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as depositor (the "DEPOSITOR") and SIERRA RECEIVABLES FUNDING COMPANY, LLC, a Delaware limited liability company, as Issuer (the "ISSUER").

Section 2 of the Agreement provides that the Depositor may from time to time sell and assign to the Issuer, and the Issuer may from time to time Purchase from the Depositor, all the Depositor's right, title and interest in, to and under the Pool Loans listed on the Pool Loan Schedule to the related PPA Supplement on the Closing Date for the related Series. The principal terms of the Purchase and sale of the Pool Loans for each Series shall be set forth in such PPA Supplement.

Pursuant to this PPA Supplement, the Depositor sells to the Issuer, and the Issuer Purchases from the Depositor, the Series 2002-1 Pool Loans relating to the Series 2002-1 Notes, and the Depositor and the Issuer hereby specify the principal terms of such sale and Purchase.

SECTION 1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to them in the Agreement and in the Series 2002-1 Purchase Agreement, as applicable. Each capitalized term defined herein shall relate only to the Series 2002-1 Pool Loans and to no other Loans Purchased by the Issuer from the Depositor.

In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Agreement, the terms and provisions of this PPA Supplement shall be controlling.

The words "hereof," "herein" and "hereunder" and words of similar import when used in this PPA Supplement shall refer to this PPA Supplement as a whole and not to any particular provision of this PPA Supplement; and Article, Section, subsection, Schedule and Exhibit references contained in this PPA Supplement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this PPA Supplement unless otherwise specified.

"AGREEMENT" shall mean the Master Pool Purchase Agreement dated as of August 29, 2002 by and between the Depositor and the Issuer, as the same may be amended, supplemented or otherwise modified from time to time.

"CUT-OFF DATE" shall mean August 27, 2002.

"CUT-OFF DATE POOL PRINCIPAL BALANCE" shall have the meaning set forth in Section 3.

"DEAL AGENT" shall mean Fleet Securities Inc., as Deal Agent under the note purchase agreement, dated as of August 29, 2002, among the Issuer, FAC, the Purchaser, Fleet Securities Inc., the Conduits and Alternate Investors named therein and the Class Agents named therein.

"FACILITY DOCUMENTS," with respect to the Series 2002-1 Pool Loans, shall mean Facility Documents as defined in the Agreement, and each Subordinated Note.

"POOL LOAN PURCHASE PRICE" shall have the meaning set forth in Section 3.

"REPURCHASE DATE" shall have the meaning set forth in Section 7.

"REPURCHASE PRICE" shall have the meaning set forth in Section 7.

"SERIES 2002-1 ADDITIONAL POOL LOAN" shall mean each Loan constituting one of the Series 2002-1 Pool Loans Purchased from the Depositor on an Addition Date and listed on Schedule 1 to the related Assignment.

"SERIES 2002-1 INDENTURE SUPPLEMENT" shall mean the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the original issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto.

"SERIES 2002-1 POOL LOAN" means each Loan listed from time to time on the Series 2002-1 Pool Loan Schedule.

"SERIES 2002-1 POOL LOAN SCHEDULE" shall mean the Pool Loan Schedule for the Series 2002-1 Pool Loans.

"SERIES 2002-1 PA SUPPLEMENT" shall mean each PA Supplement relating to the Series 2002-1 Loans.

"SERIES 2002-1 PURCHASE AGREEMENT" shall mean each Purchase Agreement relating to the Series 2002-1 Loans, in each case as amended by the Series 2002-1 PA Supplement thereto.

"SUBORDINATED NOTE" shall mean the FAC Subordinated Note, the Trendwest Subordinated Note, the EFI Subordinated Note and any other subordinated note delivered by a Seller to the Issuer pursuant to a Series 2002-1 PA Supplement.

"SUBSTITUTION ADJUSTMENT AMOUNT" shall have the meaning set forth in Section 9.

SECTION 2. PURCHASE AND SALE.

(a) AGREEMENT. Upon the terms and subject to the conditions hereof, the Issuer hereby Purchases from the Depositor, and the Depositor hereby sells and assigns to the Issuer without recourse except as specifically set forth herein, all of the Depositor's right, title and interest in, to and under the Initial Pool Loans listed on the Series 2002-1 Pool Loan Schedule delivered on the Closing Date, together with all other Pool Assets relating thereto.

The Series 2002-1 Pool Loan Schedule sets forth a list of all Series 2002-1 Pool Loans as of the Closing Date and indicates whether each such Loan shall be designated a Schedule 1-A Pool Loan or a Schedule 1-B Pool Loan. The Series 2002-1 Additional Pool Loans existing at the close of business on each Addition Cut-Off Date and all other Pool Assets relating thereto shall be sold by the Depositor and purchased by the Issuer on the related Addition Date. In connection with the sale and conveyance hereunder, the Depositor agrees on or prior to the Closing Date and on or prior to each Addition Date (in the case of Series 2002-1 Additional Pool Loans) to indicate or cause to be indicated clearly and unambiguously in its accounting,

computer and other records that the Series 2002-1 Pool Loans and the related Pool Assets have been sold to the Issuer pursuant to this PPA Supplement. In addition, in connection with the sale and conveyance hereunder, the Depositor agrees on or prior to the Closing Date and on or prior to each Addition Date (in the case of Series 2002-1 Additional Pool Loans) to deliver to the Issuer a Series 2002-1 Pool Loan Schedule for such Series 2002-1 Pool Loans and Series 2002-1 Additional Pool Loans.

(b) PURCHASE OF SERIES 2002-1 ADDITIONAL POOL LOANS.

(i) [Reserved].

(ii) The Depositor may agree with the Issuer that Eligible Loans will be sold by the Depositor to the Issuer as Series 2002-1 Additional Pool Loans.

(iii) On the Addition Date with respect to any Series 2002-1 Additional Pool Loans, such Series 2002-1 Additional Pool Loans shall become Series 2002-1 Loans, and the Issuer shall Purchase the Series 2002-1 Additional Pool Loans and the related Pool Assets as provided in the Assignment, subject to the satisfaction of the following conditions on such Addition Date:

(A) The Depositor shall have delivered to the Issuer copies of UCC financing statements covering such Series 2002-1 Additional Pool Loans, if necessary to perfect the Issuer's first priority interest in such Series 2002-1 Additional Pool Loans and the related Pool Assets;

(B) On each of the Addition Cut-Off Date and the Addition Date, the sale of such Series 2002-1 Additional Pool Loans and the related Pool Assets to the Issuer shall not have caused the Depositor's insolvency or have been made in contemplation of the Depositor's insolvency;

(C) No selection procedure shall have been utilized by the Depositor that would result in a selection of such Series 2002-1

Additional Pool Loans (from the Eligible Loans available to the Depositor) that would be materially adverse to the interests of the Issuer as of the Addition Date;

(D) The Depositor shall have indicated in its accounting, computer and other records that the Series 2002-1 Additional Pool Loans and the related Pool Assets have been sold to the Issuer and shall have delivered to the Issuer the required Series 2002-1 Pool Loan Schedule;

(E) The Depositor and the Issuer shall have entered into a duly executed, written assignment substantially in the form of Exhibit A to the Agreement (an "ASSIGNMENT");

(F) The Depositor shall have delivered to the Issuer an Officer's Certificate of the Depositor dated the Addition Date, confirming, to the extent applicable, the items set forth in Section 2(b)(iii) (A) through (E); and

(G) The Issuer shall have paid the Additional Pool Loan Purchase Price as provided in Section 3 of the Agreement and in Section 3 hereof.

(iv) On the initial Addition Date with respect to any Series 2002-1 Additional Pool Loans acquired by the Depositor from EFI or Trendwest, as a Seller under a Purchase Agreement, the Issuer shall Purchase the Series 2002-1 Additional Pool Loans and the related Pool Assets as provided in the Agreement only upon receipt by the Issuer of each of the following on such Addition Date in form and substance acceptable to the Issuer and counsel to the Deal Agent:

(A) Copies of search reports certified by parties acceptable to the Issuer dated a date reasonably prior to such Addition Date (x) listing all effective financing statements which name the applicable Seller and the Depositor (under their present name and any previous names) as debtor or seller and which are filed with respect to the applicable Seller and the Depositor in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of the Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets except as contemplated by the Facility Documents) and (y) listing all effective financing statements which name the Issuer (under its present name and any previous names) as debtor or seller and which are filed with respect to the Issuer in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets except as contemplated by the Facility Documents);

(B) Copies of proper UCC Financing Statement Amendments (Form UCC3), if any, necessary to terminate all security interests and other rights of any Person in the Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets previously granted by the applicable Seller, the Depositor or the Issuer (except as contemplated by the Facility Documents);

(C) Copies of (x) proper UCC Financing Statements (Form UCC1) naming the Depositor as debtor or seller of the Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets, the Trustee as total assignee and the Issuer as assignor secured party, (y) proper UCC Financing Statements (Form UCC1) naming the Issuer as debtor or seller of the Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets and the Trustee as secured party or purchaser and (z) such other similar instruments or documents with respect to the applicable Seller as may be necessary or in the opinion of the Purchaser desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Trustee's interest in the Series 2002-1 Additional Pool Loans that are being purchased from EFI or Trendwest and related Pool Assets; and

(D) An opinion or opinions of counsel to the Depositor, in the form required by the Issuer, with respect to the following: (x) certain security interest matters, and (y) "true sale" and substantive consolidation matters.

(c) [Reserved].

(d) NO ASSUMPTION. The sales and purchases of Pool Assets do not constitute and are not intended to result in a creation or an assumption by the Issuer or its successors and assigns of any obligation of any Seller, the Depositor or any other Person in connection with the Pool Assets (other than such obligations as may arise from the ownership of the Pool Assets) or under

the related Series 2002-1 Pool Loans or any other agreement or instrument relating thereto, including without limitation any obligation to any Obligors. None of the Issuer or the Issuer's assignees shall have any obligation or liability to any Obligor or other customer or client of any Seller (including without limitation any obligation to perform any of the obligations of any Seller under any Loan or related Timeshare Property or any other agreement or any obligation of any Seller), except such obligations as may arise from the ownership of the Pool Assets.

(e) NO RECOURSE. Except as specifically provided in this Agreement, the sale and Purchase of the Pool Assets under this Agreement shall be without recourse to the Depositor; PROVIDED, HOWEVER, that the Depositor shall be liable to the Issuer and its successors and assigns for all representations, warranties, covenants and indemnities made by it pursuant to the terms of this Agreement (IT BEING UNDERSTOOD that such obligations of the Depositor will not arise solely on account of the credit-related inability of an Obligor to make a required Scheduled Payment).

(f) TRUE SALES. The Depositor and the Issuer intend the transfers of Pool Assets hereunder to be true sales by the Depositor to the Issuer that are absolute and irrevocable and to provide the Issuer with the full benefits of ownership of the Pool Assets, and neither the Depositor nor the Issuer intends the transactions contemplated hereunder to be, or for any purpose to be characterized as, loans from the Issuer to the Depositor secured by the Pool Assets.

(g) SERVICING OF POOL ASSETS. Consistent with the Issuer's ownership of all Pool Assets and subject to the terms of the Series 2002-1 Pool Loans, as between the parties to this Agreement, the Issuer shall have the sole right to service, administer and collect all Pool Assets, to assign such right and to delegate such right to others. In consideration of the Issuer's Purchase of the Pool Assets, the Depositor hereby acknowledges and agrees that the Issuer intends to assign to the Collateral Agent for the benefit of the Trustee for the benefit of the Noteholders the rights and interests conveyed by the Depositor to the Issuer hereunder, and agrees to cooperate fully with the Issuer and its successors and assigns in the exercise of such rights.

(h) FINANCING STATEMENTS. In connection with the foregoing sale, the Depositor agrees to record and file a financing statement or statements (and continuation statements or other amendments with respect to such financing statements) with respect to the Pool Assets sold by the Depositor hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the interests of the Issuer created hereby under the applicable UCC and to deliver a file-stamped copy of each such financing statement and continuation statement (or other amendment) or other evidence of such filings to the Issuer.

(i) RECHARACTERIZATION. Without prejudice to the provisions of Section 2(f) providing for the absolute transfer of the Depositor's interest in the Pool Assets and the proceeds thereof to the Issuer, in order to secure the prompt payment and performance of all obligations of the Depositor to the Issuer and the Issuer's assignees arising in connection with this Agreement, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Depositor hereby assigns and grants to the Issuer a first priority perfected security

interest in all of the Depositor's right, title and interest, whether now owned or hereafter acquired, if any, in, to and under all of the Series 2002-1 Pool Loans and the other related Pool Assets and the proceeds thereof.

(j) TRANSFER OF POOL LOANS. All Series 2002-1 Pool Loans conveyed to the Issuer hereunder shall be held by the Custodians pursuant to the terms of the applicable Custodial Agreements.

The Depositor acknowledges that the Issuer will grant a security interest in the Series 2002-1 Pool Loans and other related Pool Assets to the Collateral Agent pursuant to the Indenture and Servicing Agreement. The Depositor agrees that, upon such grant, the Collateral Agent or the Trustee may enforce all of Depositor's obligations hereunder and under the Pool Purchase Agreement directly, including without limitation the repurchase obligations of the Depositor set forth in Section 7.

SECTION 3. POOL LOAN PURCHASE PRICE.

The Series 2002-1 Pool Loans had an aggregate unpaid principal balance of $280,127,904.13 at the Cut-Off Date (such aggregate unpaid principal balance at the Cut-Off Date being referred to herein as the "CUT-OFF DATE POOL PRINCIPAL BALANCE"). The purchase price (the "POOL LOAN PURCHASE PRICE") for the Series 2002-1 Pool Loans sold on the Closing Date shall be $280,127,904.13.

The Depositor shall have no obligation to sell any Series 2002-1 Additional Pool Loan to the Issuer if it has not been paid the Additional Pool Loan Purchase Price therefor.

The Additional Pool Loan Purchase Price for any Series 2002-1 Additional Pool Loans and the related Pool Assets conveyed to the Issuer under this PPA Supplement on each Addition Date shall be a dollar amount equal to the aggregate outstanding principal balance of such Additional Pool Loans sold on such Addition Date, adjusted to reflect the fair market value thereof.

SECTION 4. PAYMENT OF PURCHASE PRICE.

Sections 4(a) through (c) are set forth in the Agreement.

(d) PAYMENT. Payment for and delivery of the Series 2002-1 Pool Loans being purchased by the Issuer on the Closing Date shall take place at a closing at the offices of Orrick, Herrington & Sutcliffe LLP, Washington Harbour, 3050 K Street, NW, Washington, D.C. 20007, at 10:00 A.M. local time on the Closing Date, or such other time and place as shall be mutually agreed upon among the parties hereto.

SECTION 5. CONDITIONS PRECEDENT TO SALE OF SERIES 2002-1 POOL LOANS.

The Issuer's obligations hereunder to purchase and pay for the Pool Assets on the Closing Date are subject to the fulfillment of the following conditions on or before the Closing Date:

(a) (i) The Issuer shall have received the Series 2002-1 Purchase Agreement relating

to each Series 2002-1 Pool Loan and the Indenture and Servicing Agreement executed by all parties thereto and (ii) all conditions precedent to the sale of the Series 2002-1 Loans under each Series 2002-1 Purchase Agreement shall have been fulfilled to the extent they are capable of being fulfilled prior to the performance by the Issuer of its obligations under this PPA Supplement.

(b) The representations and warranties of each Seller, each Seller Subsidiary and the Depositor made in the Series 2002-1 Purchase Agreements and the representations and warranties of the Depositor in the Agreement and herein shall be true and correct in all material respects on the Closing Date.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE DEPOSITOR.

The Depositor hereby assigns to the Issuer its rights relating to the Series 2002-1 Pool Loans under the related Purchase Agreements, including without limitation any rights the Depositor may have to payments due from the related Seller for repurchases of Defective Loans (as such term is defined in such Purchase Agreement) resulting from the breach of representations and warranties made under such Purchase Agreement.

SECTION 7. AFFIRMATIVE COVENANTS OF THE DEPOSITOR.

Section 7 is set forth in the Agreement.

SECTION 8. NEGATIVE COVENANTS OF THE DEPOSITOR.

Section 8 is set forth in the Agreement.

SECTION 9. REPURCHASES OR SUBSTITUTIONS OF POOL LOANS FOR BREACHES OF REPRESENTATIONS AND WARRANTIES.

(a) REPURCHASE OR SUBSTITUTION OBLIGATION. Subject to Section 9(b), upon discovery by the Depositor or the related Seller or upon written notice from the Issuer or the Trustee that any Series 2002-1 Pool Loan is a Defective Loan, the Depositor shall, or shall cause the applicable Seller to, within 90 days after the earlier of the discovery or receipt of notice thereof, cure such Defective Loan in all material respects or either (i) repurchase such Defective Loan from the Issuer or its assignee at the Repurchase Price or (ii) substitute one or more Qualified Substitute Loans for such Defective Loan. For purposes of this Agreement, the term "REPURCHASE PRICE" shall mean an amount equal to the outstanding Principal Balance of such Defective Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the repurchase is to be made, plus accrued but unpaid interest thereon to the date of such repurchase. The Issuer hereby directs the Depositor, for so long as the Indenture and Servicing Agreement is in effect, to make such payment on its behalf to the Collection Account pursuant to Section 9(b). The following defects with respect to documents in any Loan File, solely to the extent they do not impair the validity or enforceability of the subject document under applicable law, shall not be deemed to constitute a breach of the representations and warranties contained in Section 6(b) of the related Purchase Agreement: misspellings of or omissions of initials in names; name changes from divorce or marriage; discrepancies as to payment dates in a Series 2002-1 Pool Loan of no more than 30 days; discrepancies as to

Scheduled Payments of no more than $5.00; discrepancies as to origination dates of not more than 30 days; inclusion of additional parties other than the primary Obligor not listed in the Master Servicer's records or in the Series 2002-1 Pool Loan Schedule and non-substantive typographical errors and other non-substantive minor errors of a clerical or administrative nature.

(b) REPURCHASES AND SUBSTITUTIONS. The Depositor shall provide written notice to the Issuer of any repurchase pursuant to Section 9(a) not less than two Business Days prior to the date on which such repurchase is to be effected, specifying the Defective Loan and the Repurchase Price therefor. Upon the repurchase of a Defective Loan pursuant to Section 9(a), the Depositor shall deposit, or shall cause the applicable Seller to deposit, the Repurchase Price in the applicable Collection Account on behalf of the Issuer no later than 12:00 noon, New York time, on the Payment Date on which such repurchase is made (the "REPURCHASE DATE").

(c) DELIVERY REQUIREMENTS. If the applicable Seller elects to substitute a Qualified Substitute Loan or Loans for a Defective Loan pursuant to the applicable PA Supplement, the Depositor shall deliver, or shall cause the applicable Seller to deliver, such Qualified Substitute Loan in the same manner as the other Series 2002-1 Pool Loans sold hereunder, including delivery of the applicable Loan Documents as required pursuant to the applicable Custodial Agreement and satisfaction of the same conditions with respect to such Qualified Substitute Loan as to the Purchase of Additional Pool Loans set forth in Section 2(b)(iii). No Qualified Substitute Loan shall be selected in a manner adverse to the Issuer or its assignees. Payments due with respect to Qualified Substitute Loans prior to the last day of the Due Period next preceding the date of substitution shall not be property of the Issuer, but will be retained by the Master Servicer and remitted by the Master Servicer to the Depositor for payment to the applicable Seller on the next succeeding Payment Date. Scheduled Payments due on a Defective Loan prior to the last day of the Due Period next preceding the date of substitution shall be property of the Issuer, and from and after such last day of the Due Period next preceding the date of substitution all Scheduled Payments due and other amounts received in respect of such Defective Loan shall be the property of the Depositor or the applicable Seller. The Depositor shall cause the Master Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Issuer. Upon each such substitution, the Qualified Substitute Loan or Loans shall be subject to the terms of this PPA Supplement in all respects, and the representations and warranties of the applicable Seller under the related Purchase Agreement and PA Supplement with respect to each Qualified Substitute Loan shall be assigned to the Issuer hereunder. The Depositor shall be obligated to repurchase or substitute, or to cause the applicable Seller to repurchase or substitute, for any Qualified Substitute Loan as to which such Seller has breached such Seller's representations and warranties in Section 6(b) of the related Purchase Agreement or applicable PA Supplement to the same extent as for any other Series 2002-1 Pool Loan, as provided herein or therein. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Depositor shall deposit, or shall cause the applicable Seller to deposit, an amount equal to the related Substitution Adjustment Amount (as defined in the related Purchase Agreement), if any (the "SUBSTITUTION ADJUSTMENT AMOUNT"), into the applicable Collection Account on the date of substitution, without any reimbursement therefor.

Upon each repurchase or substitution, the Issuer shall automatically and without further action sell, transfer, assign, set over and otherwise convey to the Depositor or to the related

Seller, if applicable, without recourse, representation or warranty, all of the Issuer's right, title and interest in and to such Defective Loan, the related Timeshare Property, the Loan File relating thereto and any other related Pool Assets, all monies due or to become due with respect thereto and all Pool Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of transfer, subject to the payment of any Substitution Adjustment Amount). The Issuer shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Depositor or the Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 9(c).

Promptly after the occurrence of a Repurchase Date and after the repurchase of or substitution for Defective Loans in respect of which the Repurchase Price has been paid or one or more Qualified Substitute Loans has been substituted therefor on such date, the Depositor shall direct the Master Servicer to delete such Defective Loans from the Series 2002-1 Pool Loan Schedule.

The obligation of the Depositor to repurchase or substitute for any Defective Loan shall constitute the sole remedy against the Depositor, the Sellers or their Affiliates with respect to any breach of the representations and warranties set forth in Section 6(b) of the applicable Purchase Agreement available hereunder to the Issuer or its successors or assigns.

SECTION 10. REPRESENTATIONS AND WARRANTIES OF THE ISSUER.

Section 10 is set forth in the Agreement.

SECTION 11. AFFIRMATIVE COVENANTS OF THE ISSUER.

Section 11 is set forth in the Agreement.

SECTION 12. SELLER REPURCHASES.

Sections 12(a) through (d) are set forth in the Agreement.

(e) REPURCHASES OF SERIES 2002-1 POOL LOANS THAT BECOME DEFAULTED LOANS. The Depositor hereby acknowledges the Sellers' option to repurchase certain Defaulted Loans directly from the Issuer on the terms and subject to the terms and conditions set forth in the applicable Series 2002-1 PA Supplements.

SECTION 13. TERMINATION.

Section 13 is set forth in the Agreement.

SECTION 14. INDEMNITIES BY THE DEPOSITOR.

Section 14 is set forth in the Agreement.

SECTION 15. MISCELLANEOUS.

Sections 15(a) through (k) are set forth in the Agreement.

(l) RATIFICATION OF AGREEMENT. As supplemented by this PPA Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this PPA Supplement shall be read, taken and construed as one and the same instrument.

(m) AMENDMENT. This PPA Supplement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

(n) COUNTERPARTS. This PPA Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(o) GOVERNING LAW. THIS PPA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(p) SUCCESSORS AND ASSIGNS. This PPA Supplement shall be binding upon each of the Depositor and the Issuer and their respective permitted successors and assigns, and shall inure to the benefit of, and be enforceable by, each of the Depositor and the Issuer and each of the Trustee, the Collateral Agent and the Noteholders.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA DEPOSIT COMPANY, LLC
AS DEPOSITOR

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

SIERRA RECEIVABLES FUNDING COMPANY, LLC
AS ISSUER

By: /s/ Ralph E. Turner

Name: Ralph E. Turner
Title: President and Treasurer

EXHIBIT 10.71

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EXECUTION COPY

ASSET AND STOCK PURCHASE AGREEMENT

BY AND AMONG

BUDGET GROUP, INC.

AND

CERTAIN OF ITS SUBSIDIARIES,

CENDANT CORPORATION

AND

CHEROKEE ACQUISITION CORPORATION

DATED AS OF AUGUST 22, 2002

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ASSET AND STOCK PURCHASE AGREEMENT (the "AGREEMENT"), dated as of August 22, 2002, by and among Budget Group, Inc., a Delaware corporation ("SELLER"), the Subsidiaries of Seller listed on SCHEDULE 1.1(a) (collectively with Seller, the "SELLER PARTIES"), Cendant Corporation, a Delaware corporation ("PARENT") and Cherokee Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent ("BUYER").

W I T N E S S E T H:

WHEREAS, Seller and its Subsidiaries conduct automotive rental businesses and operations throughout the United States, Canada, the Caribbean region, Latin America and the Asia-Pacific region, directly or through various Franchisees, Dealers, licensees and sub-licensees under the brand names Budget and Ryder, including the rental of automobiles, trucks and other vehicles in the daily rental market (excluding any business conducted in Europe, the Middle East and Africa, collectively, the "ACQUIRED BUSINESS");

WHEREAS, on July 29, 2002, all of Seller Parties filed voluntary petitions (the "PETITIONS") for relief commencing cases (the "CHAPTER 11 CASES") under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. sections 101 ET SEQ. (as amended, the "BANKRUPTCY CODE"), in the United States Bankruptcy Court for the District of Delaware (the "BANKRUPTCY COURT"); and

WHEREAS, Buyer desires to purchase and assume from Seller Parties, and Seller Parties desire to sell, convey, assign and transfer to Buyer, the assets and properties of Seller Parties relating to the Acquired Business specified herein, together with certain specified obligations and liabilities relating thereto, all in the manner and subject to the terms and conditions set forth herein and in the Ancillary Agreements and in accordance with sections 105, 363

and 365 of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 DEFINED TERMS. For the purposes of this Agreement, the following terms shall have the following meanings:

"13-WEEK CASH FLOW PROJECTIONS" means, with respect to the relevant 13-week period, a projected statement of cash flow for the operations of Seller Entities for such period in respect of the Acquired Business, detailing the sources and uses of such cash flow, in form and scope consistent with the Initial 13-Week Cash Flow Projections.

"363 ORDER" means an order of the Bankruptcy Court, in substance and form satisfactory to Buyer under this Agreement pursuant to sections 105 and 363 of the Bankruptcy Code and not inconsistent with the terms of this Agreement, unless otherwise agreed among Buyer and Seller Parties. Subject, in the case of clauses (a)(ii)(A) and (b) below to changes that are reasonably acceptable to Buyer, the 363 Order shall provide, among other things: (a) that the transfer of the Acquired Assets by Seller Parties to Buyer and the assumption of the Assumed

Liabilities by Buyer from Seller Parties: (i) is or will be a legal, valid and effective transfer of the Acquired Assets; (ii) vests or will vest Buyer with good title to the Acquired Assets free and clear of all Liabilities and Encumbrances (including Liabilities and Encumbrances (A) that purport to give to any Person a right or option to retain any rights in or to Seller Parties' Trademarks or Marks and Logos or other Intellectual Property, (B) that purport to give to any Person a right or option to effect any forfeiture, modification, right of first refusal, repurchase or termination of Seller Parties' or Buyer's interest in the Acquired Assets or any similar rights or (C) in respect of Taxes), except those expressly assumed or permitted by Buyer hereunder; and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia; (b) that all Persons, including, but not limited to, all debt security holders, equity security holders, governmental, tax and regulatory authorities, lenders, parties to or beneficiaries under any Benefit Plan, trade and other creditors, asserting or having Liabilities or Encumbrances of any kind or nature whatsoever against any of Seller Parties or the Acquired Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to, Seller Parties, the Acquired Assets, the operation of Seller Parties' businesses prior to the Closing Date, or the transfer of the Acquired Assets to Buyer, other than the Assumed Liabilities and Permitted Encumbrances, shall be forever barred, estopped and permanently enjoined from asserting, prosecuting or otherwise pursuing against Buyer, Parent, their Affiliates, any of the Acquired Companies or their Subsidiaries, or any of their respective assets, property, successors or assigns, or the Acquired Assets, Seller Parties' Liabilities (other than Assumed Liabilities) to such Persons or such Person's Encumbrances (other than Permitted Encumbrances) against Seller Parties or their respective property; (c) that the Bankruptcy Court retains jurisdiction to enforce the provisions of this Agreement in all respects, including retaining jurisdiction to protect Buyer and its Affiliates against any of the Excluded Liabilities; (d) that the provisions of the 363 Order are nonseverable and mutually dependent; (e) that the transactions contemplated by this Agreement are undertaken by Buyer in good faith, as that term is used in section 363(m) of the Bankruptcy Code; and (f)(i) a declaration that no Acquired Company nor any of their respective assets or properties are directly or indirectly liable for or subject to any Undisclosed Joint Liability or Liability relating to Taxes that has been or may be asserted against any Seller Party, their estates, or any Affiliate of Seller Parties (other than the Acquired Companies) or of the Acquired Companies to the extent that any such Liability is based in whole or in part upon the fact that any such Acquired Company was at any time an Affiliate of Seller Parties or a member of the same affiliated group (within the meaning of section 1504 of the Code) or state combined, unitary or similar group of Seller Parties or any of their Affiliates (other than the Acquired Companies), and enjoin any and all holders of any such Liability from asserting, prosecuting or otherwise pursuing any such Liability against any Acquired Company or any of their respective assets or properties; and (ii) PROVIDED, HOWEVER, that if the Bankruptcy Court will refuse to approve a 363 Order containing the declaration specified above in clause (f)(i) above the 363 Order shall provide that Seller Parties shall jointly and severally indemnify Buyer, Parent and their successors and assigns, affiliates, employees, directors, agents and representatives from and against and shall reimburse the same for and in respect of any and all Liability relating to Taxes referred to in clause (f)(i) above, including, without limitation, all penalties, interest, costs and expenses (including attorney fees) incurred for, in connection with

or in respect of such Taxes. The 363 Order and the 365 Order may be consolidated in a single order of the Bankruptcy Court.

"365 ORDER" means an order or orders of the Bankruptcy Court in substance and form satisfactory to Buyer, approving the assumption by Seller Parties, and assignment by Seller Parties to Buyer, of all Assumed Contracts and Assumed Leases pursuant to sections 105 and 365 of the Bankruptcy Code and not inconsistent with the terms of this Agreement, unless otherwise agreed among Buyer and Seller Parties. The 365 Order shall provide: (a) that all defaults of Seller Parties under the Assumed Contracts and Assumed Leases arising or accruing prior to the date of the 365 Order (without giving effect to any acceleration clauses or any default provisions in such contracts of a kind specified in section 365(b)(2) of the Bankruptcy Code) have been cured or will be promptly cured by Seller Parties and that Buyer shall have no liability or obligation with respect to any default or obligation arising or accruing prior to Closing; PROVIDED, HOWEVER, that to the extent such Assumed Contracts or Assumed Leases are in default as a result of any failure to post, procure, or maintain in an adequate amount performance or surety bonds or any other form of financial assurance, including letters of credit and cash deposits, Buyer shall post, procure, and maintain such performance or surety bonds and (b) that the Assumed Contracts and Assumed Leases will be assumed and assigned to, and remain in full force and effect for the benefit of, Buyer, notwithstanding any provision in such Assumed Contracts or Assumed Leases or in applicable Law (including those of a type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions in any way such assignment or transfer including, change of control, payment or Liabilities triggered by the sale of the Acquired Assets or any portion thereof, use and going dark restrictions. The 365 Order and the 363 Order may be consolidated in a single order of the Bankruptcy Court.

"A.I. CREDIT CORPORATION PREMIUM FINANCE ARRANGEMENT" means the Premium Finance Agreement, dated June 20, 2002, between Seller Parties and A.I. Credit Corporation.

"ACCOUNTING FIRM" means an independent accounting firm reasonably acceptable to Buyer and Seller Parties. If Buyer and Seller Parties cannot mutually agree on the identity of the Accounting Firm, the Accounting Firm shall be selected by lot from accounting firms of recognized national and international standing, other than Ernst & Young LLP or any Affiliate thereof or the auditor of Parent, Buyer, Seller Parties or any of their Affiliates (it being understood that if there are no accounting firms among the New York offices of one of the "Big Four" accounting firms that are so eligible, the accounting firms of BDO Seidman, LLP and Grant Thornton, if not auditors of Parent, Buyer, Seller or any of their Affiliates, shall be included among the firms to be selected by lot). Any expenses relating to the engagement of the Accounting Firm shall be shared equally by Buyer, on the one hand, and Seller Parties, on the other. The Accounting Firm shall be instructed to use every reasonable effort to perform its services as promptly as practicable after such submission.

"ACQUIRED COMPANIES" means each of the Persons specified on SCHEDULE 1.1(b).

"ADDITIONAL DIP ASSET-BACKED FLEET FINANCING" means asset-backed fleet financing in an aggregate principal amount not exceeding $750,000,000, made available to TFFC by one or more financial institutions or other entities on similar terms and conditions as those contained in the DIP Asset-Backed Fleet Financing, other than (i) the rate of interest payable

thereon and the amount of monthly rent payments required to be made in connection therewith and (ii) the credit enhancement required thereunder, which shall be in the form of overcollateralization, cash or stand-by letters of credit advanced or issued under the DIP Financing or the DIP L/C Rollover.

"ADJUSTED EBITDAR" means the consolidated net income of the Seller and its Subsidiaries (excluding any Subsidiaries or earnings from operations outside the United States (including Puerto Rico) and Canada) before (i) interest expense (other than interest expense under vehicle fleet financing programs), (ii) interest income (other than interest income on restricted cash), (iii) taxes, (iv) depreciation (other than depreciation of vehicles), amortization, non recurring items and other non-cash items (including any writedowns in the value of assets under Statement of Financial Accounting Standards 142), (v) any reversal of reserves to income (except to the extent any such reserve was established and reversed during the same period) in excess of $250,000 individually or $500,000 in the aggregate in any calendar month, other than (A) any reversal of self insurance reserves for public liability, public damage, workers compensation and medical insurance arising from actuarial reviews, (B) any reversal of (i) the reserve for uncollectible subrogation receivables not exceeding $2.0 million in each of September 2002 and December 2002 and (ii) a reserve for general and administrative expenses in an amount not exceeding $1.5 million in December 2002 (the items referred to in clauses

(i) and (ii) above are reflected in the Five Months Forecast) and (C) reversal of vehicle reserves, (vi) all extraordinary gains or losses, (vii) any gain or loss in respect of any sale of assets (other than sales of vehicles) or (viii) restructuring expenses (including any legal, accounting, investment banking, advisory, brokerage, administrative, issuance, up-front, placement, structuring, commitment, underwriting, financing, "due diligence", rating agencies or similar fees, commissions, disbursements and expenses (whether or not referred to as fees, commissions, disbursements or expenses), breakage cost, increased interest rate, prepayment penalties or fees or similar costs incurred or agreed to be paid or reimbursed in connection with the transactions contemplated by this Agreement or the Chapter 11 Cases or any financings or relating to any severance, retention or other compensation expenses relating to the transactions contemplated by this Agreement or the Chapter 11 Cases), determined in accordance with GAAP.

"AFFILIATE" of any Person means any Person that controls, is controlled by, or is under common control with such Person. As used herein, the term "CONTROL" (including the terms "CONTROLLING," "CONTROLLED BY" and "UNDER COMMON CONTROL WITH") means the possession, directly or indirectly, and individually or together with any other Person, of the power to direct or to cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"ALTERNATIVE TRANSACTION" means (i) the sale, lease or other disposition (other than in connection with a liquidation of any of Seller Parties pursuant to Chapter 7 of the Bankruptcy Code or pursuant to Chapter 11 of the Bankruptcy Code, provided that none of the assets or properties of any of Seller Parties sold or disposed of in such liquidation is acquired to be used as a going concern or as part of a going concern) of (x) all or substantially all of the Acquired Business or (y) all or substantially all of the assets or properties of the Acquired Business, (ii) the sale of an equity interest in any of Seller Parties, (iii) any business combination of any of Seller Parties (including, without limitation, a merger or consolidation and/or sale, lease or other disposition of all or substantially all of its assets and properties and/or Subsidiaries thereof) with

one or more Persons other than Buyer or one or more of its Affiliates or (iv) the restructuring, recapitalization, reorganization (whether on a stand-alone basis, or otherwise) or liquidation (other than pursuant to Chapter 7 of the Bankruptcy Code or pursuant to Chapter 11 of the Bankruptcy Code, provided that none of the assets or properties of any of Seller Parties sold or disposed of in such liquidation is acquired to be used as a going concern or as part of a going concern) of any of Seller Parties involving any of the Acquired Assets or any of them; PROVIDED, HOWEVER, that any transaction contemplated by clauses (ii) or (iii) shall not constitute an Alternative Transaction for purposes of this Agreement unless it results, directly or indirectly, and individually or together with any other transactions (whether related or not), in the transfer of ownership or control of all or substantially all of the Acquired Business or of all or substantially all of the assets or properties of the Acquired Business.

"AMENDED AND RESTATED CREDIT FACILITY" means the $422,000,000 Amended and Restated Credit Agreement, dated as of June 19, 1998, among Seller, as borrower, the lenders party thereto, Credit Suisse First Boston, as co-syndication agent and administrative agent and NationsBanc Montgomery Securities LLC, as co-syndication agent and documentation agent, as amended by (i) the First Amendment to Amended and Restated Credit Agreement, dated as of September 11, 1998, (ii) the Second Amendment to Amended and Restated Credit Agreement, dated as of March 18, 1999, (iii) the Third Amendment to Amended and Restated Credit Agreement, dated as of December 22, 1999, (iv) the Fourth Amendment and Waiver to Amended and Restated Credit Agreement, dated as of September 30, 2000, (v) the Fifth Amendment to Amended and Restated Credit Agreement, dated as of January 10, 2001, (vi) the Sixth Amendment to Amended and Restated Credit Agreement, dated as of February 9, 2001, (vii) the Seventh Amendment and Consent to Amended and Restated Credit Agreement, dated as of June 19, 2001, (viii) the Eighth Amendment and Consent to Amended and Restated Credit Agreement, dated as of July 31, 2001, (ix) the Ninth Amendment, Waiver and Consent to Amended and Restated Credit Agreement, dated as of December 20, 2001, (x) the Tenth Amendment, Waiver and Consent to Amended and Restated Credit Agreement, dated as of February 7, 2002, (xi) the Eleventh Amendment, Waiver and Consent to Amended and Restated Credit Agreement, dated as of March 7, 2002, (xii) the Twelfth Amendment, Waiver and Consent to the Amended and Restated Credit Agreement, dated as of April 8, 2002, (xiii) the Thirteenth Amendment, Waiver and Consent to the Amended and Restated Credit Agreement, dated as of May 31, 2002, (xiv) the Fourteenth Amendment, Waiver and Consent to the Amended and Restated Credit Agreement, dated as of June 28, 2002 and (xv) the Fifteenth Amendment, Waiver and Consent to the Amended and Restated Credit Agreement, dated as of July 15, 2002.

"ANCILLARY AGREEMENTS" means the Assignments and Bills of Sale, Assumption Agreements, Lease Assignments and the Trademark Assignments.

"ASSIGNMENT AND BILL OF SALE" means each Assignment and Bill of Sale

in substantially the form set forth as EXHIBIT A.

"ASSUMED BENEFIT PLANS" means the Benefit Plans listed on SCHEDULE 1.1(d).

"ASSUMED CONTRACTS" means the Contracts specified in SECTION 2.3(a) through SECTION 2.3(r).

"ASSUMED INDEBTEDNESS" means, without duplication, the following indebtedness of Seller Parties: (i) indebtedness under the Demand Notes (including interest accrued thereon); (ii) indebtedness under the Nissan Facility in an aggregate principal amount not exceeding $72,000,000, PLUS ordinary interest (but not interest in excess of ordinary interest resulting from the occurrence of a default or event of default thereunder) accrued and unpaid thereon from (but excluding) the monthly payment date thereunder immediately preceding the Closing Date; (iii) indebtedness under the DIP Financing (including the related Reimbursement Agreements) in an aggregate principal amount not exceeding $100,000,000, PLUS ordinary interest (but not interest in excess of ordinary interest resulting from the occurrence of a default or event of default thereunder) from (but excluding) the Interest Payment Date (as defined in the DIP Financing) immediately preceding the Closing Date, and the Letter of Credit Fee (as defined in Annex B to the DIP Financing) accrued and unpaid for the calendar month in which the Closing occurs; (iv) indebtedness under the Amended and Restated Credit Facility and the DIP L/C Rollover (including the related Reimbursement Agreements) in an aggregate principal amount not exceeding $422,000,000, PLUS (A) ordinary interest (but not interest in excess of ordinary interest resulting from the occurrence of a default or event of default thereunder) accrued and unpaid thereon from (but excluding) (1) the Quarterly Payment Date (as defined in the Amended and Restated Credit Agreement) immediately preceding the Closing Date (in the case of the Amended and Restated Credit Facility) and (2) the Payment Date (as defined in the case of the DIP L/C Rollover) immediately preceding the Closing Date (in the case of the DIP L/C Rollover) and (B) amounts payable pursuant to Section 3.3.4 of the Amended and Restated Credit Facility and Section 3.1.4 of the DIP L/C Rollover in respect of the period for which such amounts and payable commencing on the Quarterly Payment Date (in the case of the Amended and Restated Credit Facility) or the Payment Date (in the case of the DIP L/C Rollover) immediately preceding the Closing Date; (v) indebtedness under the A.I. Credit Corporation Premium Finance Arrangement in an aggregate amount not exceeding $2,311,356.88; (vi) indebtedness under the UPAC Premium Finance Arrangement in an aggregate amount not exceeding $202,174.71; and (vii) indebtedness under the Commercial Umbrella Premium Finance Arrangement in an aggregate amount not exceeding $5,230,113.

"ASSUMED LEASES" means the Leases specified in SECTION 2.3(s).

"ASSUMPTION AGREEMENT" means each Assumption Agreement in substantially the form set forth as EXHIBIT B.

"AUTOMOTIVE FLEET UTILIZATION RATIO" means, for each calendar month, the ratio of (i) Automotive Rental Days for such month to (ii) the PRODUCT of (x) the average Automotive Rental Fleet and (y) the actual number of days in such month, determined in a manner consistent with the Operating Metric Forecast.

"AUTOMOTIVE RENTAL DAYS" means, for a calendar month with respect to the vehicles in the Automotive Rental Fleet, the aggregate number of days that such vehicles have been subject to Rental Transactions that was closed in such calendar month (whether such days occurred in such month or a prior period), determined in a manner consistent with the Operating Metric Forecast.

"AUTOMOTIVE RENTAL FLEET" means, as of any day of determination, the aggregate number of Rental Vehicles (including Owned Vehicles other than Existing Trucks or Support Vehicles), used, held for use or for retail sale (other than retail sales in Hawaii and the Seattle area) by Seller Parties in connection with the Acquired Business in the United States (including Puerto Rico).

"AUTOMOTIVE RENTAL REVENUE" means, for each calendar month and with respect to the vehicles in the Automotive Rental Fleet, the rental revenue derived from Rental Transactions (including time and mileage charges and loss damage-waiver insurance fees or charges) relating to such vehicles which were closed in such calendar month (whether such revenue was earned with respect to days in such month or a prior period), determined in a manner consistent with the Operating Metric Forecast.

"AUTOMOTIVE RENTAL REVENUE TO AUTOMOTIVE RENTAL DAYS RATIO" means, for each calendar month, the ratio of (i) Automotive Rental Revenue for such month to (ii) Automotive Rental Days for such month, determined in a manner consistent with the Operating Metric Forecast.

"BENEFIT PLAN" means each Pension Plan, Welfare Plan, employment, consulting, bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock option, stock purchase, phantom stock, performance, retirement, thrift, savings, stock bonus, excess benefit, supplemental unemployment, paid time off, perquisite, fringe benefit, vacation, sick leave, severance, termination, disability, death benefit, hospitalization, medical, dental, life insurance, welfare benefit or other plan, program, agreement or arrangement (whether written or unwritten), in each case maintained, entered into or contributed to, or required to be maintained or contributed to, by Seller or by any ERISA Affiliate or by any of their respective Subsidiaries for the benefit of any present or former employee of any Seller in connection with the Acquired Business.

"BRACI ADMINISTRATIVE SERVICES AGREEMENT" means the Administrative Services Agreement, dated as of January 1, 1970, between Budget Rent a Car Corporation of America and Budget Rent a Car International, Inc.

"BRACI LICENSE AGREEMENT" means the License Agreement, dated June 8, 1965, between Budget Rent a Car Corporation of America and Budget Rent-A-Car International, Inc.

"BULK SALES LAWS" means all "bulk-transfer" Laws of any and all jurisdictions (whether in United States or foreign).

"BUSINESS ACQUISITION AGREEMENTS" means any agreements, arrangements or understandings pursuant to which any of the Acquired Business was acquired by Seller or any of its Subsidiaries.

"BUSINESS DAY" means a day, other than a Saturday or Sunday, on which banks are open for business in New York City, New York.

"BUSINESS RECORDS" means all books, records, ledgers and files or other similar information used or held for use in the operation or conduct of the Acquired Business by any

Seller Entity, including price lists, customer lists, vendor lists, mailing lists, warranty information, catalogs, sales promotion literature, advertising materials, brochures, records of operation, standard forms of documents, manuals of operations or business procedures, research materials, Tax Returns, contracts, instruments, filings, administrative and pricing manuals, records (including, without limitation, claim records, sales records, underwriting records, financial records, compliance records and tax records), personnel records, corporate minute books and other materials to the extent relating, directly or indirectly, to the Acquired Business by any Seller Entity, whether or not in the possession of Seller or any of its Subsidiaries or their respective representatives, stored in hardcopy form or on magnetic, optical or other media; PROVIDED, HOWEVER, that Business Records shall not include any Tax Returns of any Seller Party other than Tax Returns relating to the Acquired Assets that are of a type that will not be required to be filed by Seller Parties with respect to such Acquired Assets for periods ending after the Closing Date.

"CASH PURCHASE PRICE" means an amount equal to $107,500,000, LESS the amount of Qualified Fees in excess of $42,000,000 (or $45,000,000 in the circumstances contemplated by the proviso of SECTION 2.5(a)(vi)) paid by or on behalf of Seller Entities from June 30, 2002 until the Closing.

"CODE" means the United States Internal Revenue Code of 1986, as amended.

"COMMERCIAL UMBRELLA PREMIUM FINANCE ARRANGEMENT" means the Premium Finance Arrangement, dated June 28, 2002, between Seller Parties and Continental Casualty Company.

"COMPETITION LAWS" means the Competition Act (Canada) and the Investment Canada Act of 1985 (Canada) and all Laws of jurisdictions other than the United States designed or intended to prohibit, restrict or regulate antitrust conducts or competition or Investments by foreign Persons.

"CONFIDENTIALITY AGREEMENT" means the agreement between Seller and Parent, dated December 21, 2001.

"CONTRACT" means any arrangement, note, bond, commitment, franchise, guarantee, indemnity, indenture, instrument, lease, license or other agreement, understanding, instrument or obligation, whether written or oral, all amendments, supplements and modifications of or for any of the foregoing and all rights and interests arising thereunder or in connection therewith.

"DEALER" means any dealer or agent counterparty of any Seller Entity to a dealer or agency Contract, pursuant to which such Person operates a truck rental business pursuant to a grant from such Seller Entity.

"DEMAND NOTES" means: (i) the Subordinated Notes, dated April 29, 1997, by Budget Rent A Car Corporation in favor of TFFC (Series 1997-2); (ii) the Demand Note, dated April 29, 1997, by Budget Rent A Car Corporation in favor of TFFC (Series 1997-2); (iii) the Demand Note, dated June 19, 1998, by Seller in favor of TFFC (Series 1998-3); (iv) the Demand Note, dated June 19, 1998, by Seller in favor of TFFC (Series 1998-4); (v) the Demand Note,

dated June 25, 1999, by Seller in favor of TFFC (Series 1999-3); (vi) the Demand Note, dated June 25, 1999, by Seller in favor of TFFC (Series 1999-4); (vii) the Demand Note, dated April 18, 2001, by Seller in favor of TFFC (Series 2001-2); (viii) the Amended and Restated Demand Note, dated July 12, 2002, by Seller in favor of TFFC (Series 2001-3); (ix) the Demand Note dated August 6, 2002 by Seller in favor of TFFC (Series 2002-1); and (x) the other demand notes issued by Seller in favor of TFFC in connection with the DIP Asset-Backed Fleet Financing and the Additional DIP Asset-Backed Fleet Financing, if any.

"DERIVATIVE AGREEMENT" means any (i) options, warrants, convertible securities, stock appreciation rights or similar securities with an exercise or conversion privilege at a price related to, or derived from the value of, any "equity security" (as defined in Rule 3a11-1 promulgated under the Securities Exchange Act of 1934, as amended) or any debt security and (ii) any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate floor agreement, interest rate exchange agreement, currency exchange agreement, forward contract, repurchase and reverse repurchase contract, or any other agreement or arrangement designed to protect against fluctuations in interest rates or currency values, including any arrangement whereby, directly or indirectly, the party thereto has the right to receive periodic payments calculated by applying either a fixed or floating rate of interest on a stated notional amount in exchange for periodic payments made by such party calculated by applying a fixed or floating rate of interest on the same notional amount or otherwise.

"DIP ASSET-BACKED FLEET FINANCING" means the debtor-in-possession asset-backed fleet financing, in an aggregate principal amount of $750,000,000, to be extended to TFFC pursuant to (i) the Series 2002-1 Supplement, dated as of August 6, 2002, to the Amended and Restated Base Indenture, dated as of December 1, 1996, among TFFC, Seller and Deutsche Bank Trust Company Americas, as Trustee and (ii) the Series 2002-1 Note Purchase Agreement, dated as of August 6, 2002, among TFFC, Seller, as Servicer, DB Structured Products, Inc., as Series 2002-1 Note Purchaser and Deutsche Bank AG, New York Branch, as Agent.

"DIP FINANCING" means the senior secured debtor-in-possession financing, extended pursuant to the Debtor-in-Possession Credit Agreement, dated as of August 7, 2002 among Seller, certain direct and indirect subsidiaries of Seller, the Lenders party thereto and General Electric Capital Corporation, as Administrative Agent.

"DIP L/C ROLLOVER" means a senior secured debtor-in-possession letter of credit facility extended pursuant to the Credit and Guaranty Agreement dated as of August 19, 2002, among Seller, certain Subsidiaries of Seller, certain financial institutions, as Lenders and Credit Suisse First Boston, as Administrative Agent.

"DOCUMENTS" means all agreements, statements, certificates and other documents at any time evidencing or otherwise relating to, pertaining, or executed in connection with, each Assumed Contract or Assumed Lease.

"ENCUMBRANCE" means any lien (including Tax liens), charge, encumbrance, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, covenant or other similar restriction or right affecting the Acquired Assets (including voting

rights of the Equity Securities of the Acquired Companies) or the assets of the Acquired Companies.

"ENVIRONMENTAL CLAIM" means any Action, cause of action or notice (written or oral) by any Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (i) the presence, or release into the environment, of any Materials of Environmental Concern at any location, whether or not owned or operated by any Seller Entity or the Acquired Business or (ii) any circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"ENVIRONMENTAL LAW" means all federal, interstate, state, local and foreign laws and regulations relating to pollution or protection of human health, safety, or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including laws and regulations relating to emissions, discharges, releases or threatened releases of Materials

of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern.

"EQUITY SECURITY" means, with respect to any Person, any and all shares, interests, participations, options, warrants, rights in, voting trust certificate, limited partnership interest or other equivalents (however designated, whether voting or non-voting) in the equity or capital of such Person, whether outstanding on the date hereof or issued hereafter.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" means any trade or business, whether or not incorporated, that together with any of Seller Parties would be deemed a "single employer" within the meaning of section 4001(b) of ERISA.

"EXCHANGE ACT" means the Securities and Exchange Act of 1934, as amended.

"EXCLUDED COMPANIES" means any Subsidiary of Seller that is not a Seller Party or an Acquired Company.

"FAIR MARKET VALUE" means, with respect to any asset, property or service, the value that would be obtained in an arm's length transaction between an informed and willing seller, supplier or provider, as the case may be, under no compulsion to sell the relevant asset or property or provide the relevant service, and an informed purchaser under no compulsion to purchase such asset, property or service.

"FINAL ORDER" means an order or judgment, the operation or effect of which has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or to seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending.

"FIVE MONTHS FORECAST" means the statement of projected consolidated results of operations of Seller and its Subsidiaries with respect to the United States (including Puerto Rico) and Canada, for the period commencing on August 1, 2002 and ending on December 31, 2002, attached as SCHEDULE 1.1(c).

"FIXTURES" means all furniture, furnishings, computers and other tangible personal property owned or leased by Seller Entities and located on the Premises, including desks, tables, chairs, file cabinets and other storage devices.

"FORD AGREEMENTS" means (a) the Supply Agreement, dated as of April 29, 1997, among Ford Motor Company, Team Rental Group, Inc., and Budget Rent a Car Corporation, (b) the Advertising Agreement, dated as of April 29, 1997, among Ford Motor Company, Budget Rent a Car Corporation and Budget Rent a Car Systems, Inc., each as amended by the Settlement Agreement and Release, dated as of December 22, 1999, among Ford Motor Company, Seller (formerly, Team Rental Group, Inc.) and Budget Rent a Car Corporation, (c) the 2003 Model Daily Rental Repurchase Program, dated as of June 14, 2002, (d) the letter, dated July 17, 2002, from Ford Motor Company to Budget Rent a Car Corporation as an agent and servicer for TFFC and (e) the arrangements with Ford Motor Company and Ford Motor Credit Company described in the order of the Bankruptcy Court, dated July 31, 2002.

"FORD LINE OF CREDIT" means the "floor plan" variable line of credit extended from time to time by Ford Motor Company, as evidenced by (a) the Amended and Restated Vehicle Title Nominee Agreement, dated as of June 19, 1998, among Seller, certain of its Subsidiaries and TFFC, (b) the Vehicle Lien Nominee Agreement, dated as of March 5, 2001, among Ford Motor Credit Company, Bankers Trust Company and Budget Rent-A-Car Systems, Inc., as amended, (c) the Agreement and Acknowledgment of Seller, dated March 5, 2001, with Ford Motor Credit Company, (d) the Wholesale Financing Guaranty, dated as of May 15, 2001, made by Seller in favor of Ford Motor Credit Company, (e) the letter agreement, dated as of May 17, 2002, among Ford Motor Credit Company, Ford Motor Company, Seller, Budget Rent a Car Corporation, Budget Rent-A-Car Systems, Inc. and NYRAC Inc., (f) the letter agreement, dated as of May 21, 2002, among Ford Motor Credit Company, Ford Motor Company and TFFC, (g) the letter of acknowledgment, dated as of May 22, 2002, among Ford Motor Company, Ford Motor Credit Company and Credit Suisse First Boston and (h) the arrangements with Ford Motor Company and Ford Motor Credit Company described in the order of the Bankruptcy Court, dated July 31, 2002.

"FORD MV LEASE" means the motor vehicle lease agreement to be entered into by Seller Parties and BGI Leasing, Inc. with respect to vehicles provided by Ford Motor Company to Seller Parties and as to which Seller Parties, as of July 29, 2002, had received notice of the posting of the purchase thereof to the Ford Line of Credit but for which the relevant dealer has not paid the purchase price therefor.

"FOREIGN BENEFIT PLAN" means each Benefit Plan that is not subject to United States Laws, including, but not limited to government-mandated individual employment agreements with individuals earning in excess of $100,000 (or the equivalent thereof in any other currency) per year but excluding any other government-mandated benefit plans, programs and arrangements.

"FRANCHISEE" means any franchisee, licensee or sub-licensee counterparty of any Seller Entity to a franchise, license or sub-license Contract, pursuant to which such Person operates a vehicle rental or sales operation pursuant to a grant from such Seller Entity.

"FULL-TIME EQUIVALENTS" means, for each calendar month, the aggregate number of hours as to which counter agents, service agents and rapid return personnel of the Seller Entities in the United States (including Puerto Rico) were paid customary salary and other compensation (including vacation and sick time), DIVIDED by the hours that would be worked in such calendar month based on a normal 40-hour workweek throughout such calendar month, determined in a manner consistent with the Operating Metric Forecast.

"GAAP" means the generally accepted accounting principles in the United States consistently applied during the periods involved.

"GOVERNMENTAL BODY" means any (i) legislative, executive, political, judicial or administrative unit of any governmental entity, or quasi-governmental agency (foreign, federal, state or local) or any department, commission, board, agency, bureau, official or other regulatory, administrative or judicial authority thereof, (ii) any self-regulatory organization, agency or commission or (iii) any court or arbitral tribunal.

"INITIAL 13-WEEK CASH FLOW PROJECTIONS" means the 13-Week Cash Flow Projections for the period ending November 1, 2002, attached as SCHEDULE 1.1(e).

"INVESTMENT" means, with respect to any Person, any direct or indirect advance, loan, account receivable, deposit or other extension of credit (including, without limitation, by means of any guarantee or similar arrangement) or any payment or capital or other contribution to (by means of transfers of property to others, payments for property or services for the account or use of others, or otherwise), or any purchase or ownership of any stocks, bonds, notes, debentures or other securities of any other Person or any forgiveness of indebtedness of such Person or any gift to such Person, and "INVEST" and "INVESTED" shall have correlative meanings.

"IRS" means the United States Internal Revenue Service.

"LAW" means any national, foreign, federal, state, provincial or local law, statute, ordinance, rule, regulation, code, order, judgment, injunction or decree of any jurisdiction (whether foreign or domestic).

"LEASE" means a lease for any of the Leased Premises.

"LEASE ASSIGNMENT" means each assignment agreement with respect to a Lease in substantially the form set forth as EXHIBIT C.

"LEASED PREMISES" means all the real property that is leased by any Seller Entity from Third Parties and used or held for use by any Seller Entity or any of their respective Franchisees or Dealers primarily in the operation or conduct of the Acquired Business, including any concession, occupancy, use or similar rights of any Seller Entity, Franchisee or Dealer.

"LIABILITIES" means any and all: (a) debts; (b) claims (including, "claims" as that term is defined in sections 101(5)(A) and 101(5)(B) of the Bankruptcy Code, except that a right to equitable remedy shall also be considered a claim whether or not the breach gives rise to a right to payment); (c) judgments, demands, guarantees, interest, penalties, fines or other charges or assessments, whether assessed or assessable; (d) rights of setoff, offset or recoupment held, or any other claims, rights or defenses that may be asserted, by any Person; (e) any obligations to comply with any settlement agreements, voluntary assurances any other similar decrees, agreements and settlements entered with any Person; (f) any and all Environmental Claims; (g) any and all liabilities for Taxes; (h) any and all obligations of any Person to its employees, including obligations under any Benefit Plan; and (i) other liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whether imposed by agreement, understanding, Law, equity or otherwise, including under sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

"MATERIAL ADVERSE EFFECT" means any change(s), event(s),

development(s) or circumstance(s) which, individually or in the aggregate, could be reasonably expected (a) to have a materially adverse effect, either in the short term or long term, on the business, results of operations, assets, condition (financial or otherwise) or prospects of Seller Entities, taken as a whole, (b) to materially impair the ability of any Seller Party to perform its obligations under this Agreement or any Ancillary Agreement to which it is a party or (c) to have a materially adverse effect on or prevent or materially delay the consummation of any of the transactions contemplated hereby or by the Ancillary Agreements; PROVIDED, HOWEVER, that for purposes of clause (a) above, any adverse effect resulting primarily and directly from the following shall be disregarded in determining whether there has been a Material Adverse Effect: (i) the filing of the Chapter 11 Cases; (ii) the announcement of the transactions contemplated hereby and by the Ancillary Agreements; (iii) changes in the United States economy generally which do not disproportionately affect the Acquired Business in any material respect; or (iv) changes in the vehicle rental industry generally which do not disproportionately affect Seller Entities in any material respect; PROVIDED FURTHER, HOWEVER, in the case of each of the foregoing clauses (iii) and (iv) above, that changes resulting from (A) the commencement or material worsening of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States or (B) any terrorist activities, shall not be so disregarded.

"MATERIALS OF ENVIRONMENTAL CONCERN" means chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, radioactive materials, asbestos, petroleum and petroleum products.

"MINORITY INVESTEES" means each of the Persons listed on SCHEDULE 1.1(f).

"NISSAN FACILITY" means the Amended and Restated Nissan Motor Acceptance Corporation 2002 Vehicle Financing and Security Agreement, dated as of January 9, 2002, between Nissan Motor Acceptance Corporation and Budget Rent-A-Car Systems, Inc.

"OPERATING METRIC FORECAST" means the Operating Metric Forecast attached as SCHEDULE 1.1(g).

"OWNED REAL PROPERTY" means the owned real property used in connection with the Acquired Business and specified in SECTION 3.16(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE.

"OWNED VEHICLES" means all Rental Vehicles subject to a TFFC MV Leases and Ford MV Leases which are deemed pursuant to state law to be a finance leases and all Support Vehicles owned by Seller Parties.

"PENSION PLAN" means each "employee pension benefit plan" within the meaning of section 3(2) of ERISA.

"PERMITS" means all permits, licenses, certificates, franchises and other authorizations, consents, registrations, waivers and approvals of any Governmental Body.

"PERMITTED ENCUMBRANCES" means: (a) other than in respect of any Premises, any (i) Encumbrances imposed pursuant to the DIP Asset-Backed Fleet Financing and DIP Financing, (ii) Encumbrances imposed post-Petition pursuant to Bankruptcy Court order consented to by Buyer, (iii) Encumbrances existing on the date hereof pursuant to the Amended and Restated Credit Facility and the documents and instruments related thereto, (iv) Encumbrances pursuant to the Collateral Agreement, dated as of April 29, 1997, among Budget Funding Corporation, Credit Suisse First Boston, as Liquidity Agent, Credit Enhancer and Collateral Agent, Credit Suisse First Boston Corporation, as Dealer, and Deutsche Bank Trust Company Americas, as Depositary, (v) Encumbrances existing on the date hereof pursuant to the Amended and Restated Base Indenture, dated as of December 1, 1996, among TFFC, as Issuer, Budget Group, Inc. (formerly known as Team Rental Group, Inc.), as Servicer, Budget Group, Inc. (formerly known as Tem Rental Group, Inc.), as Budget Interestholder (formerly known as Team Interestholder), and a Deutsche Bank Trust Company Americas and the various Series Supplements thereto, (vi) Encumbrances pursuant to the Ford Line of Credit, (vii) Encumbrances existing on the date hereof pursuant to the Nissan Facility, (viii) Encumbrances on deposits made by one or more Seller Entities to secure obligations under insurance contracts or Airport Concessions or pursuant to the Surety Bond Collateral Agreement, dated as of February 14, 2002, between Gulf Insurance Company, Seller and certain other Persons, the Cash Collateral Pledge Agreement, dated as of February 14, 2002, between Seller and Gulf Insurance Company and the Security Agreement, dated October 1, 1997, between Seller, Continental Casualty Company, Transportation Insurance Company, Columbia Casualty Insurance Company and Transcontinental Technical Services, Inc., (ix) Encumbrances contained in any Assumed Contract or Assumed Lease; and (x) Encumbrances for current Taxes not yet due and payable; PROVIDED, that any such Encumbrance pursuant to this clause (x) does not, and would not reasonably be expected to, materially impair the continued use, operation or value of the asset to which it relates; and (b) in respect of any Premises, any Permitted Property Encumbrance.

"PERMITTED PROPERTY ENCUMBRANCES" means each of the following: (i) statutory liens for current Taxes not yet due and payable; (ii) mechanics', carriers', workers', materialmen's, warehousemen's and similar Encumbrances against a Premises arising or incurred in the ordinary course of the business consistent with past practice for sums not due and payable or payments which are being contested in good faith by appropriate proceedings and which would not, and would not reasonably be expected to, individually or in the aggregate, materially detract from the use, operation or value of such Premises; (iii) with respect to any Leased

Premises, the Encumbrances contained in the corresponding Lease and any Encumbrance on the title of the fee owner; (iv) local, state and federal laws, ordinances or governmental regulations including but not limited to, building and zoning laws, ordinances and regulations now or hereafter in effect relating to the Premises; (v) zoning restrictions, easements, rights-of-way, encroachments and other similar restrictions on use that do not materially detract from the value of, or interfere with the ordinary conduct of the business conducted or proposed to be conducted at, the property affected by such Encumbrances; and (vi) Encumbrances disclosed in SECTION 3.16(a) OF SELLER PARTIES DISCLOSURE SCHEDULE.

"PERSON" means any individual, corporation, partnership, limited liability company, firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity or any Governmental Body.

"PREMISES" means the Leased Premises and the Owned Real Property.

"PRUDENT INDUSTRY PRACTICES" means those practices, methods, equipment, specifications and standards of and performance, as the same may change from time to time, as are commonly used by companies engaged in the vehicle rental business of the type and size similar or comparable to the Acquired Business. Prudent Industry Practices are not intended to be limited to the optimum practice or method to the exclusion of all others, but rather to include reasonable and prudent practices and methods (other than the filing of the Petition).

"REAL ESTATE DEED" means each deed with respect to the Owned Real Property.

"REIMBURSEMENT AGREEMENTS" means: (i) the Letter of Credit Reimbursement Agreement, dated as of April 29, 1997, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Rent a Car Corporation, as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1997-1); (ii) the Letter of Credit Reimbursement Agreement, dated as of April 29, 1997, among Budget Funding Corporation, Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Rent a Car Corporation, as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1997-2); (iii) the Enhancement Letter of Credit Application and Agreement, dated as of February 10, 2000, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1998-3); (iv) the Enhancement Letter of Credit Application and Agreement, dated as of February 10, 2000, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1998-4); (v) the Enhancement Letter of Credit Application and Agreement, dated as of February 10, 2000, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1999-3); (vi) the Enhancement Letter of Credit Application and Agreement, dated as of February 10, 2000, among Budget Rent-A-Car Systems,

Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 1999-4); (vii) the Enhancement Letter of Credit Application and Agreement, dated as of April 18, 2001, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc. identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 2001-2); (viii) the Enhancement Letter of Credit Application and Agreement, dated as of November 29, 2001, among Budget Rent-A-Car Systems, Inc., those Subsidiaries, Affiliates and Non-Affiliates of Budget Group, Inc.

identified on the signature pages thereto, Team Fleet Financing Corporation, Budget Group, Inc., as Guarantor, and Credit Suisse First Boston, as Credit Enhancer (Series 2001-3); and (ix) the reimbursement arrangements in respect of letters of credit, executed by Seller Parties in connection with the DIP Financing and the DIP L/C Rollover.

"RELATED PARTY AGREEMENT" means any Contract between any one or more of Seller Entities, on the one hand, and any one or more of their respective current or former directors, officers or other employees, any of their respective relatives or any Affiliate thereof (other than a Seller Entity), including, without limitation, the related party transactions disclosed in the Seller SEC Documents.

"RENTAL TRANSACTION" means a rental transaction relating to a vehicle in the Automotive Rental Fleet or the Truck Rental Fleet which is closed during such calendar month, determined in a manner consistent with the Operating Metric Forecast. For purposes of this Agreement, a "RENTAL TRANSACTION" is deemed closed (i) except as set forth in clauses (ii) and (iii) below, at the time the vehicle is returned by the relevant customer to Seller Party that rented such vehicle to such customer, (ii) with respect to the rental of vehicles for a period exceeding thirty consecutive calendar days, on the last day of each thirty-day rental period and (iii) with respect to one-way vehicle rentals, the first day on which the relevant vehicle is rented.

"RENTAL TRANSACTIONS TO FULL-TIME EQUIVALENTS RATIO" means with respect to a calendar month, the ratio of (i) the aggregate number of Rental Transactions in such calendar month to (ii) the Full-Time Equivalents for such calendar month.

"RENTAL VEHICLE" means any vehicle owned, leased or operated by any Seller Entity (including the Owned Vehicles) for purposes of renting such vehicle to customers of the Acquired Business.

"REPURCHASE PROGRAM" means a program pursuant to which a Vehicle Manufacturer or an Affiliate thereof has agreed with any of Seller Entities to repurchase or guarantee the auction sale price of vehicles manufactured by such Vehicle Manufacturer or any of its Affiliates.

"RETAINED BUSINESS" means the businesses of Seller and its Subsidiaries (other than the Acquired Business) and shall include the Excluded Assets and Excluded Liabilities.

"SEC" means the United States Securities and Exchange Commission.

"SELLER ENTITIES" means Seller Parties and the Acquired Companies.

"SELLER EVALUATION MATERIAL" means all information, data, reports, interpretations, forecasts, contracts, agreements and records, whether in oral or written form, electronically stored or otherwise (including any such information furnished prior to the execution of this Agreement), concerning Seller Entities or their Subsidiaries furnished to Buyer, Parent or their Representatives by Seller Entities, their Subsidiaries or any of their Representatives, and all notes, reports, analyses, compilations, studies and other materials prepared by Buyer or Parent or any of their Representatives (in whatever form maintained, whether documentary, electronically stored or otherwise), containing or based upon, in whole or in part, any such information; PROVIDED, that the term "SELLER EVALUATION MATERIAL" shall not include information which (i) is or becomes available to the public other than as a result of a disclosure by Parent, Buyer or any of their Representatives, or anyone to whom Parent, Buyer or any of their Representatives, transmits any Seller Evaluation Materials, (ii) is or becomes known or available to any party on a non-confidential basis from a source (other than the other parties to this Agreement or any of their Representatives) who, insofar as is actually known by Buyer or Parent, is not prohibited from transmitting the information by a contractual, legal, fiduciary or other obligation or (iii) is independently developed by Buyer, Parent or any of their Representatives without the use of any information that would itself be deemed Seller Evaluation Material.

"SUBSIDIARIES" of any entity means, at any date, any Person: (i) the accounts of which would be consolidated with those of the applicable entity in such entity's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date; or (ii) of which securities, membership interests or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests or more than 50% of the profits or losses of which are, as of such date, owned, controlled or held by the applicable entity or one or more direct or indirect subsidiaries of such entity.

"SUPPORT VEHICLES" means all trucks, vans, buses, dollies and other vehicles (including those held for employees' benefit and marketing purposes) owned, leased or operated by any Seller Entity and not constituting Rental Vehicles but utilized by Seller Parties in support of or in connection with the

Acquired Business.

"TAX" means: (i) any and all taxes, assessments, customs, duties, levies, fees, tariffs, imposts, deficiencies and other governmental charges of any kind whatsoever (including taxes on or with respect to net or gross income, franchise, profits, gross receipts, capital, sales, use, ad valorem, value added, transfer, real property transfer, transfer gains, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, real or personal property, estimated taxes, rent, excise, occupancy, recordation, bulk transfer, intangibles, gross receipt, personal property, alternative minimum, real property, doing business, withholding, payroll, stamp and capital), together with any interest thereon, penalties, fines, additions to tax or additional amounts with respect thereto, imposed by the United States (federal, state or local) or other governmental authority or applicable jurisdiction; and (ii) any liability for the payment of any amounts described in (i) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor liability.

"TAX RETURN" means any return (including any information return), declaration, report, statement, schedule, attachment, notice, form, or other document or information (including any amendment to any of the foregoing) filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax (whether or not such Tax is imposed on the filer thereof) or in connection with the administration, implementation, or enforcement of or compliance with any law relating to any Tax.

"TELEPHONE NUMBERS" means all operating telephone numbers for the Premises and all other telephone numbers relating to the Acquired Business and controlled (by agreement, lease or otherwise) by any Seller Entity on the date hereof and which under existing agreements, regulations and law, may be transferred to Buyer on the Closing Date.

"TFFC" means Team Fleet Financing Corporation, a Delaware corporation and a wholly-owned Subsidiary of Seller.

"TFFC MV LEASES" means any one of the following: (i) Amended and Restated Master Motor Vehicle Lease Agreement Group I, dated as of June 19, 1998, by and among TFFC, as lessor, those direct and indirect subsidiaries of Seller, that are listed on Schedule 1 thereto, as lessees, and Seller, as guarantor, as amended by Amendment No. 1 thereto; (ii) Motor Vehicle Lease Agreement Series 1996-1, dated as of December 1, 1996, by and among TFFC, as lessor, direct and indirect subsidiaries of Seller, as lessees, and Seller, as guarantor; (iii) Motor Vehicle Lease Agreement Series 1997-1, dated as of April 1, 1997, by and among TFFC, as lessor, direct and indirect subsidiaries of Seller, as lessees, and Seller, as guarantor; (iv) Master Motor Vehicle Lease Agreement Group V, dated as of April 18, 2001, among TFFC, as lessor, Seller, as guarantor, Budget Rent-A-Car Systems, Inc. and those companies listed on schedule I thereto, as lessees; and (v) Motor Vehicle Lease Agreement Series 1997-2, dated as of April 29, 1997, among TFFC, as lessor, Seller, as guarantor, Budget Rent-A-Car Systems, Inc. and those companies listed on schedule I thereto, as lessees; (vi) the motor vehicle leases entered into in connection with the DIP Asset-Backed Fleet Financing and (vii) the motor vehicle leases entered into in connection with the Additional DIP Asset-Backed Fleet Financing.

"THIRD PARTY" means with respect to any Person, another Person that is not an Affiliate of such Person.

"TRADEMARK ASSIGNMENTS" means the Trademark Assignments substantially in the form attached hereto as EXHIBIT D.

"TREASURY REGULATIONS" means the United States Income Tax Regulations including Temporary Regulations, promulgated under the Code, as such regulations may be amended, modified or supplemented from time to time (including corresponding provisions of succeeding regulations).

"TRUCK RENTAL FLEET" means, as of any day of determination, the aggregate number of trucks and cargo vans (excluding pickup trucks other than pickup trucks that are Existing Trucks), used, held for use or for sale by Seller Parties in connection with the conduct of the Acquired Business in the United States (including Puerto Rico).

"UNDISCLOSED JOINT LIABILITY" means any Liability evidenced by a proof of claim filed in the Chapter 11 Cases that asserts a Liability that is a joint and several liability of any Acquired Company, and such Liability was undisclosed on the date hereof.

"UPAC PREMIUM FINANCE ARRANGEMENT" means the Premium Finance Arrangement, dated as of April 24, 2002, between Seller Parties and Universal

Premium Acceptance Corp.

"U.S. BENEFIT PLAN" means each Benefit Plan that is subject to United States Law.

"VEHICLE MANUFACTURER" means any manufacturer of vehicles used by Seller Entities in connection with the Acquired Business.

"WARN ACT" means the Worker Adjustment Retraining Notification Act.

"WELFARE PLAN" means each "employee welfare benefit plan" (within the meaning of section 3(1) of ERISA).

Section 1.2 OTHER DEFINITIONAL AND INTERPRETIVE MATTERS.

(a) GENDER AND NUMBER. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(b) HEADINGS. The provisions of the Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Article," "Section," "Schedule" or "Exhibit" are to the corresponding Article, Section, Schedule or Exhibit, as applicable, of this Agreement unless otherwise specified.

(c) HEREIN. The words "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(d) INCLUDING. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(e) KNOWLEDGE. The phrase "knowledge of Seller Parties" (or words of similar import) means the actual or constructive knowledge of the officers at the vice president level or above of any of Seller Parties listed on SCHEDULE 1.2(e), after due investigation.

(f) SCHEDULES AND EXHIBITS. The Schedules and Exhibits attached to this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

ARTICLE 2
PURCHASE AND SALE OF THE ACQUIRED ASSETS

Section 2.1 PURCHASE AND SALE OF ACQUIRED ASSETS. Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller Parties shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller Parties, all right, title and interest of Seller Parties in, to and under the Acquired Assets free and clear of all Liabilities (other than Assumed Liabilities) and Encumbrances (other than Permitted Encumbrances).

Section 2.2 CONSIDERATION. In consideration of the sale, transfer, assignment, conveyance and delivery by Seller Parties of the Acquired Assets to Buyer, Buyer shall (and Parent shall cause Buyer to), at the Closing, (i) pay to Seller Parties the Cash Purchase Price and (ii) assume, or to the extent required by SECTION 2.9(f), pay the Assumed Liabilities, it being understood that Parent shall not assume any of the Assumed Liabilities. The Cash Purchase Price payable pursuant to clause (i) above shall be paid by Buyer to Seller Parties at Closing, as allocated for the accounts of such Seller Parties by wire transfer of immediately available funds to accounts designated by Seller's written instructions to Buyer. Seller shall provide such account information to Buyer at least five Business Days prior to the Closing.

Section 2.3 ACQUIRED ASSETS. For purposes of this Agreement and subject to SECTION 2.5(b), the term "ACQUIRED ASSETS" means (i) the Equity Securities of the Acquired Companies (other than the Subsidiaries of the Acquired Companies) and in the Minority Investees and (ii) all the assets, properties, rights, title and other interests of Seller Parties primarily used or held for use in connection with the Acquired Business, whether tangible or intangible, real, personal or mixed, set forth or described in paragraphs (a) through (ll) below (including Contracts and Leases entered into by Seller Parties following the date hereof which constitute Assumed Contracts or Assumed Leases) whether or not any of such assets, properties or rights have any value for accounting purposes or are carried or reflected on or specifically referred to in Seller's financial statements (PROVIDED, that the Acquired Assets shall not include the Excluded Assets):

(a) all franchise, prime license, license, sublicense, agency and

dealer Contracts to which any of Seller Parties is a party listed in SECTION 3.15(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and the franchise, prime license, license, sublicense, agency and dealer Contracts relating to the Acquired Business entered into by Seller Parties following the date hereof in compliance with SECTION 5.1(dd);

(b) all marketing and barter Contracts to which any of Seller Parties is a party listed in SECTIONS 3.15(b) and 3.15(u) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, respectively, and such other written marketing Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(c) all CorpRate Contracts to which any of Seller Parties is a party listed in SECTION 3.15(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or not required to be listed therein

pursuant to SECTION 3.15(c), and such other written CorpRate Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(d) all association Contracts to which any of Seller Parties is a party listed in SECTION 3.15(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or not required to be listed therein pursuant to SECTION 3.15(d), and such other written association Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(e) all joint venture, limited liability company and partnership Contracts to which any of Seller Parties is a party listed in SECTION 3.15(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE;

(f) all affiliation Contracts to which any of Seller Parties is a party listed in SECTION 3.15(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and such other written affiliation Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(g) all general sales agency, travel agency and tour operator Contracts to which any of Seller Parties is a party listed in SECTION 3.15(g) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, and such other written general sales agency, travel agency and tour operator Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(h) all Contracts with Vehicles Manufacturers and Repurchase Programs to which any of Seller Parties is a party listed in SECTIONS 3.15(h) AND 3.28(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE (including the Ford Agreements);

(i) all bus and truck lease Contracts to which any of Seller Parties is a party listed in SECTION 3.15(i) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, and such other written bus and

truck lease Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice solely for purposes of replacing service buses and trucks which are Support

Vehicles on the date of this Agreement and up to four service buses and trucks which are not replacements of such service buses and trucks;

(j) all fuel supply Contracts to which any of Seller Parties is a party listed in SECTION 3.15(j) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and such other written fuel supply Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice and which may be terminated by Seller Parties by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment by any Seller Party, (ii) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Party;

(k) (i) all vendor Contracts to which any of Seller Parties is a party listed in SECTIONS 3.15(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or not required to be listed therein pursuant to SECTIONS 3.15(k) (other than vendor Contracts not required to be listed in SECTION 3.15(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE with any Affiliate of Seller Parties or any director, officer, agent or any relative thereof), (ii) such other written vendor Contracts relating to the Acquired Business entered into by any of Seller Parties in the ordinary course of business consistent with past practice (x) solely for purposes of replacing vendor Contracts listed in SECTION 3.15(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or not required to be listed therein upon the termination thereof, to the extent each such replacement vendor Contract (A) has a term not exceeding one year from the date of execution thereof and (B) does not require any of Seller Parties to make payments thereunder in amounts exceeding the amounts payable by Seller Parties under the vendor Contract so replaced (other than normal immaterial ordinary course increases) and (y) not contemplated by clause (x) above, which provide for payments thereunder not exceeding $25,000 for any individual Contract or $250,000 for all such Contracts in the aggregate, in each case in any calendar year and (iii) all other Contracts to which any of Seller Parties is a party listed in SECTION 3.15(m) OF THE DISCLOSURE SCHEDULE, other than those Contracts specified therein (i) that are not transferred and assumed by Buyer pursuant to the Agreements and (ii) that shall be terminated prior to Closing;

(l) all Contracts relating to Assumed Indebtedness;

(m) the TFFC MV Leases and the Ford MV Lease (including, in each case, the guaranties of any Seller Party in respect of lease payments due thereunder) and the TEAM Interest and the Budget Interest (each as defined in the Amended and Restated Base Indenture, dated as of December 1, 1996, among TFFC, Seller and Deutsche Bank Trust Company Americas, as Trustee, and the various supplements thereto);

(n) all insurance or reinsurance Contracts and/or policies and similar arrangements under which any Seller Party is an insured party listed in SECTION 3.25(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE (the "ACQUIRED INSURANCE CONTRACTS");

(o) all collective bargaining Contracts to which any of Seller Parties is a party listed in SECTION 3.15(l) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, and any collective bargaining

Contracts relating to the Acquired Business entered into by any of Seller Parties following the date hereof in compliance with SECTION 5.1(r);

(p) all Assumed Benefit Plans (including the Assumed Benefit Plans Contracts) and all assets associated therewith (including, without limitation, all assets held in trust);

(q) all License Agreements to which any of Seller Parties is a party and relating to the Acquired Business listed in SECTION 3.22(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE; PROVIDED, HOWEVER, that with respect to the rights, title and interest of Seller Parties in, to and under the License Agreement between Ryder Systems, Inc. ("RSI") and Ryder TRS, Inc., dated as of October 17, 1996, as amended (the "RYDER LICENSE AGREEMENT"), subject to the limitations, if any, imposed by a Final Order or pursuant to a settlement agreement reasonably acceptable to Buyer, between Seller Parties and RSI resulting from the dispute between Seller Parties and RSI described in SECTION 3.13(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE;

(r) all Airport Concessions to which any of Seller Parties is a party listed in SECTION 3.17(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, and such other Airport Concessions relating to the Acquired Business to which any of Seller Parties becomes a party in the ordinary course of business consistent with past practice;

(s) (i) all Leases to which any of Seller Parties is a party listed in SECTION 3.16(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and not excluded from the transactions contemplated hereby pursuant to SECTION 2.4(a), and the Fixtures and appurtenances at the Premises subject thereto owned by any

Seller Party and (ii) the Leases relating to the Acquired Business entered into by Seller Parties following the date hereof in compliance with SECTION 5.1(dd);

(t) fee simple title to all Owned Real Property owned by any Seller Party listed in SECTION 3.16(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and the Fixtures and appurtenances thereat owned by any Seller Party;

(u) all Rental Vehicles and Support Vehicles owned by Seller Parties (in each case, including Owned Vehicles);

(v) all tools, machinery, replacement and spare parts and supplies relating to the Acquired Business;

(w) all Intellectual Property (other than the License Agreements referred to in SECTION 2.3(q), which shall be subject to the provisions thereof);

(x) the Permits held by or in connection with the Acquired Business, to the extent such Permits are assignable to Buyer;

(y) the Business Records and the Documents;

(z) all accounts receivable relating to the Acquired Business, including, without limitation, (i) credit card receivables, direct bill receivables, tour receivables, Vehicle

Manufacturer receivables, Franchisee receivables and subrogation receivables, excluding the receivables referred to in SECTION 2.4(h) and (ii) customer, Franchisee and Dealer deposits, security or collateral;

(aa) all credits, prepaid expenses (including garage and gas inventory), deferred charges, advance payments, security deposits and prepaid items (and, in each case, security interests or liens from Third Parties relating thereto) related to any Acquired Asset or the Acquired Business;

(bb) all vendor allowances, including volume and promotional incentive allowances and any other credits of Seller Entities received by or accruing to such Persons related to vendor Contracts that are being assumed by Buyer or vendor Contracts with respect to which Buyer is assuming liabilities;

(cc) all claims, judgments or causes of action of Seller Entities to the extent relating to any of the Acquired Assets or the Acquired Business, including claims for manufacturer's or vendor's warranties with respect to the Acquired Assets or products liability related to the Acquired Assets, and claims related to the value, condition or title to the Acquired Assets;

(dd) counterclaims, set-offs, recoupment rights or defenses with respect to the Assumed Liabilities;

(ee) insurance claims and proceeds payable in respect of any casualty event related to any Acquired Asset or the Acquired Business;

(ff) any and all rights of Seller Parties under the Business Acquisition Agreements (except for indemnification with respect to third-party claims, which shall be retained by Seller Parties to the extent of any third-party claims against Seller Parties made at any time);

(gg) all confidentiality and similar agreements entered into by any Seller Party or any of their respective representatives in connection with a sale of the Acquired Business;

(hh) all right, title and interest in and to the Telephone Numbers and all rights and interests in and to the Telephone Numbers used by any Seller Party;

(ii) all bank accounts and lock-box accounts relating to the Acquired Business or held by any Acquired Company;

(jj) all cash, cash deposits, surety, security and similar deposits, and negotiable and non-negotiable instruments of Seller Parties (other than the Cash Purchase Price and other amounts payable by Buyer to Seller Parties pursuant to this Agreement);

(kk) all goodwill relating to the Acquired Business; and

(ll) avoidance actions (if any) under Chapter 5 of the Bankruptcy Code (including Actions under section 544, 545, 547, 548, 549 or 550 thereof) against (i) the Acquired Companies or (ii) Buyer, Parent or their Affiliates.

Section 2.4 EXCLUDED ASSETS. It is hereby expressly acknowledged and agreed

that the Acquired Assets shall not include, and no Seller Party is selling, transferring, assigning, conveying or delivering to Buyer, and Buyer is not purchasing, acquiring or accepting from any Seller Party, any of the rights, properties or assets set forth or described in paragraphs (a) through (k) below (the rights, properties and assets expressly excluded by this SECTION 2.4 from the Acquired Assets being referred to herein as the "EXCLUDED ASSETS"):

(a) Contracts and Leases to which any Seller Party is a party or by which its assets or properties are bound not transferred hereunder to Buyer pursuant to SECTIONS 2.3(a) through 2.3(s), including those listed on SCHEDULE 2.4(a) and all Contracts relating to the Retained Business;

(b) all owned real property not listed in SECTION 3.16(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and the Fixtures and appurtenances thereat;

(c) all cash or other property delivered by Buyer to Seller Parties, and all rights of Seller Parties under this Agreement and the Ancillary Agreements;

(d) the Equity Securities of any Person other than the Acquired Companies and the Minority Investees;

(e) all minute books, stock transfer and similar records and corporate seals of all Seller Parties;

(f) the rights of Budget Rent a Car International Inc. in respect of the Actions instituted by Budget Rent a Car International Inc. against Sixt AG and Sixt GmbH and Co. Autovermietung KG (collectively, "SIXT"), including (i) pursuant to the judgment, dated April 15, 1999, by the Higher Regional Court of Munich (Case No. 29 U 4446/98 4 HKO 8409/97 LG Munich) and (ii) under Case No. 6 U 6232/96 9 HKO-19905/96, for breach of contract based on the allegedly improper passing of reservations by Sixt;

(g) all Tax refunds attributable to Taxes imposed on any Seller Party;

(h) all intercompany accounts receivable due from any Seller Party or Excluded Company to another Seller Party or Excluded Company;

(i) all assets, properties, rights and other interests to the extent used or held for use by Seller Parties solely in connection with the Retained Business, whether tangible or intangible, real, personal or mixed, whether or not any of such assets, properties or rights have any value for accounting purposes or are carried or reflected on or specifically referred to in Seller's financial statements;

(j) the insurance or reinsurance Contracts and/or policies and similar arrangements under which any Seller Entity is an insured party listed on SCHEDULE 2.4(j); and

(k) avoidance actions under Chapter 5 of the Bankruptcy Code (including Actions under section 544, 545, 547, 548, 549 or 550 thereof) brought or that could be brought against any Person other than (i) the Acquired Companies or (ii) Buyer, Parent or their Affiliates.

Section 2.5 ASSUMED LIABILITIES.

(a) For purposes of this Agreement, the term "ASSUMED LIABILITIES" means all Liabilities of Seller Parties set forth or described in paragraphs (i) through (vi) below (provided that, notwithstanding anything to the contrary contained in this Agreement, the Assumed Liabilities shall not include any of the Excluded Liabilities):

(i) under the Assumed Indebtedness;

(ii) expressly contained in any Assumed Contract or Assumed Lease, or portion thereof, that first arise after the Closing Date;

(iii) with respect to (A) the Assumed Benefit Plans that are Pension Plans, obligations for the benefit obligations accrued as of the Closing Date, (B) the Assumed Benefit Plans that are Welfare Plans, obligations for benefits arising from events or circumstances occurring on or before the Closing Date, (C) the Assumed Benefit Plans that are Pension Plans or Welfare Plans, obligations for administrative expenses for the current plan year, as provided under the administrative contracts set forth on SCHEDULE 2.5(a)(iii) (the "ASSUMED BENEFIT PLANS CONTRACTS") and (D) the Assumed Benefit Plans that are not Pension Plans or Welfare Plans, all obligations thereunder;

(iv) such Actions to which any Seller Party is a party and disclosed in SECTION 3.13(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, or not meeting the threshold for disclosure therein and such Actions arising after the date hereof in the ordinary course consistent with past practice;

(v) such operating Liabilities (including Liabilities relating to accidents involving vehicles of the Acquired Business) (A) reflected on or of a category reserved against on the June 30 Balance Sheet and outstanding on the Closing Date and (B) incurred on or after July 1, 2002 relating exclusively to the operation or conduct of the Acquired Business in the ordinary course consistent with past practice (including accrued and unpaid payroll in the ordinary course of business) outstanding on the Closing Date and not excluded from the transactions contemplated hereby pursuant to SECTION 2.6; and

(vi) Liabilities in respect of legal, accounting, investment banking, advisory, brokerage, administrative, issuance, up-front, placement, structuring, commitment, underwriting, financing, "due diligence", rating agencies or similar fees, commissions, disbursements and expenses (whether or not referred to as fees, commissions, disbursements or expenses), breakage cost, increased interest rate as a result of an event of default, amortization event or payment prior to stated maturity (based on the original amortization or repayment schedule of the relevant indebtedness), prepayment penalties or fees and similar costs incurred or agreed to be paid or reimbursed by Seller Entities in connection with the transactions contemplated by this Agreement, the DIP Asset-Backed Fleet Financing, the DIP Financing, the DIP L/C Rollover, the Additional DIP Asset-

Backed Fleet Financing, any other post-Petition financing or extension of credit or the Chapter 11 Cases or otherwise payable in connection with the prepayment of any of the Assumed Indebtedness, the DIP Asset-Backed Fleet Financing or the Additional DIP Asset-Backed Fleet Financing ("QUALIFIED FEES"), not to exceed $42,000,000 LESS an amount equal to the aggregate amount of Qualified Fees paid by or on behalf of Seller Entities from June 30, 2002 until the Closing; PROVIDED, HOWEVER, that if subsequent to November 9, 2002 (A) all the conditions set forth in SECTIONS 7.1 and 7.2 have been satisfied, other than the condition set forth in SECTION 7.2(h), (B) the condition set forth in SECTION 7.2(h) is not waived by Buyer, (C) Seller Parties have notified Buyer in writing that Seller Parties intend to incur or caused to be incurred indebtedness under the Additional DIP Asset-Backed Fleet Financing and (D) definitive agreements relating to the Additional DIP Asset-Backed Fleet Financing have been executed and delivered and the Bankruptcy Court has entered an order approving such definitive agreements, then the Liabilities in respect of Qualified Fees to be assumed by Buyer shall not exceed $45,000,000 LESS an amount equal to the aggregate amount of Qualified Fees paid by or on behalf of Seller Entities from June 30, 2002 until the Closing.

(b) Buyer and Seller Parties shall seek to reject Contracts and Leases identified by Buyer on or before 30 days prior to the Sale Hearing (as defined in the Bidding Procedures) included in the Acquired Assets which would otherwise have been Assumed Contracts or Assumed Leases; PROVIDED, HOWEVER, nothing contained herein shall obligate Seller Parties to seek such rejection unless and until such time as they have agreed with Buyer on the additional amount of cash or other consideration to be paid by Buyer in exchange for such rejection.

Section 2.6 EXCLUDED LIABILITIES. Buyer shall not assume or be obligated (and Seller Parties and their Subsidiaries shall retain their respective obligations) to pay, perform or otherwise assume or discharge any Liabilities of Seller or any Subsidiary of Seller, which constitute Excluded Liabilities, for which Seller or such Subsidiary of Seller shall remain and be solely and exclusively liable. For purposes of this Agreement, the term "EXCLUDED LIABILITIES" means all Liabilities that are not expressly included in the definition of Assumed Liabilities, including those set forth in paragraphs (a) through (p) below, whether or not any such Liability has a value for accounting purposes or is carried or reflected on or specifically referred to in Seller's (or any of its Subsidiaries') financial statements:

(a) all Liabilities related or attributable to Taxes of, imposed on, related or attributable to any Seller Party or any Excluded Company;

(b) all Liabilities arising out of, relating to or in connection with, the Retained Business and the Excluded Assets;

(c) all Liabilities arising out of, secured by or related to, or Encumbrance on, any Acquired Asset, other than Liabilities secured by Permitted Encumbrances;

(d) all Liabilities or Encumbrances caused by or resulting from violations, conflicts, breaches or defaults by any Seller Entity of, or under, any Assumed Contract or Assumed Lease prior to the Closing, or any Liability of any Seller Party that constitutes, may

constitute or is alleged to constitute a tort or violation of requirement of any Law (including any penalties or fines imposed or related thereto (whether civil or criminal)), other than (i) those relating to Actions assumed pursuant to SECTION 2.5(a)(iv) or (ii) torts or violations of Law arising in the ordinary course of the Acquired Business (including matters arising from vehicle accidents);

(e) all Liabilities of Seller Parties and their Affiliates to current or former employees of Seller Parties and their Affiliates relating to or arising out of any period ending prior to the Closing arising out of unlawful discrimination, wrongful termination, violations of Law, breach of the terms of any Assumed Benefit Plan or failure to pay or discharge such employees' wages or benefits when due;

(f) all Liabilities arising under or relating to the Assumed Benefit Plans, other than Liabilities expressly assumed by Buyer under SECTION 2.5(a)(iii);

(g) all Liabilities under Benefit Plans that are not Assumed Benefit Plans;

(h) any Liabilities arising from or relating to equity-based incentive compensation awards (including but not limited to stock options and grants of restricted stock) granted by Seller or any of its Affiliates to Seller Entities Employees;

(i) any Liabilities (w) relating to indebtedness for borrowed money, (x) evidenced by bonds, debentures, notes or similar instruments, (y) relating to indebtedness of others guaranteed by any Seller Entity and (z) in respect of letters of credit acceptance facilities, letters of guaranty or similar instruments, in each case, other than Assumed Indebtedness, Assumed Contracts or Assumed Leases;

(j) any obligation or commitment of any Seller Party to any Person relating to any obligation or requirement to use any investment or commercial bank or other financial institution as an advisor, arranger, manager, agent, placement agent or underwriter in connection with the refinancing or restructuring of any Assumed Indebtedness or any indebtedness of TFFC or any other Seller Entity with such Person;

(k) all Liabilities for (i) fees, commissions or expenses (whether or not referred to as fees, commissions or expenses) to the extent not assumed by Buyer pursuant to SECTION 2.5(a)(vi) and (ii) any transaction relating to the Excluded Assets or the Retained Business;

(l) all Liabilities of any Seller Parties or any Affiliate of any Seller Parties related to the issuance or sale of any Equity Security of any Seller Party, and any Liabilities arising directly or indirectly from the rescission of a purchase or sale of a "security" (as that term is defined in section 101(4) of the Bankruptcy Code) of a Seller Party or any Affiliate of a Seller Party for damages arising from the purchase or sale of such security, or from the reimbursement or contribution of such a Liability;

(m) all Liabilities of Seller Parties resulting from the arbitral award rendered on January 24, 2002 and February 8, 2002 by the National and International Arbitration Chamber

of Milan in favor of Francesco Dragotto and Giuseppe Dragotto (Arbitration proceeding No. 5100), and any attorney fees, interest and other amounts payable in connection therewith;

(n) any and all Liabilities relating to, in connection with or arising out of: (i) the Action entitled Ryder Systems, Inc. v. Budget Group, Inc. and Ryder TRS, Inc. 02 Civ. 1598 (BSJ) filed on or about March 1, 2002, and pending in the United States District Court for the Southern District of New York and any and all other Liabilities of any Seller Party to Ryder Systems, Inc. concerning any unapproved use of the "Ryder TRS" trademark in marketing activities; and (ii) the Action entitled Gerina Woods-McCoy v. Budget Rent A Car Systems, Inc., Civ. Action No. 02-S-735-N, filed on or about June 28, 2002, and pending in the United States District Court for the Middle District of Alabama, Northern Division;

(o) all Liabilities of any of Seller Parties to Sixt AG, Sixt GmbH and Co. Autovermietung KG or any Affiliate thereof; and

(p) any Liability of Seller Parties with respect to indemnification of any officer, director, employee or other agent or representative of any Seller Entity.

The listing of any specific item or matter as an Excluded Liability shall in no respect (i) limit the generality of the first paragraph of SECTION 2.6 or (ii) create any implication that any item or matter not so listed is an Assumed

Liability.

Section 2.7 CLOSING. The closing of the transactions contemplated in this Agreement (the "CLOSING") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036 at 10:00 a.m. on the second Business Day after the satisfaction or waiver of the last unsatisfied or unwaived condition set forth in ARTICLE 7 (other than those conditions contemplated to be satisfied at the Closing), or at such other time and place as is mutually agreed in writing by Seller and Buyer. The date of the Closing is referred to herein as the "CLOSING DATE."

Section 2.8 DELIVERIES BY SELLER PARTIES. At the Closing, Seller Parties shall deliver (or, in the case of clause (c), make available) to Buyer the following:

(a) the Ancillary Agreements duly executed by the applicable Seller Entities (in the case of the real estate deeds, the Lease Assignments and the Trademark Assignments such documents shall also be duly acknowledged and in proper form for recording);

(b) stock certificates together with duly executed stock powers (affixed with all required stamps evidencing payment of transfer duties) evidencing the Equity Securities of the Acquired Companies and the Minority Investees, except that stock powers shall not be required in respect of Equity Securities of Acquired Companies and Minority Investees which are held by other Acquired Companies and, in the case of unincorporated entities, other applicable evidence of, and transfer documents for, the Equity Securities therein;

(c) the Business Records and the Documents;

(d) the Governmental Consents and the Third Party Consents procured by Seller Parties or their Affiliates;

(e) a duly executed certificate ("FIRPTA CERTIFICATE") of non-foreign status from each Seller Party in the form and manner that complies with section 1445 of the Code and the Treasury Regulations promulgated thereunder (notwithstanding anything to the contrary contained herein, if any Seller Party fails to provide to Buyer a FIRPTA Certificate and Buyer elects to proceed with the Closing, Buyer shall be entitled to withhold from the Cash Purchase Price, the amount required to be withheld pursuant to section 1445 of the Code), unless and until such FIRPTA certificate is provided;

(f) a duly executed IRS Form 8023 from Seller with respect to each applicable Acquired Company (that Buyer has instructed Seller to make an Election for pursuant to SECTION 6.3);

(g) certified copies of the 363 Order and the 365 Order;

(h) a certificate of the chief executive officer or president of each Seller Party, dated the Closing Date, certifying the fulfillment of the conditions set forth in SECTION 7.2(a) and SECTION 7.2(b);

(i) the resignations (effective as of or prior to the Closing Date) of all directors (or in the case of unincorporated entities, managing partners, members or persons of similar role and responsibility), of each Acquired Company, in terms satisfactory in substance and form to Buyer;

(j) all such other bills of sale, assignments and other instruments of sale, assignment, transfer or conveyance (including vehicle registrations) as Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, transfer, assignment, conveyance and delivery of the Acquired Assets to Buyer and to put Buyer in actual possession or control of the Acquired Assets; and

(k) a pay-off letter executed by each administrative agent on behalf of the lenders under each of the Amended and Restated Credit Agreement, the DIP Financing and the DIP L/C Rollover to the effect that all obligations of Seller Parties thereunder will be satisfied in full upon receipt of the deliveries contemplated by SECTION 2.9(f) (other than those obligations, including indemnification and expense reimbursement obligations which are not Assumed Liabilities and which by their express terms survive the termination of the Contracts evidencing any of the foregoing), together with appropriate evidence that (i) all liens and encumbrances on any asset and property constituting security therefor have been released and (ii) all letters of credit issued under the Amended and Restated Credit Agreement, the DIP Financing and the DIP L/C Rollover shall be released and returned concurrently with Buyer taking the actions contemplated by SECTION 2.9(f).

Section 2.9 DELIVERIES BY BUYER. At the Closing, Buyer shall deliver to the applicable Seller Party or, in the case of clause (f) below, to the Person entitled thereto, the following:

(a) the Cash Purchase Price due at Closing as provided in

SECTION 2.2, by wire transfer of immediately available funds to an account or accounts designated by Seller for it, and on behalf of and as agent for the other Seller Parties and as approved by the Bankruptcy Court;

(b) the Ancillary Agreements duly executed by Buyer or one of its Affiliates, as the case may be;

(c) a certificate of a senior executive officer of Buyer, dated the Closing Date, certifying the fulfillment of the conditions set forth in SECTION 7.3(a) and SECTION 7.3(b);

(d) all such other documents and instruments as Seller Parties may reasonably request or as may be otherwise necessary or desirable to evidence and effect the assumption by Buyer of the Assumed Liabilities;

(e) evidence of the obtaining of or the filing with respect to, any Governmental Consents procured by Buyer; and

(f) replacement letters of credit, cash or such other instruments as may be necessary to effect the cash payment of the then outstanding indebtedness of Seller Parties under the Amended and Restated Credit Agreement, the DIP Financing and the DIP L/C Rollover (in each case, to the extent such indebtedness constitutes Assumed Indebtedness), including the release and return to the issuers thereof of all letters of credit issued thereunder and then outstanding.

Section 2.10 CURE COSTS. Notwithstanding any other provision of this Agreement (other than as set forth in SECTION 2.3(q), Seller Parties shall pay or otherwise discharge on or before Closing all necessary costs to cure then existing breaches or defaults under, and take such actions as are necessary to achieve assumption by Seller Parties of, and assignment by Seller Parties to Buyer of, the Assumed Contracts and the Assumed Leases (the "CURE COSTS"). All Cure Costs will be agreed upon by Seller Parties and each party entitled to receipt of a cure payment, or will be determined by the Bankruptcy Court, in accordance with the 365 Order. To the extent any Cure Costs actually paid by Seller Parties constitute payment in respect of amounts accrued following the Closing Date, Buyer shall reimburse Seller Parties for such portion of Cure Costs.

Section 2.11 TRANSITION AND SUPPORT ARRANGEMENTS FOR RETAINED BUSINESS. Each of Seller Parties and Buyer shall negotiate in good faith and enter into mutually satisfactory arrangements (i) based on the terms set forth on SCHEDULE 2.11(i), pursuant to which Buyer shall provide reasonable support services to the Retained Business and (ii) based on the terms set forth on SCHEDULE 2.11(ii), pursuant to which Buyer shall license the use of certain Marks and Logos in connection with the operations of the Retained Business.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF SELLER PARTIES

Except as specifically set forth in the Seller Parties Disclosure Schedule prepared and signed by each Seller Party and attached hereto (the "SELLER PARTIES DISCLOSURE SCHEDULE"), Seller Parties, jointly and severally, represent and warrant to Buyer that all of the statements contained in this ARTICLE 3 are true and complete as of the date of this Agreement (or, if made as of a specified date, as of such date). Each exception set forth in the Seller Parties Disclosure Schedule is identified by reference to a specific Section of this Agreement. Any matter disclosed by Seller Parties in any particular Section of the Seller Parties Disclosure Schedule shall not be deemed disclosed for purposes of any other Section of the Seller Parties Disclosure Schedule.

Section 3.1 ORGANIZATION AND QUALIFICATION. Each Seller Entity is a legal entity duly organized, validly existing and in good standing under the Laws of the state or jurisdiction of its organization and has all requisite corporate or other organizational power and authority to own, lease and operate its assets and to conduct its business. Each Seller Entity is duly qualified to do business and is in good standing in each other jurisdiction where the ownership, lease or operation of its assets or the nature of the business conducted by it requires such qualification, except where the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Seller Parties have made available to Buyer true, complete and correct copies of the certificate of incorporation and by-laws (or other comparable organizational documents) for each Seller Entity, each as currently in effect.

Section 3.2 CAPITALIZATION OF THE ACQUIRED COMPANIES.

(a) A complete and accurate list of the authorized and outstanding Equity Securities of each of the Acquired Companies is set forth in SECTION 3.2(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, together with the identity of each holder of such Equity Securities. The authorized Equity Securities of each

of the Acquired Companies is held either by one or more Seller Parties or one or more Acquired Companies. Such Person owns all of the outstanding Equity Securities beneficially and of record and free and clear of any Encumbrances (other than Encumbrances pursuant to the Assumed Indebtedness). Upon delivery to Buyer of the certificates (or other appropriate evidence thereof) representing the outstanding Equity Securities of the Acquired Companies and of the Minority Investees owned by Seller Parties, at the Closing, Buyer will acquire good and valid title to such Equity Securities, free and clear of any Liabilities or Encumbrances.

(b) All of the outstanding Equity Securities of each Acquired Company are duly authorized, validly issued, fully paid and nonassessable, and not issued in violation of any preemptive or similar rights. Seller Parties have the sole, absolute and unrestricted right, power and capacity to sell, assign and transfer all of the outstanding Equity Securities of each Acquired Company to Buyer free and clear of any Liabilities or Encumbrances.

(c) Other than pursuant to this Agreement, there are no outstanding subscriptions, options, warrants, puts, calls, agreements, understandings, claims or other commitments or rights of any type or other securities (i) requiring the issuance, sale, transfer, repurchase, redemption or other acquisition of any Equity Securities of any of the Acquired Companies, (ii) restricting the transfer of any of the Equity Securities of any of the Acquired Companies or (iii) relating to the voting of any of the Equity Securities of any of the Acquired Companies. There are no issued or outstanding bonds, debentures, notes or other indebtedness of any Acquired Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote), upon the happening of a certain event or otherwise, on any matters on which the equity holders of any Acquired Company may vote.

(d) Except as set forth in SECTION 3.2(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, none of the Seller Entities owns any equity interest, or any interest convertible or exchangeable into an equity interest, in any Person (other than an Acquired Company or an Excluded Company).

Section 3.3 CORPORATE POWER AND AUTHORITY. Each Seller Party has all requisite corporate or other organizational power and authority to enter into and deliver this Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith by each Seller Party and the consummation by each Seller Party of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or other organizational action on the part of such Seller Party and no other corporate or other organizational proceedings on the part of any of Seller Parties is necessary to authorize this Agreement and the Ancillary Agreements or to consummate the transactions contemplated hereby and thereby. This Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith have been duly executed and delivered by each Seller Party and, assuming the entry of the 363 Order and the 365 Order, constitute the legal, valid and binding obligation of each Seller Party, enforceable against such Seller Party in accordance with its terms.

Section 3.4 CONFLICTS; CONSENTS AND APPROVALS. Neither the execution and delivery of this Agreement, the Ancillary Agreements and any other agreements, documents and instruments to be executed and delivered in connection with this Agreement or any of the Ancillary Agreements, nor, upon the entry of the 363 Order and the 365 Order, the consummation of the transactions contemplated hereby and thereby, will:

(a) conflict with, or result in a breach of any provision of, the organizational documents of (i) any Seller Entity or (ii) any other Subsidiary of Seller which is a party to the Ancillary Agreements or any other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Ancillary Agreements;

(b) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event that, with the giving of notice, the passage of time or otherwise, would constitute a default) under, or entitle any Person (with the giving of notice, the passage of time or otherwise) to terminate, accelerate, modify or declare a default under, or result in the creation of any Liability in respect of, or cause an Encumbrance upon, any of the properties or assets of the Acquired Companies or upon any Acquired Assets, including, under any of the terms, conditions or provisions of (i) any Contract to which any Seller Entity is a party or by which any of their respective properties or assets (including the Acquired Assets) is bound or (ii) any Permit (other than Permits that are not material to the operation of the Acquired Business or the use, holding or ownership of any of the Acquired Assets and which are readily obtainable by any Person without undue burden, expense or delay) or filing to which any Seller Entity or any Subsidiary of any Seller

Entity is subject or by which any of their respective properties or assets (including the Acquired Assets) is bound, except in the case of Acquired Assets and assets of Acquired Companies, those violations, breaches, defaults, terminations, cancellations, accelerations, creations, impositions, suspensions, or revocations that are excused by or unenforceable as a result of Seller Parties' filing of the Petition(s) or the applicability of the Bankruptcy Code (but only to the extent such excuse, lack of enforceability or application of the

Bankruptcy Code will continue to apply in favor of Buyer and its successors and assigns following the Closing);

(c) violate any Law applicable to any Seller Entity or Acquired Company or any of their respective properties or assets (including the Acquired Assets) or to the Acquired Business;

(d) require any action, consent or approval of any non-governmental third party, other than consents and approvals of any non-governmental third party (i) set forth in SECTION 3.4(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or (ii) excused by or rendered unnecessary as a result of Sellers Parties' filing of the Petition(s) or the applicability of the Bankruptcy Code (but only to the extent such excuse, rendering or application of the Bankruptcy Code will continue to apply in favor of Buyer and its successors and assigns following the Closing) (the "THIRD PARTY CONSENTS"); or

(e) require any action, consent or approval of, or review by, or registration or filing by Seller Parties or the Acquired Companies with any Governmental Body, other than consents, approvals, or authorizations of, or declarations or filings (i) set forth in SECTION 3.4(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE or (ii) excused by or rendered unnecessary as a result of Sellers Parties' filing of the Petition(s) or the applicability of the Bankruptcy Code (but only to the extent such excuse, rendering or application of the Bankruptcy Code will continue to apply in favor of Buyer and its successors and assigns following the Closing) (the "GOVERNMENTAL CONSENTS").

Section 3.5 TITLE TO PROPERTY; ADEQUACY OF ASSETS.

(a) Except as set forth in SECTION 3.5(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, Seller Entities have (and immediately prior to the Closing will have) good and valid title to (and, in the case of Owned Real Property, marketable title to), or a valid and binding leasehold interest or license in, all assets comprising the Acquired Assets and all other assets or properties of the Acquired Companies and their Subsidiaries, and possession thereof, in each case, free and clear of any Liabilities or Encumbrances (other than Permitted Encumbrances). Except as set forth in SECTION 3.5(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no options or rights of first offer or rights of first refusal or similar rights or options have been granted by any Seller Entity to any Person (other than Buyer) to (i) purchase, lease or otherwise acquire any interest in any of the Acquired Assets or in any asset or property of any of the Acquired Companies, except for such Acquired Assets which are not material to the conduct of the Acquired Business, (ii) become a Franchisee or Dealer (or operate the automotive rental business as Franchisee or Dealer in any territory other than the Territory for which such Franchisee or Dealer is currently licensed by Seller) or (iii) use any of the Intellectual Property.

(b) Upon entry of the 363 Order and the 365 Order and payment of the Cash Purchase Price at the Closing, Buyer or the Acquired Companies will have good and valid title (and, in the case of Owned Real Property, marketable title to), or a valid and binding leasehold interest, concession or license in (i) all assets comprising the Acquired Assets free and clear of all Liabilities (other than Assumed Liabilities) and Encumbrances (other than Permitted Encumbrances, including for this purpose Encumbrances under Contracts of Acquired

Companies) and (ii) all assets of Acquired Companies and their Subsidiaries free and clear of all Encumbrances (other than Permitted Encumbrances).

(c) The assets to be transferred to Buyer pursuant to this Agreement are all the properties and assets (i) owned by Seller Parties (other than the Excluded Assets) and (ii) necessary for the Acquired Business to be conducted as currently conducted and as contemplated to be conducted.

(d) Subject to the entry of the 365 Order, all Contracts and Leases to be transferred pursuant to this Agreement are assumable by Seller Parties and assignable by Seller Parties to Buyer.

(e) BRAC (Bermuda) Holdings Limited and BRAC Reinsurance Company, Ltd. are wholly-owned Subsidiaries of Seller and do not own, directly or indirectly, any right, title or interest in, to and under any of the Acquired Assets or the Acquired Business, or any other assets or properties (except for

amounts due from Seller Parties which do not constitute Assumed Liabilities).

Section 3.6 SEC FILINGS; SELLER FINANCIAL STATEMENTS.

(a) Except as set forth in SECTION 3.6(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, since December 31, 1999, each Seller Entity has filed in a timely manner all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) that it was required to file with the SEC (the "SELLER SEC DOCUMENTS"). As of their respective filing dates, (i) the Seller SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Seller SEC Documents and (ii) no Seller SEC Document when filed (or when amended and restated or as supplemented by a subsequently filed Seller SEC Document) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Seller and its Subsidiaries (the "SELLER FINANCIAL STATEMENTS") included in the Seller SEC Documents complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of Seller and its Subsidiaries as of the dates thereof and the consolidated results of their operations, cash flows and changes in their financial position for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments that are not material). As of its filing date, each Seller SEC Document did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) SECTION 3.6(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the unaudited consolidating statements of income of Seller and its Subsidiaries for the quarterly period ending on March 31, 2002, and the related consolidating balance sheet of Seller and its Subsidiaries as at the end of such quarterly period (the "MARCH 31 FINANCIAL STATEMENTS"), and the unaudited consolidating statements of income of Seller and its Subsidiaries for the six-month period ending on June 30, 2002 (the "JUNE 30 INCOME STATEMENT"), and the related consolidating balance sheet of Seller and its Subsidiaries as of the end of such six-month period (the "JUNE 30 BALANCE SHEET," and together with the June 30 Income Statement, the "JUNE 30 FINANCIAL STATEMENTS"). Except as set forth in SECTION 3.6(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, the March 31 Financial Statements and the June 30 Financial Statements have been prepared in accordance with GAAP and fairly present in all material respects the financial position of Seller and its Subsidiaries and the consolidating results of operations as of March 31, 2002 and June 30, 2002, respectively.

(c) SECTION 3.6(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the audited statement of income of Budget Rent a Car Australia Pty. Ltd. ("BUDGET AUSTRALIA") and the audited consolidated statement of income of Budget Rent a Car Operations Pty. Ltd. ("OPERATIONS PTY.") and Camfox Pty. Ltd. ("CAMFOX" and together with Budget Australia and Operations Pty., the "AUSTRALIAN SELLER ENTITIES") for the year ended on December 31, 2001, and the related balance sheet of Budget Australia and the consolidated balance sheet of Operations Pty. and Camfox as at the end of such annual period (the "AUSTRALIAN FINANCIAL STATEMENTS"). The Australian Financial Statements have been prepared in accordance with generally accepted accounting principles in Australia consistently applied during the periods involved and fairly present in all material respects the financial position of Budget Australia and the consolidated financial position of Operations Pty. and Camfox and their results of operations as of December 31, 2001.

(d) SECTION 3.6(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the statement of income of each of Budget Rent-A-Car of Canada Limited and the audited statement of income of Compact Rent-A-Car Limited (the "CANADIAN SELLER ENTITIES") in each case for the year ended on December 31, 2001, and the related balance sheet of each Canadian Seller Entity as at the end of such annual period. Such financial statements of (i) Compact Rent-A-Car Limited have been prepared in accordance with generally accepted accounting principles in Canada consistently applied during the periods involved and fairly present in all material respects the financial position of Compact Rent-A-Car Limited and its results of operations as of December 31, 2001 and (ii) Budget Rent-A-Car of Canada Limited, have been prepared in accordance with GAAP and fairly present in all material respects the financial position of Budget Rent-A-Car of Canada Limited and its results of operations as of December 31, 2001.

(e) SECTION 3.6(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the audited consolidated statement of income of Budget Rent a Car Limited and its subsidiaries (the "NEW ZEALAND SELLER ENTITIES") for the year

ended on December 31, 2001, and the related consolidated balance sheet of the New Zealand Seller Entities as at the end of such annual period (the "NEW ZEALAND FINANCIAL STATEMENTS"). The New Zealand Financial Statements have been prepared in accordance with generally accepted accounting principles in New Zealand consistently applied during the periods involved and fairly present in all material respects the

consolidated financial position of the New Zealand Seller Entities and their results of operations as of December 31, 2001.

(f) Except as set forth in SECTION 3.6(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, since June 30, 2002, Seller Entities have not (i) made (or committed to make) any payments or distributions to any of its Affiliates or to any directors, officers or any of their respective relatives or any Affiliate thereof (other than a Seller Entity), other than pursuant to the Related Party Agreements listed in SECTION 3.11 OF THE SELLER PARTIES DISCLOSURE SCHEDULE, director fees, salaries, bonuses, payment of benefits or reimbursement of expenses in the ordinary course of business consistent with past practice or under the Assumed Benefit Plans, (ii) made (or committed to make) any payment in respect of Qualified Fees or similar fees or expenses and (iii) made or (committed to make) any Investment in the Retained Business, any Excluded Company or in any Person (other than a Seller Entity or a wholly-owned Subsidiary thereof).

Section 3.7 VEHICLES, ETC.

(a) SECTION 3.7(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the following information which is substantially correct in all material respects (except that no information need to be provided under clauses (C), (D) or (E) with respect to leased Existing Trucks): (i) a list of all trucks and cargo vans (other than pick-up trucks, except for the pick-up trucks so listed) used as Rental Vehicles (the "EXISTING TRUCKS") as of June 30, 2002 or as of a date after June 30, 2002; and (ii) for each Existing Truck, (A) the Seller Entity owner or lessee thereof, (B) whether such Existing Truck is owned or leased, (C) the original purchase price thereof, (D) the current net book value thereof, (E) the current monthly depreciation charges in respect thereof (expressed as a percentage of the original purchase price), (F) the respective VIN number or equivalent thereof, (G) the manufacturer and model year, (H) the mileage thereof or, if such Existing Truck is subject to a Rental Transaction on June 30, 2002 or such later date, the mileage thereof immediately prior to the relevant Seller Entity entering into such Rental Transaction, (I) except for Existing Trucks used in connection with the Acquired Business in Australia, the box size thereof and (J) the location thereof or, if such Existing Truck is subject to a Rental Transaction on June 30, 2002 or such later date, the location thereof immediately prior to the relevant Seller Entity entering into such Rental Transaction.

(b) SECTION 3.7(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains the following information which is substantially correct in all material respects (except that no information need to be provided under clauses (B), (C), (D), (E) or (F) with respect to leased Rental Vehicles or leased Support Vehicles): (i) a list of all Rental Vehicles (other than Existing Trucks) and Support Vehicles (in each case, including Owned Vehicles) used or held for use by any Seller Entity in connection with the Acquired Business or otherwise (other than in connection with the Retained Business) as of June 30, 2002 or as of a date after June 30, 2002; and (ii) for each such Rental Vehicle, Support Vehicle and Owned Vehicle (A) whether such vehicle is owned or leased, (B) the original purchase price thereof, (C) the date such vehicle was delivered to the purchaser thereof, (D) the then current net book value thereof, (E) the current monthly depreciation charges in respect thereof (expressed as a percentage of the original purchase price), (F) the respective VIN number or equivalent thereof, (G) the manufacturer, and model year (except in the case of leased vehicles operated in Australia) and (H) except for

Support Vehicles, vehicles used in connection with the Acquired Business in Australia and dollies, the mileage or kilometers thereof or, if such vehicle is a Rental Vehicle and is subject to a Rental Transaction on June 30, 2002 or such later date, the mileage or kilometers of such Rental Vehicle immediately prior to the relevant Seller Entity entering into such Rental Transaction. All vehicles listed on SECTION 3.7(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE are owned by a Seller Entity and all vehicles used or held for use in connection with the Acquired Business in the United States (including Puerto Rico) are owned by TFFC or BGI Leasing Inc., except for not more than 5,000 vehicles.

(c) As of June 30, 2002 (or if the Rental Vehicle is subject to a Rental Transaction on June 30, 2002, then as of the date which is immediately prior to the date on which the relevant Seller Entity entered into such Rental Transaction), none of the Existing Trucks listed on SECTION 3.7(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE nor the Rental Vehicles and the Support Vehicles (in each case, including the Owned Vehicles) listed on SECTION 3.7(b) OF THE SELLER

PARTIES DISCLOSURE SCHEDULE have been the subject of theft, loss, casualty, or destruction, have not been sold or otherwise disposed of (except for such thefts, losses, casualties, destruction, sales or dispositions which are immaterial in amount and within the range customarily experienced by Seller Parties). Except as set forth in the immediately preceding sentence, each Rental Vehicle and Support Vehicle (in each case, including each Owned Vehicle) is readily available to Seller Entities for use in connection with the Acquired Business.

(d) Seller Parties have adequate information systems consistent with Prudent Industry Practices to determine the location (or, if rented, the location to which it is assigned) of each Rental Vehicle and Support Vehicle (in each case, including each Owned Vehicle) used or held for use by any Seller Entity in connection with the Acquired Business.

Section 3.8 ABSENCE OF CHANGES. Since December 31, 2001, (i) except for the filing of the Petitions, the Acquired Business has been conducted and operated in the ordinary course consistent with past practice and Prudent Industry Practices, (ii) there has not been any Material Adverse Effect, (iii) the Acquired Business has not experienced any material damage (whether or not physical), destruction or loss (whether or not covered by insurance) to its tangible property, software or electronic systems, in each case owned by Seller Entities and used in connection with the Acquired Business and (iv) there has been no material change in the accounting principles, practices, methods or policies of Seller Entities.

Section 3.9 NO UNDISCLOSED LIABILITIES.

(a) Except (i) as and to the extent reflected on the June 30 Balance Sheet or (ii) as incurred on or after July 1, 2002 in the ordinary course of the Acquired Business consistent with past practice, neither the Acquired Business nor the Acquired Companies are subject to, and the Acquired Assets are not subject to, any Liabilities or Encumbrances (other than Assumed Liabilities and Permitted Encumbrances). SECTION 3.9(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains true, accurate and correct copies of all Contracts (except for such Contracts so indicated therein) evidencing indebtedness for borrowed money of each Acquired Company as of June 30, 2002 or as of a date after June 30, 2002 and the respective amounts outstanding thereunder as of such date. The proceeds from each such borrowing have been used

solely in the Acquired Business conducted by the Acquired Company that has incurred such indebtedness or any of its Subsidiaries.

(b) Except as set forth in SECTION 3.9(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Acquired Company is under any obligation (whether pursuant to a writing, oral statement, course of dealing or otherwise) to fund, underwrite, provide vehicles or financing therefor, or guarantee or otherwise support, in whole or in part, any obligations of Franchisees, Dealers, agents or other Third Parties. Except as set forth SECTION 3.9(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Contract with any Franchisee, Dealer or agent relating to the Acquired Business has any guarantee of income or volume, and no such agreement provides for any financial recourse to any Seller Entity in the event that income or volume goals are not met or for any other reason.

(c) SECTION 3.9(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth the amounts due by Seller Entities to each Vehicle Manufacturer or any Affiliates thereof as of June 30, 2002, the maturity date(s) thereof and any Encumbrances created or purported to be created as collateral therefor.

(d) Except as set forth in SECTION 3.9(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, Seller Entities have made payments in full, when due, of all amounts payable under the TFFC MV Leases, and prior to the date of this Agreement none of such payments has been made with proceeds from draws under letters of credit issued pursuant to the Amended and Restated Credit Agreement.

(e) SECTION 3.9(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all letters of credit issued under the Amended and Restated Credit Agreement or pursuant to the DIP Financing as of the date hereof, including, with respect to each such letter of credit (i) the date of issuance, (ii) the expiration date, (iii) the amount, (iv) the amount of any draws thereunder and (v) the purpose for which such letter of credit was issued.

Section 3.10 ACCOUNTS RECEIVABLE; ACCOUNTS PAYABLE.

(a) Except as set forth in SECTION 3.10(a) OF THE SELLER PARTY DISCLOSURE SCHEDULE, all accounts receivable of the Acquired Business arising after January 1, 2002 and prior to the Closing are shown in the Business Records, represent BONA FIDE transactions and arose and will arise in the ordinary course of business. No such accounts receivable has been assigned or otherwise sold to any Person and no Seller Entity has discharged or agreed to discharge the obligor thereunder other than (i) upon such obligor making payment in full of all amounts due under each such account receivable or (ii) for a

valid and legitimate business reason. For purposes of this SECTION 3.10(a), a valid and legitimate business reason shall not include addressing the cash or liquidity needs of Seller Entities.

(b) SECTION 3.10(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a list of accounts payable of the Acquired Business which are past due by at least one day as of July 1, 2002 based on their current terms or which contain payment terms that exceed 60 days. For each such account payable, SECTION 3.10(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth: (i) the payor and payee thereof; (ii) the amount outstanding thereunder; and (iii) the approximate

number of days such account is past due. Seller Entities have not made any payments under any such accounts payable of the Acquired Business prior to the stated maturity thereof, other than for a valid and legitimate business reason.

Section 3.11 AFFILIATE TRANSACTIONS. Except as set forth in SECTION 3.11 OF THE SELLER PARTIES DISCLOSURE SCHEDULE, the Acquired Companies are not a party to, nor are their properties or assets bound by, and none of the Acquired Assets or Assumed Liabilities will be comprised of, any Related Party Agreement. All Related Party Agreements have been effected, or provide for, as applicable, assets, property or services to be provided at Fair Market Value, at the date of the applicable Related Party Agreement. None of Seller Entities is party to any Contract with Ritz Services, Inc. which may not be terminated upon Closing with no cost to Buyer.

Section 3.12 COMPLIANCE WITH LAWS.

(a) Except as set forth in SECTION 3.12(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (i) each Seller Entity has complied in all material respects with all Laws applicable to the Acquired Business or the Acquired Assets and (ii) no material investigation or review by any Governmental Body with respect to the Acquired Business or the Acquired Assets (including the Acquired Companies) or the Assumed Liabilities is or was pending, or, to the knowledge of Seller Parties, threatened, against any Seller Entity, nor has any Governmental Body indicated in writing an intention to conduct the same.

(b) Except as set forth in SECTION 3.12(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, none of Seller Entities has any unresolved regulatory complaints or investigations (whether initiated by one or more Franchisees, Dealers or a customer of Seller, its Subsidiaries or a Governmental Body) relating to the Acquired Business, except for unresolved complaints or investigations which could not reasonably be expected to result in Liability to any Seller Party of $10,000 or more, individually, or $500,000 or more, in the aggregate.

Section 3.13 LITIGATION.

(a) Except as set forth in SECTION 3.13(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there is no action, suit, proceeding, investigation, pleading, charge, complaint, claim or demand ("ACTION") pending or, to the knowledge of Seller Parties, threatened, against any Seller Entity or any executive, officer or director thereof that relates to the Acquired Business, the Acquired Assets or the Assumed Liabilities or in respect of which an Acquired Company is a defendant, except for Actions pending or threatened which could not reasonably be expected to result in Liability to any Seller Party of $10,000 or more, individually or $750,000 or more, in the aggregate.

(b) Except as set forth in SECTION 3.13(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, none of Seller Entities, the Acquired Business, the Acquired Assets or the Assumed Liabilities or the assets or Liabilities of any Acquired Company is subject to any material outstanding order, writ, injunction, judgment or decree relating to methods of doing business or relationships with past, existing or future users or purchasers of services or assets of the Acquired Business. Seller Parties are in compliance in all material respects with all orders, writs,

injunctions, judgments and decrees set forth in SECTION 3.13(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE.

Section 3.14 CORPORATE LOCATIONS; PERMITS; ETC.

(a) SECTION 3.14(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true and correct list of all corporate locations at which Seller Entities conduct the business of the Acquired Business.

(b) Except as set forth in SECTION 3.14(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE: (i) all of the business of the Acquired Business in Australia is conducted exclusively through the Australian Seller Entities; (ii) all of the business of the Acquired Business in Canada is conducted

exclusively through the Canadian Seller Entities and through Franchisees which, together with Budget Rent a Car, are parties to franchise Contracts to be transferred to Buyer hereunder; and (iii) all of the business of the Acquired Business in New Zealand is conducted exclusively through the New Zealand Seller Entities.

(c) SECTION 3.14(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth a true and correct list of all Permits and applications for such Permits with respect to the operation of the Acquired Business or the use, holding or ownership of any of the Acquired Assets, other than Permits that are not material to the operation of the Acquired Business or the use, holding or ownership of any of the Acquired Assets and which are readily obtainable by any Person without undue burden, expense or delay. Such Permits have been duly obtained from the appropriate Governmental Body in each applicable jurisdiction and are in full force and effect.

(d) Each holder of a Permit has operated in all material respects in compliance with all terms thereof. No event has occurred which permits the revocation or termination of any of the Permits or the imposition of any restriction thereon, or that would prevent any of the Permits from being renewed on a routine basis or in the ordinary course. Except as set forth in SECTION 3.14(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Seller Party or Acquired Company is in default (either with the giving of notice or lapse of time or the occurrence of any other condition, event or circumstance) under any such Permit in any material respect.

(e) There are no Actions pending nor, to the knowledge of Seller Parties, threatened, that seek the revocation, cancellation, suspension, modification or refusal to renew of any such Permit and the transactions contemplated by this Agreement and the Ancillary Agreements shall not cause any such revocation, cancellation, suspension, modification or refusal to renew any such Permits. All required filings with respect to such Permits have been timely made and all required applications for renewal thereof have been timely filed. There is not now issued, outstanding or, to the knowledge of Seller Parties, threatened, any notice by any Governmental Body of violation or complaint, or any application or proceeding (other than applications, proceedings, or complaints that generally affect Seller Parties' industry as a whole) relating to the Acquired Business or the Acquired Assets.

Section 3.15 CONTRACTS.

(a) SECTION 3.15(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all franchise, prime license, license, dealer or agency Contracts to

which any Seller Entity is a party and which relate to the Acquired Business. SECTION 3.15(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE provides: (i) for each franchise, prime license and license Contract the date (including the date of any amendments thereof), (ii) for each franchise, prime license, license and Dealer Contract the names of the Franchisee or Dealer and Seller Entity party thereto, (iii) for each franchise, prime license, license and Dealer Contract the applicable fee and royalty arrangement (whether flat, royalty free, or flat and royalty component), (iv) for each such Contract an indication of whether such Franchisee or Dealer (that conducts business under the Budget brand name) participates in the association and CorpRate programs of the Acquired Business and (v) for each such Contract whether such agreement applies to cars, trucks, or both. Except as set forth in SECTION 3.15(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all dealer or agency Contracts listed therein entered into in connection with Seller Entities' truck rental business, (i) may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the relevant Dealer, without (A) any penalty or other payment by any of Seller Entities, (B) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (C) imposing any limitations on the conduct of business by any Seller Entity and (ii) do not require any Dealer or agent thereunder to make payments to Seller Parties in connection with any services other than certain information services or support provided by Seller Parties to such Dealer or agent in connection therewith.

(b) SECTION 3.15(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all marketing Contracts to which any Seller Entity is a party and which relate to the Acquired Business. For each such Contract, SECTION 3.15(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE provides: (i) the date (including the date of any amendments thereof), (ii) the names of the parties thereto and (iii) the type of service provided. Except as set forth in SECTION 3.15(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all marketing Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(c) SECTION 3.15(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE

contains a true, complete and accurate list of all CorpRate Contracts to which any Seller Entity is a party and which relate to the Acquired Business as conducted by such Persons, in which the receipts thereunder exceeded in the most recently concluded calendar year, or are reasonably expected to exceed during the calendar year ending on December 31, 2002, $50,000. Except as set forth in SECTION 3.15(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all CorpRate Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(d) SECTION 3.15(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all association Contracts to which any Seller Entity is a party and which relate to the Acquired Business, in which the receipts thereunder exceeded in the most recently concluded calendar year, or are reasonably expected to exceed during the calendar year ending on December 31, 2002, $50,000. Except as set forth in SECTION 3.15(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all association Contracts listed therein may be terminated by Seller

Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(e) SECTION 3.15(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all joint venture, limited liability company and partnership Contracts to which any Seller Entity is a party and which relate to the Acquired Business.

(f) SECTION 3.15(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all affiliation Contracts (including airline loyalty or similar programs) to which any Seller Entity is a party and which relate to the Acquired Business. Except as set forth in SECTION 3.15(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all affiliation Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(g) SECTION 3.15(g) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all general sales agency, travel agency and tour operator Contracts, to which any Seller Entity is a party and which relate to the Acquired Business. Except as set forth in SECTION 3.15(g) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all general sales agency, travel agency and tour operator Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(h) SECTION 3.15(h) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all Contracts with Vehicle Manufacturers, including Repurchase Programs, which relate to the Acquired Business.

(i) SECTION 3.15(i) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all bus and truck lease Contracts (other than the TFFC MV Leases and the Ford MV Lease) to which any Seller Entity is a party.

(j) SECTION 3.15(j) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all fuel supply Contracts to which any Seller Entity is a party and which relate to the Acquired Business. Except as set forth in SECTION 3.15(j) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all fuel supply Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(k) SECTION 3.15(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all vendor (including reservation

services, and benefit service providers) Contracts to which any Seller Entity is a party and which relate to the Acquired Business, in which the aggregate payments thereunder exceeded in the most recently concluded calendar year, or are reasonably expected to exceed during the calendar year ending on December 31, 2002, $100,000 or which is not in the ordinary course of business. Except as set forth in SECTION 3.15(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all vendor Contracts listed therein may be terminated by Seller Entities by giving 90 days' (or such shorter period specified therein) notice to the other party thereof, without (i) any penalty or other payment on any of Seller Entities, (ii) imposing any requirement that Seller Entities sell or dispose of any assets or properties and (iii) imposing any limitations on the conduct of business by any Seller Entity.

(l) SECTION 3.15(l) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all collective bargaining Contracts to which any Seller Entity is a party and which relate to the Acquired Business.

(m) To the extent not disclosed or not required to be disclosed in SECTIONS 3.9, 3.15(a) through 3.15(l), 3.15(n), 3.15(u), 3.16(a) through 3.16(h), 3.17(a), 3.18(b), 3.18(c), 3.19(a), 3.22, 3.25 and 3.28(b), SECTION 3.15(m) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, complete and accurate list of all Contracts relating to the Acquired Business (x) which involve (or could reasonably be expected to involve) the receipt or payment in any calendar year of more than $100,000 or which is not terminable without Liability, penalty or premium (whether imposed by contract, Law, regulation or otherwise) on 30 or fewer days' notice, (y) with customers which accounts for 0.5% or more of the revenues of the Acquired Business in the last fiscal year or (z) which was not entered into in the usual and ordinary course of business consistent with past practice.

(n) SECTION 3.15(n) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, correct and complete copy of all Contracts (except for such Contracts so indicated therein) to which any Seller Entity is a party which evidence the obligations of Seller Entities under or with respect to the Assumed Indebtedness to which Seller Parties are a party as of the date of this Agreement.

(o) Except as specifically set forth in SECTION 3.15(o) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, Seller Parties have made available to Buyer or its representatives true, correct and complete copies of all Contracts listed on or required to be disclosed pursuant to SECTION 3.15(a) through SECTION 3.15(n) and SECTION 3.15(u) each a "BUSINESS CONTRACT." None of the Contracts set forth in SECTION 3.15(o) OF THE SELLER PARTIES DISCLOSURE SCHEDULE is required to be disclosed in SECTIONS 3.15(a) (other than the agency agreements listed on SECTION 3.15(o) OF THE SELLER PARTIES DISCLOSURE SCHEDULE) or is otherwise material to the Acquired Business, individually or together with any other Contracts listed in SECTION 3.15(o) OF THE SELLER PARTIES DISCLOSURE SCHEDULE.

(p) Each Business Contract complies with all applicable Laws and is valid, binding and enforceable against each Seller Entity that is a party thereto and the Third Parties party thereto in accordance with its terms. Except as set forth in SECTION 3.15(p) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, each Seller Entity and, to the knowledge of Seller Parties, each

counterparty to any Business Contract is performing its obligations thereunder, and is not in violation, conflict with, or breach of any provision of, or has lost any benefit under, or acted in a manner that would constitute a default (or allowed to occur an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Encumbrance upon any of the Acquired Assets or the respective properties or assets of the Acquired Companies, except that Seller Parties have not made certain payments under certain Business Contracts (other than the TFFC MV Leases) in connection with or in anticipation of the Chapter 11 Cases. No Assumed Contract has been originated, or is subject to, the Laws of any jurisdiction which would make the transfer and assignment of such Assumed Contract unlawful.

(q) Except as described in SECTION 3.15(q) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, with respect to each Business Contract, none of the rights or remedies under such Contracts in favor of Seller or any of its Subsidiaries have been amended, modified, waived, supplemented, subordinated or otherwise altered other than in good faith and in the ordinary course of business and all the terms of each Business Contract (including any such amendment, modification, waiver, supplement, subordination or other alteration of any Business Contract) are included among the Documents made available to Buyer or its representatives prior to the date hereof and to be transferred to Buyer pursuant to SECTION 2.8(c).

(r) Except as set forth in SECTION 3.15(r) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, each franchise, license and dealer Contract was issued on a

standard form, generally used by Seller Entities to enter into such type of Contract at such time in connection with the Acquired Business.

(s) Except as set forth in SECTION 3.15(s) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, none of Seller Entities is a party to any Contract in connection with the Acquired Business that purports to (x) restrict the freedom of any Seller Entity or any of its Affiliates to compete or engage in any line of business or with any Person or in any geographical area or territory, in each case, for any length of time or under any brand name, trademarks or tradenames or (y) require any Seller Entity or any of its Affiliates to conduct business exclusively with one or more Persons in a specified territory or geographical area.

(t) None of the Seller Entities is a party to any Contract, except for (i) the Contracts set forth in SECTIONS 3.9, 3.15(a) through 3.15(s), 3.15(u), 3.16(a) through (h), 3.17(a), 3.18(b), 3.18(c), 3.19(a), 3.22(c), 3.25, and 3.28(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (ii) such other Contracts to which any of the Seller Entities is a party but are not required to be disclosed therein and (iii) in the case of Seller Parties, Contracts that constitute Excluded Assets.

(u) Except as set forth in SECTION 3.15(u) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, none of Seller Entities is a party to any "barter" agreements with respect to the Acquired Business, nor is any Seller Entity liable for any outstanding barter obligations nor the owner of any outstanding barter receivables with respect to the Acquired Business.

Section 3.16 REAL ESTATE.

(a) SECTION 3.16(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a complete and correct list of all Leases. Prior to the date hereof, true, correct and complete copies of all Leases relating to the Leased Premises and all amendments thereto have been made available by Seller Parties to Buyer, except for the leases under which Seller Parties are required to make monthly lease payments of not more than $2,500 individually and which are set forth in SECTION 3.16(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE. All such Leases are valid, binding and in full force and effect and are enforceable by the lessee thereunder and, except as set forth in SECTION 3.16(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, grant such lessee the exclusive right to use and occupy the Leased Premises. Each applicable Seller Entity, as applicable, has, and shall have as of the Closing, good and valid leasehold title to each of the Leased Premises. Except as set forth in SECTION 3.16(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all material covenants to be performed by the applicable Seller Entity, as applicable, and, to the knowledge of Seller Parties, all material covenants to be performed by the lessor or sublessor under each Lease, have been performed in all material respects, and no event has occurred or circumstance exists which, with the delivery of notice or the passage of time or both, would constitute such a breach or default by the applicable Seller Entity, or the lessor or sublessor, or which would permit the termination, modification or acceleration of performance of the obligations of the applicable Seller Entity, or the lessor or sublessor, under any Lease, except for such violations, breaches, defaults, terminations, cancellations, accelerations, creations, impositions, suspensions, or revocations that are excused by or unenforceable as a result of Seller Parties' filing of the Petition(s), and except that Seller Parties have not made certain payments under certain Leases in connection with or in anticipation of the Chapter 11 Cases.

(b) SECTION 3.16(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, correct and complete list of all Owned Real Property, including the address of each parcel of Owned Real Property, the Seller Entity which owns such Owned Real Property and the current use (or uses) of such Owned Real Property. The applicable Seller Entities have, and shall have as of the Closing, good, valid and marketable title in fee simple to each of the Owned Real Property and to all buildings, structures and other improvements thereon and all fixtures thereto (other than leased equipment), in each case, free and clear of any Encumbrances (other than Permitted Property Encumbrances) and except as set forth in SECTION 3.16(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE.

(c) Except as set forth in SECTION 3.16(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Seller Entity has received any written notice that (i) any condemnation proceeding is pending or threatened with respect to the Premises or (ii) any material zoning, building or similar law, code, ordinance, order or regulation is or will be violated by the continued maintenance, operation or use of any buildings or other improvements on any of the Premises.

(d) No certificate, permit or license from any Governmental Body having jurisdiction over any of the Premises or any agreement, easement or other right which is necessary to permit the lawful use and operation of the buildings and improvements on any of the Premises or which is necessary to permit the lawful use and operation of all driveways, roads and other means of egress and ingress to and from any of the Premises has not been obtained or

is not in full force and effect, and, to the knowledge of Seller Parties, there is no pending threat of modification or cancellation of any of the same.

(e) Except as set forth in SECTION 3.16(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all buildings, structures and other improvements on any of the Premises and all fixtures thereto are structurally sound with no known material defects and are in good operating condition and repair and are adequate for the use and operation of the Premises to which they relate in the conduct of the Acquired Business as presently conducted and require no maintenance, repairs or replacements, except for ordinary routine maintenance, repairs or replacements, which are not material in nature or cost.

(f) Except as set forth in SECTION 3.16(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Seller Entity is a party to, or is obligated under any option, right of first refusal or other contractual right to sell, dispose of or lease any of the Premises or any portion thereof or interest therein to any Person or entity other than Buyer.

(g) Subject to the entry of the 365 Order, except as set forth in SECTION 3.16(g) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no consent is required for the assignment of any Lease contemplated hereby.

(h) Prior to the date hereof, except as set forth in SECTION 3.16(h) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, Seller Parties have made available to Buyer for review true, correct and complete copies of all deeds, mortgages, surveys, licenses, leases, title insurance policies (including any underlying documents relating to Encumbrances), if any, or equivalent documentation with respect to the Premises and other material documents relating to or affecting the title to the Premises. The agreements, instruments and documents listed in SECTION 3.16(h) OF THE SELLER PARTIES DISCLOSURE SCHEDULE are not, individually or together with any other agreements, instruments or documents listed therein, material to the Acquired Business.

Section 3.17 AIRPORT CONCESSIONS.

(a) SECTION 3.17(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a complete and correct list of all airport concessions or licenses (whether evidenced in the form of a Contract or otherwise) entered into by, granted to or applicable to any Seller Entity and which relate to the Acquired Business (collectively, "AIRPORT CONCESSIONS"). Prior to the date hereof true, correct and complete copies of all Airport Concessions have been made available by Seller Parties to Buyer. Except as set forth in SECTION 3.17(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all Airport Concessions are valid, binding and in full force and effect and are enforceable by Seller Entity as concessionaire (or licensee, however designated, the "CONCESSIONAIRE") thereunder.

(b) Except as set forth in SECTION 3.17(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, each Airport Concession grants the applicable Concessionaire (a) the right to use and occupy the counter areas in the terminals on an exclusive basis and the right to use and occupy the rental operations area and related parking areas designated therein and (b) non-exclusive right to use and occupy such other areas of the applicable airport as may be necessary or convenient for the operation of the Acquired Business at such airport. Except as set forth in

SECTION 3.17(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all material covenants to be performed by the applicable Seller Entity and, to the knowledge of Seller Entities, all material covenants to be performed by (x) the applicable airport authority or airport operator or (y) the applicable Franchisee under each Airport Concession, have been performed in all material respects, and no event has occurred or circumstance exists which, with the delivery of notice or the passage of time or both, would constitute a breach or default under the applicable Airport Concession, or which would permit the termination, modification or revocation of such Airport Concession, except that Seller Parties have not made certain payments under certain Airport Concessions in connection with or in anticipation of the Chapter 11 Cases.

(c) Subject to the entry of the 365 Order, except as set forth in SECTION 3.17(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no consent is required for the assignment of any Airport Concession contemplated hereby.

Section 3.18 EMPLOYEE; EMPLOYEE BENEFIT MATTERS.

(a) SECTION 3.18(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth a true, complete and correct list, as of June 23, 2002, of each employee of Seller Parties in connection with the Acquired Business ("SELLER PARTIES EMPLOYEES") and of each Acquired Company, ("ACQUIRED COMPANY EMPLOYEES", and together with the Seller Parties Employees, the "SELLER ENTITIES EMPLOYEES"), together with each such employee's (i) starting date of employment, (ii) job title, (iii) present hourly or, if salaried, annual compensation rate and (iv) status of employment (i.e., active, inactive, leave of absence, short or

long-term disability, etc.).

(b) Except as set forth in SECTION 3.18(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there are no employment contracts or severance agreements with any Seller Entity Employees, and no Seller Entities Employee is a party to (or otherwise the beneficiary of) any agreement or arrangement which could give rise to any such employee becoming entitled to any severance, termination or other comparable payments or benefits. Except as set forth in SECTION 3.18(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there are no consulting or similar agreements with any Person providing for the rendering of consulting or similar services to any Seller Entity in connection with the Acquired Business and the payment by any Seller Entity of compensation of any kind in consideration of any such services.

(c) SECTION 3.18(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth a true and complete list of all Benefit Plans. With respect to each Benefit Plan, where applicable, Seller Parties have delivered or made available to Buyer: (i) except as set forth in SECTION 3.18(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, true and complete copies of the Benefit Plan and any amendments thereto (or if the Benefit Plan is not a written Benefit Plan, a written description thereof), (ii) any related trust or other funding vehicle, (iii) any reports or summaries required under applicable Law, (iv) the most recent determination letter received from the IRS with respect to each Benefit Plan intended to qualify under section 401 of the Code and (v) any material communications to employees. Each Benefit Plan has been established, operated and administered in all material respects in accordance with its terms and all applicable Laws, including ERISA and the Code and any analogous Law of the relevant jurisdictions to the extent applicable. Each Pension Plan which is intended to be qualified under section 401(a) of the Code has received a favorable determination letter from the IRS that it is so qualified, and, to the

knowledge of Seller Parties, no circumstances exist that could reasonably be expected to result in revocation of any such favorable determination letter. The Seller Parties have caused to be timely filed with the Pension Benefit Guaranty Corporation any required notice of a "reportable event" (as defined in Section 4043 of ERISA) that has occurred with respect to each Pension Plan that is intended to be qualified under section 401(a) of the Code.

(d) No liability under Title IV or section 302 of ERISA has been incurred by any Seller Entity or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to Buyer of incurring any liability under Title IV or section 302 of ERISA in respect of Seller or any ERISA Affiliate, other than liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due). Insofar as the representation made in this SECTION 3.18(d) applies to sections 4064, 4069 or 4204 of Title IV of ERISA, it is made with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which Seller or any ERISA Affiliate made, or was required to make, contributions during the five-year period ending on the last day of the most recent plan year ended prior to the Closing Date. No Benefit Plan is a single-employer plan (as defined in section 3(41) of ERISA) subject to Title IV or section 302 of ERISA except the Budget Group, Inc. Employees' Pension Plan (the " BUDGET PENSION PLAN"). With respect to the Budget Pension Plan, as reported in the January 2002 Actuarial Valuation Report as of January 1, 2001 for the Plan Year and Taxable Year Ending December 31, 2001 (the "ACTUARIAL VALUATION REPORT"), as of January 1, 2001 the market value of assets held in trust with respect to the Budget Pension Plan exceeds the actuarial accrued liability thereunder, based on the actuarial assumptions used for ongoing plan funding purposes in the Actuarial Valuation Report.

(e) The PBGC has not instituted proceedings to terminate any Benefit Plan that is subject to Title IV or section 302 of ERISA (each, a "TITLE IV PLAN"), and no condition exists that presents a material risk that such proceedings will be instituted.

(f) Except as set forth in SECTION 3.18(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not, either alone or in combination with another event, (i) entitle any current or former employee or officer of any Seller Entity to sale or retention bonuses, severance pay, unemployment compensation or any other payment, (ii) accelerate the time of payment or vesting, or increase the amount of compensation due, any such employee or officer or (iii) require the immediate funding or financing of any compensation or benefits which, in each case, could reasonably become a Liability of Buyer. Except as set forth in SECTION 3.18(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no amounts payable under the Benefit Plans will fail to be deductible for federal income tax purposes by virtue of section 162(m) or section 280G of the Code.

(g) SECTION 3.18(g) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth each Title IV Plan covering current or former employees of any Seller Entity that is a "multiemployer plan," as defined in section 3(37) of ERISA. With respect to each such Title IV Plan that is a "multiemployer pension plan":

(i) no Seller Party nor any ERISA Affiliate has made or suffered a "complete withdrawal" or a "partial withdrawal," as such terms are respectively defined in sections 4203 and 4205 of ERISA (or any liability resulting therefrom has been satisfied in full), (ii) no event has occurred that presents a material risk of a partial withdrawal, (iii) no Seller Party

nor any ERISA Affiliate has any contingent liability under section 4204 of ERISA and (iv) to the knowledge of Seller Parties, no circumstances exist that present a material risk that any such plan will go into reorganization.

(h) Except as set forth in SECTION 3.18(h) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Benefit Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for any present or former employees of any Seller Entity for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable Law, (ii) death benefits under any "pension plan" or (iii) benefits the full cost of which is borne by such employee of any Seller Entity (or his or her beneficiary). Except as set forth in SECTION 3.18(h) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no Seller Entity has ever represented, promised or contracted (whether in oral or written form) to any employee(s) that such employee(s) would be provided with retiree health or life benefits which could reasonably be expected to result in Liability to Buyer.

(i) No Seller Entity, any ERISA Affiliate, or any Benefit Plan, any trust created thereunder nor any trustee or administrator thereof has engaged in a transaction or has taken or failed to take any action in connection with which any such Person or any party dealing with the Benefit Plans or any such trust could be subject to either a civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a tax imposed pursuant to section 4975 or 4976 of the Code which could reasonably become a Liability of Buyer.

(j) With respect to each Foreign Benefit Plan: (i) all employer and employee contributions to each Foreign Benefit Plan required by Law or by the terms of such Foreign Benefit Plan have been made, or if applicable, accrued in accordance with GAAP, (ii) the fair market value of the assets of each funded Foreign Benefit Plan, the liability of each insurer for any Foreign Benefit Plan funded through insurance or the book reserve established for any Foreign Benefit Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations, as of the Closing Date, with respect to all current and former participants in such plan according to the actuarial assumptions and valuations most recently used to determine employer contributions to such Foreign Benefit Plan and no transaction contemplated by this Agreement shall cause such assets or insurance obligations to be less than such benefit obligations and (iii) each Foreign Benefit Plan required to be registered has been registered and has been maintained in good standing with applicable Governmental Bodies.

(k) There has been no material failure of a U.S. Benefit Plan that is a group health plan (as defined in section 5000(b)(1) of the Code) to meet the requirements of section 4980B(f) of the Code with respect to a qualified beneficiary (as defined in section 4980B(g) of the Code). No Seller Party nor any ERISA Affiliate has contributed to a nonconforming group health plan (as defined in section 5000(c) of the Code) and no ERISA Affiliate of any Seller Party has incurred a tax under section 5000(a) of the Code which could reasonably become a liability of Buyer or any of its Subsidiaries.

(l) Except as set forth in SECTION 3.18(f) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there are no pending or, to the knowledge of Seller Parties, threatened or anticipated claims by or on behalf of any Benefit Plan, by any employee or beneficiary under any Benefit

Plan or otherwise involving any Benefit Plan (other than routine and immaterial claims for benefits).

Section 3.19 LABOR RELATIONS AND EMPLOYMENT.

(a) Except to the extent set forth in SECTION 3.19(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE: (i) there is no labor strike, dispute, slowdown, stoppage or lockout actually pending, or to the knowledge of Seller Parties, threatened against or affecting any material portion of the Acquired Business, (ii) no union or similar labor organization or employee association claims to represent the employees of any Seller Entity other than under the collective bargaining agreements listed in SECTION 3.19(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (iii) no Seller Entity is a party to or bound by any collective bargaining or similar agreement with any labor organization, or work rules, works councils, or practices agreed to with any labor organization or employee association applicable to employees of any Seller Entity, (iv) to the knowledge of Seller Parties, there are no current union organizing activities, nor has there been any union organizing activity within the past two years among the employees of any Seller Entity, (v) there are no written personnel policies,

handbooks, manuals rules or procedures applicable to employees of any Seller Entity, other than those set forth in SECTION 3.19(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, true and correct copies of which have heretofore been delivered or made available to Buyer, (vi) each Seller Entity has at all times been in material compliance with all applicable Laws respecting employment and employment practices, terms and conditions of employment, wages, hours of work and occupational safety and health with respect to employees of Seller Entities, and are not engaged in any unfair labor practices as defined in the National Labor Relations Act or other applicable Law, with respect to employees of any Seller Entity, (vii) there is no unfair labor practice charge or complaint against any of Seller Entities pending or, to the knowledge of Seller Parties, threatened before the National Labor Relations Board or any similar state, local or foreign agency with respect to employees of any Seller Entity, (viii) there is no grievance arising out of any collective bargaining agreement or other grievance procedure with respect to employees of any Seller Entity pending or, to the knowledge of Seller Parties, threatened against any of Seller Entities, (ix) no charges with respect to or relating to any employees of any Seller Entity or against any Acquired Company are pending or, to the knowledge of Seller Parties, threatened before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices, (x) no Seller Entity has received notice of the intent of any Governmental Body responsible for the enforcement of labor or employment laws to conduct an investigation with respect to or relating to the Acquired Business or the Acquired Companies and no such investigation is in progress and (xi) there are no Actions pending or, to the knowledge of Seller Parties, threatened in any forum by or on behalf of any present or former employee of any Seller Entity or any applicant for employment or classes of the foregoing alleging that any Seller Entity engaged in any conduct that constitutes, or could reasonably be expected to constitute a breach of any express or implied contract or employment, any Law governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship.

(b) During the past two years, Seller Entities (with respect to the Acquired Business) have not effectuated: (i) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or

facility of any Seller Entity (with respect to the Acquired Business); or (ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of Seller (with respect to the Acquired Business)); nor has any Seller Entity been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state, local or foreign Law.

Section 3.20 CUSTOMERS. Except as set forth in SECTION 3.20 OF THE SELLER PARTIES DISCLOSURE SCHEDULE, Seller Entities and, to the knowledge of Seller Parties, each Person acting as an agent (including all Franchisees and Dealers) of the Acquired Business, is in compliance in all material respects with all Laws having the purpose or effect of prohibiting unlawful discrimination against customers or potential customers.

Section 3.21 ENVIRONMENTAL MATTERS. Except as set forth in SECTION 3.21 OF THE SELLER PARTIES DISCLOSURE SCHEDULE:

(a) The Acquired Business and Seller Entities are in compliance in all material respects with all applicable Environmental Laws, which compliance includes, but is not limited to, the possession by the Acquired Business, Seller Entities of all Permits required under applicable Environmental Laws, and compliance with the terms and conditions thereof. None of the Acquired Business or Seller Entities has received any communication (written or oral), whether from a Governmental Body, citizens group, employee or otherwise, that alleges that any Seller Entity or the Acquired Business is not in such compliance, and, to the knowledge of Seller Parties, there are no circumstances that may prevent or interfere with such compliance in the future. All Permits currently held by the Acquired Business or Seller Entities pursuant to the Environmental Laws are identified in SECTION 3.21(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE.

(b) Except as set forth in SECTION 3.21(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there is no Environmental Claim pending or, to the knowledge of Seller Parties, threatened against the Acquired Business, any Seller Entity or Acquired Asset or, to the knowledge of Seller Parties, against any Person whose Liability for any Environmental Claim any Seller Entity has or may have retained or assumed either contractually or by operation of Law.

(c) Except as set forth in SECTION 3.21(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there are no past or present actions, activities, circumstances, conditions, events or incidents, including the release, emission, discharge, presence or disposal of any Material of Environmental Concern that could form the basis of any Environmental Claim against any Seller Entity, the Acquired Business, or Acquired Assets or, to the knowledge of Seller Parties, against any Person whose Liability for any Environmental Claim the Acquired Business or any Seller Entity has or may have retained or assumed either

contractually or by operation of Law.

(d) Without limiting the generality of the foregoing, (i) all on-site locations where any Seller Entity, or the Acquired Business has stored or disposed of Materials of Environmental Concern are identified in SECTION 3.21(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (ii) all underground storage tanks, and the capacity and contents of such tanks, located at any Acquired Asset or property owned, operated, or leased by any Seller Entity, or the Acquired Business are identified in SECTION 3.21(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE,

(iii) except as set forth in SECTION 3.21(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, there is no asbestos contained in or forming part of any building, building component, structure or office space at any Acquired Asset or property owned, operated, or leased by any Seller Entity, or the Acquired Business, (iv) except as set forth in SECTION 3.21(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, no polychlorinated biphenyls (PCB's) are used or stored by any Seller Entity, or to the knowledge of Seller Parties, by any other Person, at any Acquired Asset or property owned, operated, or leased by any Seller Entity, or the Acquired Business and (v) except as set forth in SECTION 3.21(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, all underground storage tanks owned, operated, or leased by any Seller Entity, or the Acquired Business, and which are subject to regulation under the federal Resource Conservation and Recovery Act (or equivalent state or local law regulating underground storage tanks) meet the technical standards prescribed at Title 40 Code of Federal Regulations Part 280 which became effective December 22, 1998 (or any applicable state or local law requirements which are more stringent than such technical standards or which became effective before such date).

Section 3.22 INTELLECTUAL PROPERTY.

(a) As used herein, the term "INTELLECTUAL PROPERTY" means all of the following used or held for use in the Acquired Business and any applications or registrations therefor: trademarks, service marks, trade names, Internet domain names, designs, logos, slogans and general intangibles of like nature, together with all goodwill (collectively, "TRADEMARKS"); patents, copyrights; computer programs, including any and all software implementations of algorithms, models and methodologies whether in source code or object code form, databases and compilations, including any and all data and collections of data, all documentation, including user manuals and training materials, related to any of the foregoing and the content and information contained on any Web site (collectively, "SOFTWARE"); and confidential or proprietary information, technology, know-how, customer lists, Personal Information, inventions, processes, models and methodologies (collectively, "TRADE SECRETS").

(b) SECTION 3.22(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth, for all Intellectual Property owned by any Seller Entity, a complete and accurate list, of all United States domestic and foreign: (i) patents and patent applications, (ii) Trademark registrations (including Internet domain name registrations) and applications and material unregistered Trademarks, (iii) copyright registrations, copyright applications and material unregistered copyrights and (iv) Software which is owned by any Seller Party or any Acquired Company ("PROPRIETARY SOFTWARE").

(c) SECTION 3.22(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth a complete and accurate list of all Contracts granting, obtaining, or restricting any right to use or practice any rights under any Intellectual Property other than, with respect to Software, readily available off-the-shelf Software subject to shrink wrap or click-through licenses, to which any Seller Entity is a party, including license agreements, settlement agreements and covenants not to sue (collectively, the "LICENSE AGREEMENTS"), and identifies which License Agreements (i) grant to a Third Party any Intellectual Property rights, (ii) grant to a Seller Entity any Intellectual Property rights, (iii) restrict the use by any Seller Entity of Intellectual Property owned by any Seller Entity and (iv) relate to the Acquired Business.

(d) Except as set forth in SECTION 3.22(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE: (i) Seller Entities own or have the right to use all Intellectual Property, free and clear of all Encumbrances; (ii) all Intellectual Property owned or used by any Seller Entity has been duly maintained, is valid and subsisting, in full force and effect and has not been cancelled, expired or abandoned; (iii) there are no actions that must be taken by any Seller Entity within 120 days from the date hereof, including filings or payments with the United States Patent and Trademark Office or such other appropriate United States domestic or foreign Governmental Body for purposes of obtaining, maintaining, perfecting, preserving, or renewing any rights in the Intellectual Property owned by any Seller Entity; (iv) no Seller Entity is infringing or otherwise violating the intellectual property or other proprietary rights of any Third Party, nor has any Seller Entity received written notice from any Third Party within the last six years regarding any actual or potential infringement

or other violation by Seller or any Subsidiary of any intellectual property or other proprietary right of such Third Party or challenging the validity of any Intellectual Property; (v) no Third Party is infringing or otherwise violating any Intellectual Property owned by any Seller Entity; (vi) no Seller Entity has licensed or sublicensed its rights in any Intellectual Property, or received or been granted any such rights, other than pursuant to the License Agreements; (vii) the License Agreements are valid and binding obligations of each Seller Entity party thereto, enforceable in accordance with their terms, and there exists no event or condition which will result in a violation or breach of, or constitute a default by the applicable Seller Entity (except (A) for such violations, breaches, defaults, terminations, cancellations, accelerations, creations, impositions, suspensions, or revocations that are excused by or unenforceable as a result of Seller Parties' filing of the Petition(s) and (B) that Seller Parties have not made certain payments under certain License Agreements in connection with or in anticipation of the Chapter 11 Cases) or, to the knowledge of Seller Parties, the Third Parties thereto, under any such License Agreement; (viii) each of Seller Entities takes all measures necessary to protect the confidentiality of Trade Secrets; (ix) no Trade Secret of any Seller Entity has been disclosed or authorized to be disclosed to any Third Party other than pursuant to a written nondisclosure agreement that adequately protects the applicable Seller Entity's proprietary interests in and to such Trade Secrets; (x) all Proprietary Software set forth in SECTION 3.22(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE was either developed (A) by employees of Seller or any of its Subsidiaries within the scope of their employment or (B) by independent contractors who have assigned all of their rights to Seller or any of its Subsidiaries pursuant to written agreement; and (xi) none of Seller Entities share ownership of any Intellectual Property with any Third Party.

(e) Seller Entities have complied in all material respects with applicable data protection or privacy laws governing the use of personal information, including obtaining from customers express consent to use, store, display, distribute, and transfer, electronically or otherwise, such personal information. Seller Entities are in compliance in all material respects with any privacy policies or related policies, programs or other notices that concern the personal information collected by Seller Entities or through the Internet Web sites operated by or on behalf of the Company (the "PERSONAL INFORMATION").

(f) Neither this Agreement nor the transactions contemplated by this Agreement or the Ancillary Agreements, will result in (i) the loss or impairment (except for such losses or impairments that are excused by or unenforceable as a result of Seller's or Seller Parties' filing of the Petition(s)) of any rights of any Seller Entity to own, use, or to bring any action for

the infringement or other violation of, any of the Intellectual Property, nor will such consummation require the consent of any Third Party with respect of any Intellectual Property, (ii) any Third Party being granted rights or access to, or the placement in or release from escrow of, any Intellectual Property, (iii) Buyer or any Seller Entity granting to any Third Party rights to Intellectual Property greater than the rights granted by Seller Entities pursuant to any License Agreement prior to the Closing, (iv) Buyer or any Seller Entity being bound by, or subject to, any non-compete or other restriction on the operation or scope of its businesses greater than the restrictions to which Seller Entities are bound prior to the Closing or (v) Buyer or any Seller Entity being obligated to pay any royalties or other amounts to any Third Party in excess of the amounts payable by Seller Entities prior to the Closing pursuant to any License Agreement.

Section 3.23 TAXES.

(a) Except as set forth in SECTION 3.23(a)(i) THROUGH (iii) OF THE SELLER PARTIES DISCLOSURE SCHEDULE:

(i) Each Seller Party has (A) duly and timely filed (or there has been filed on its behalf) with the appropriate Tax authority all income, sales and other material Tax Returns required to be filed by it, and all such Tax Returns are true, correct and complete and (B) timely paid in full (or there has been paid on its behalf) all Taxes due and payable or claimed to be due and payable from it by any Tax authority;

(ii) no United States federal, state, local or foreign audits or other administrative proceedings have formally commenced or are presently pending with regard to any income, sales or other material Taxes or Tax Returns of or including any Seller Party, and no notification has been received that such an audit or other proceeding is pending or threatened with respect to any such Taxes or any Tax Return; and

(iii) there are no Encumbrances for Taxes upon the Acquired Assets except for statutory liens for Taxes not yet due and payable.

(b) Except as set forth in SECTION 3.23(b)(i) through (xiv) OF THE SELLER PARTIES DISCLOSURE SCHEDULE:

(i) each Acquired Company has (x) duly and timely filed (or there has been filed on its behalf) with the appropriate Tax authority all Tax Returns required to be filed by it, and all such Tax Returns are true, correct and complete, (y) timely paid (or there has been paid on its behalf) in full all Taxes due and payable and (z) established in the financial statements reserves that, as of the date thereof, were adequate for the payment of any Taxes not yet due and payable. Since the date of the most recent financial statements of each Acquired Company, none of the Acquired Companies has incurred any Liability for Taxes other than in the ordinary course of business consistent with past practice;

(ii) each Acquired Company has complied in all respects with all applicable Laws relating to the payment and withholding of Taxes and has, within the time and manner prescribed by Law, withheld and paid over to the proper Tax authority all amounts required to be withheld and paid over for all periods under all applicable Laws

including withholding in connection with payments to employees, independent contractors, creditors, partners, stockholders or other Third Parties;

(iii) no waiver, extension or comparable consent given by any Acquired Company regarding the application of the statute of limitations with respect to any Taxes or Tax Return is outstanding nor is any request for any such waiver or consent pending. No deficiency for Taxes has been proposed or asserted against any Acquired Company that has not been resolved or paid in full;

(iv) no power of attorney which is currently in force has been granted by or with respect to any Acquired Company with respect to any Tax Return or matter relating to Taxes;

(v) no Acquired Company has been a member of any federal, state, local or foreign consolidated, unitary, combined, affiliated or similar group of corporations other than the group in which Seller is the common parent;

(vi) no United States federal, state, local or foreign audits or Actions have formally commenced or are presently pending with regard to any Taxes or Tax Returns of or including any Acquired Company, and no notification has been received that such an audit or Action is pending or threatened with respect to any Taxes due from or with respect to any Acquired Company or any Tax Return filed by or with respect to any Acquired Company;

(vii) no Acquired Company has agreed to, or is required to include in income any adjustment pursuant to section 481(a) of the Code (or any similar provision of state, local and foreign Law) by reason of a change in accounting method or otherwise (nor has any Tax authority proposed in writing any such adjustment or change of accounting method);

(viii) no Acquired Company has filed a consent pursuant to section 341(f) of the Code (or any predecessor provision) or agreed to have section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in section 341(f)(4) of the Code);

(ix) there are no Encumbrances for Taxes upon the assets or properties of any Acquired Company except for statutory liens for Taxes not yet due and payable;

(x) no jurisdiction where any Acquired Company does not file a Tax Return has made a claim that such Acquired Company is required to file a Tax Return for such jurisdiction;

(xi) no Acquired Company has entered into any agreement (whether written or oral) with respect to the performance of services for which payment thereunder would result in a non-deductible expense to such Acquired Company pursuant to sections 162 or 280G of the Code. No Person is entitled to receive any gross-up payment from any Acquired Company in the event that the excise Tax of section 4999(a) of the Code is imposed on such Person;

(xii) no Acquired Company is a party to, is bound by, or has an obligation under, any Tax sharing agreement, Tax indemnification agreement (other than (x) a customary commercial agreement to indemnify for Taxes contained in any Lease or (y) an employment agreement for which a gross-up payment (described in SECTION 3.23(b)(xi)) is required to be made) or similar Contract and no Acquired Company has a potential liability or obligation to any Person as a result of, or pursuant to, any such Contract;

(xiii) no Acquired Company has received a ruling from any Tax

authority. No closing agreement pursuant to section 7121 of the Code (or any predecessor provision) or any similar provision of any state, local or foreign Law has been entered into by or with respect to any Acquired Company; and

(xiv) no Acquired Company has engaged or participated directly or indirectly, in any "listed transaction" (within the meaning of sections 6011 and 6111 of the Code and the Treasury Regulations thereunder).

(c) Each Acquired Company has previously delivered or made available to Buyer complete and accurate copies of (i) all audit reports, letter rulings, technical advice memoranda relating to United States federal, state, local and foreign Taxes due from or with respect to such Acquired Company, (ii) United States federal Tax Returns, and those state, local or foreign Tax Returns filed by such Acquired Company and (iii) any closing agreements entered into by such Acquired Company with any Tax authority. Each Acquired Company will immediately deliver to Buyer all materials with respect to the foregoing for all matters arising after the date hereof.

Section 3.24 COMPLIANCE WITH INSURANCE LAWS.

(a) The business and operations of Seller Entities have been conducted in compliance in all material respects with all applicable insurance statutes, regulations, orders, decrees, rules, pronouncements, ordinances, bulletins, market conduct recommendations, licensing requirements, writs, injunctions, directives, judgments, settlement agreements, principles of common law, constitutions and treaties enacted, promulgated, issued, enforced or entered by any Governmental Body regulating the business, activities or operations of Seller Entities (collectively, "INSURANCE LAWS"). Notwithstanding the generality of the foregoing, each Seller Entity, its Affiliates, Franchisees and Dealers has marketed, sold and issued their respective products in compliance with Insurance Laws applicable to the Acquired Business and in the respective jurisdictions in which such products have been sold, including, without limitation in compliance with (i) all applicable prohibitions against "redlining" or withdrawal of business lines, (ii) all applicable requirements relating to disclosures to customers and insured and (iii) all applicable requirements relating to insurance product projections and illustrations. In addition, except as set forth in SECTION 3.24(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE (x) there is no pending or, to the knowledge of Seller Parties, threatened charge by any Governmental Body that any Seller Entity has violated, nor any pending or, to the knowledge of Seller Parties, threatened investigation by any Government Body with respect to possible violations of, any applicable Insurance Laws; and (x) no Seller Entity is subject to any order or decree of any

Government Body relating specifically to such Person (as opposed to insurance companies generally).

(b) Except as set forth in SECTION 3.24(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, each Seller Entity and its employees have all Permits and insurance and other exemptions, classifications, and similar documents required under applicable Insurance Laws for its conduct of the Acquired Business (each of which, an "INSURANCE PERMIT") as it is currently conducted in each jurisdiction (as listed in SECTION 3.24(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE) in which such Persons require such Insurance Permits. The Acquired Business has been and is being conducted in compliance in all material respects.

(c) All such received Insurance Permits are in full force and effect, and there is no Action pending or, to the knowledge of Seller Parties, threatened which could reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, modification, suspension or restriction of any such Insurance Permit. No Seller Entity is operating under any agreement or understanding with the regulatory authority of any state which in any way restricts its authority to conduct the Acquired Business or requires any such Person to take, or refrain from taking, any action relating to the conduct of the Acquired Business otherwise permitted by Law.

(d) Seller Parties have made available for inspection by Buyer complete copies of all registrations, filings and submissions made since January 1, 1996 by any Seller Entity (including its employees) pursuant to or under any Insurance Laws.

Section 3.25 INSURANCE.

(a) SECTION 3.25(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE contains a true, accurate and complete description of all policies of collision, fire, casualty, liability, workmen's compensation and other forms of insurance, reinsurance and similar arrangements (including polices providing coverage with respect to so-called vicarious liability laws) pursuant to which any Seller Entity seeks to limit, or transfer to a Third Party, financial or other risk, owned or held by Seller and each of its Subsidiaries, applicable to any Seller Entity or any of their respective assets, in each case relating to or in connection with the Acquired Business. All such policies are in full force and

effect, all premiums with respect thereto covering all periods up to and including the date of the Closing have been paid, and no notice of cancellation or termination has been received with respect to any such policy. For each such agreement, SECTION 3.25(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE provides: (i) the date thereof; (ii) the name of the insurer; (iii) Seller Entities covered thereby; (iv) the premiums (or similar consideration) paid therefor for each contract/calendar year for the relevant policy since January 1, 2000; and (v) expiration date. Such policies are (v) sufficient for compliance in all material respects with Law and of all agreements to which Seller or any of its Subsidiaries is a party, (w) valid, outstanding and enforceable policies, (x) provide adequate insurance coverage for the assets and operations of Seller and each of its Subsidiaries, (y) will remain in full force and effect through the respective dates set forth in SECTION 3.25(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE without the payment of additional premiums and (z) will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated hereby. Prior to the date of this Agreement, Seller Parties have provided Buyer with a list of all claims made under the insurance policies and other

forms of insurance, reinsurance and similar agreements described in SECTION 3.25(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and of all payments made to the insured party or parties thereunder since January 1, 2000, and the information contained in such list is true, accurate and complete.

(b) SECTION 3.25(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE identifies all risks with respect to the Acquired Business which Seller Parties, their Board of Directors or officers have designated as being self-insured.

(c) SECTION 3.25(c) OF THE SELLER PARTIES DISCLOSURE SCHEDULE identifies: (i) each type of insurance offered by Seller Entities, Franchisees or Dealers to renters of Rental Vehicles; (ii) premiums charged therefor; and (iii) a description of the terms of any Third Party insurance or reinsurance purchased in respect thereof. Seller Parties have provided Buyer with copies of (x) all materials pursuant to which such insurance coverage is offered to customers of the Acquired Business and (y) the policies of such Third Party insurance or reinsurance. Prior to the date of this Agreement, Seller Parties have provided Buyer with a true, correct and complete claims history in respect of each such type of insurance coverage offered to customers of the Acquired Business.

(d) Except as set forth in SECTION 3.25(d) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (i) each of the policies being transferred to Buyer pursuant to SECTION 2.3(n) provides insurance coverage for the exclusive benefit of the Acquired Business, including Persons granted rights thereunder as additional named insured in the ordinary course of business, (ii) prior to the Closing, no Person shall have any rights, contractual or otherwise to assert any claim or right of recovery or obtain any benefit under any such policies in connection with the Retained Business and (iii) prior to the Closing, the administration and servicing of claims arising under or relating to the policies covering the Acquired Business are performed separate and apart from the administration and servicing of claims arising under or relating to policies covering the Retained Business.

Section 3.26 BOOKS AND RECORDS. Except as set forth in SECTION 3.26 OF THE SELLER PARTIES DISCLOSURE SCHEDULE, each Seller Entity has at all times since formation maintained Business Records which accurately reflect all its material transactions in reasonable detail, and have at all time maintained accounting controls, policies and procedures reasonably designed to provide that such transactions are executed in accordance with its management's general or specific authorization, and recorded in a manner which permits the preparation of financial statements in accordance with GAAP and applicable regulatory accounting requirements and other account and financial data, and the documentation pertaining thereof is retained, protected and duplicated in accordance with applicable regulatory requirements.

Section 3.27 FRANCHISEE MATTERS.

(a) Seller Parties have delivered to Buyer a true and complete copy of the current uniform franchise offering circular and other disclosure statements of Seller or of any of its Subsidiaries in connection with its sale of franchises to subfranchisors and Franchisees (the "OFFERING CIRCULARS"). As of their respective dates, such documents complied in all material respects with the requirements of the Federal Trade Commission Act of 1914, as amended, to the extent applicable, and to applicable Laws; and none of such documents contained any untrue

statement of a material fact or omitted to state a 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.

(b) Except as set forth in SECTION 3.27(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, to the knowledge of Seller Parties, (i) each Franchisee and Dealer (excluding Franchisees and Dealers of the Retained Business), operates, and has since June 30, 2002 operated substantially in accordance with the policies, procedures and guidelines of the Acquired Business as the same may be, or have been, in effect from time to time and (ii) there is no Action pending or threatened against any such Franchisee in connection with the conduct of the Acquired Business.

(c) Neither Seller Parties nor any Dealer or agent of Seller Parties is subject to any state franchise law in connection with the conduct or operation of the Acquired Business through Dealers or agents.

Section 3.28 VEHICLE RETURN PURSUANT TO REPURCHASE PROGRAMS; VEHICLE ORDERS.

(a) Seller Parties have, since January 1, 2002, sold, returned or otherwise disposed of, and have caused each other lessee under a TFFC MV Lease to sell, return or otherwise dispose of each vehicle subject to a Repurchase Program (other than a vehicle that has suffered a casualty loss) to the related manufacturer official auction or other facility designated by the relevant Vehicle Manufacturer or Affiliate thereof at the relevant lessee's sole expense after the minimum term or mileage limit under such Repurchase Program for such vehicle is achieved, but prior to the expiration of the maximum term and/or prior to reaching the maximum mileage limit under such Repurchase Program for such vehicle, other than isolated cases not exceeding more than 25 vehicles in any calendar month on average. Seller Parties have disposed, and have caused each other lessee under a TFFC MV Lease to dispose, of all vehicles not subject to a Repurchase Program in accordance with the provisions of the applicable TFFC MV Lease.

(b) SECTION 3.28(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE sets forth each outstanding vehicle purchase or lease order placed by Seller Entities with Vehicle Manufacturers relating to the Acquired Business and providing for payments thereunder of $50,000 or more, specifying (i) the date of the relevant order, (ii) the number, type and year model of the vehicles covered by such order, (iii) the purchase price per vehicle and (iv) the expected date of delivery thereof.

(c) None of the vehicles owned by TFFC are leased, rented or otherwise used in connection with the Retained Business.

Section 3.29 DISCLOSURE. No representation or warranty by any Seller Party contained in this Agreement and no statement contained in any certificate or other document required to be delivered by or on behalf of Seller or any of its Subsidiaries pursuant to this Agreement contains or will contain (as applicable) any untrue statement of material fact, or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order to fully and

fairly provide the information required to be provided in any such document, schedule, list, certificate or other writing.

Section 3.30 BROKERS. Other than Lazard Freres & Co. LLC, the fees and expenses of which will be paid by Seller, no broker, investment banker, financial advisor or other Person is or will be entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with this Agreement, any Ancillary Agreement or the transactions contemplated by this Agreement or any Ancillary Agreement based upon arrangements made by or on behalf of Seller or any Subsidiary of Seller.

Section 3.31 USE OF CERTAIN FUNDS. None of the amounts required to be paid by Seller Parties under the Assumed Contracts and Assumed Leases on or after July 15, 2002 and which have not been paid in connection with or in anticipation of the Chapter 11 Cases have been used to make any Investment in the Retained Business, except for $3,000,000, which have been Invested or may be Invested in the Retained Business in Europe, the Middle East or Africa as permitted pursuant to the Thirteenth Amendment to the Amended and Restated Credit Facility.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF PARENT AND BUYER

Parent and Buyer, jointly and severally, represent and warrant to Seller Parties as of the date hereof and as of the Closing Date that:

Section 4.1 ORGANIZATION AND QUALIFICATION.

(a) Each of Parent and Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its assets and to conduct its business.

(b) Buyer is a wholly-owned subsidiary of Parent.

Section 4.2 CORPORATE POWER AND AUTHORITY; AUTHORIZATION.

(a) Each of Parent and Buyer has all requisite corporate or other organizational power and authority to enter into and deliver this Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith by Parent and/or Buyer and the consummation by Parent and/or Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate and other organizational action on the part of Parent and Buyer. This Agreement, the Ancillary Agreements to which it is a party and any agreements, documents or instruments to be executed and delivered in connection herewith and therewith has been duly executed and delivered by each of Parent and Buyer and constitutes the legal, valid and binding obligation of Parent and Buyer, enforceable against them in accordance with its terms.

(b) The execution and delivery of this Agreement by Parent and Buyer, and the consummation by Parent and Buyer of the transactions contemplated hereby have been duly authorized by all necessary corporate action of Parent and Buyer.

Section 4.3 CONFLICTS; CONSENTS AND APPROVALS. Neither the execution and delivery of this Agreement, the Ancillary Agreements and any other agreements, documents and instruments to be executed and delivered in connection with this Agreement or any of the Ancillary Agreements, nor the consummation of the transactions contemplated hereby and thereby, will:

(a) conflict with, or result in a breach of any provision of, the organizational documents of each of Parent and Buyer;

(b) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event that, with the giving of notice, the passage of time or otherwise, would constitute a default) under, or entitle any Person (with the giving of notice, the passage of time or otherwise) to terminate, accelerate, modify or call a default under, or result in the creation of any Encumbrance upon any of the properties or assets of each of Parent and Buyer under any of the terms, conditions or provisions of (i) any note, bond, mortgage, credit agreement, indenture, deed of trust, license, contract, undertaking, agreement, lease, arrangement, understanding or other instrument or obligation to which each of Parent and Buyer is a party or to which any of their properties or assets may be bound or (ii) any permit, registration, approval, license or other authorization or filing to which each of Parent and Buyer is subject or to which any of their respective properties or assets may be subject;

(c) require any action, consent or approval of any non-governmental Third Party;

(d) violate any Law or any regulation of any self-regulatory organization applicable to each of Parent and Buyer or any of their respective properties or assets;

(e) require any action, consent or approval of, or review by, or registration or filing by each of Parent and Buyer with, any Governmental Body, other than (i) approvals under Competition Laws in jurisdictions in which notifications are required or advisable and (ii) such Governmental Consents set forth in SECTION 3.4(e) OF THE SELLER PARTIES DISCLOSURE SCHEDULE to be procured by Buyer; or

(f) except in the case of SECTION 4.3(d) and SECTION 4.3(e), for any of the items specified therein that would not, individually or in the aggregate, have a material adverse effect on the ability of each of Parent and Buyer to consummate the transactions contemplated hereby or by the Ancillary Agreements.

Section 4.4 BROKERS. Other than Salomon Smith Barney, the fees and expenses of which will be paid by Buyer or an Affiliate of Buyer, no broker, investment banker, financial advisor or other Person is or will be entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with this Agreement, any Ancillary Agreement or the transactions contemplated by this Agreement or any Ancillary Agreement based upon arrangements made by or on behalf of Parent or Buyer.

Section 4.5 SUFFICIENCY OF FUNDS. At the Closing, Buyer will have sufficient funds or financing available for the payment of the Cash Purchase

Price and the discharge of the indebtedness outstanding at Closing under the Amended and Restated Credit Facility, the DIP Facility and the DIP L/C Rollover, in each case to the extent such amounts constitute Assumed Indebtedness.

ARTICLE 5
CERTAIN COVENANTS

Section 5.1 CONDUCT OF BUSINESS. After the date hereof, subject to any obligations imposed on each Seller Party as a debtor or debtor-in-possession under the Bankruptcy Code or order of the Bankruptcy Court, Seller Parties shall, and shall cause the Acquired Companies and their Subsidiaries to, conduct their business in the ordinary course, consistent with past practice and in accordance with Prudent Industry Practices. Without limiting the foregoing and without regard to whether the Bankruptcy Code or the Bankruptcy Court so requires or permits, from and after the date of this Agreement through the Closing, except as contemplated by this Agreement, Seller Parties shall, and shall cause the Acquired Companies and their Subsidiaries, to:

(a) use reasonable best efforts to preserve the relationships of the Acquired Business with the Franchisees, Dealers, customers, suppliers, licensors, licensees, distributors and others with whom the Acquired Business conducts or transacts business;

(b) except for breaches and defaults of the type referred to in section 365(b)(2) of the Bankruptcy Code, use reasonable best efforts to perform in all material respects all of its obligations under all Contracts and other agreements and instruments relating to or affecting the Acquired Business or the Acquired Assets;

(c) not (i) amend in any material respect its certificate of incorporation or by-laws or similar organizational documents, (ii) issue, sell, transfer, pledge, dispose of or encumber any shares of any class or series of its or their Equity Securities or voting debt, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its Equity Securities or any voting debt (except to another Seller Entity), (iii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to any shares of any class or series of its Equity Securities (except to another Seller Entity), (iv) split, combine or reclassify any shares of any class or series of its Equity Securities, (v) redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of its or their Equity Securities, or any instrument or security which consists of or includes a right to acquire such securities (except, in each case, from another Seller Entity) or (vi) form or establish any new Subsidiaries or Affiliates;

(d) not permit, other than in the ordinary course of business consistent with past practice, any of the assets of the Acquired Business to be sold, licensed, mortgaged, leased, subleased, licensed, transferred or subjected to any Liability or Encumbrance (other than Permitted Encumbrances);

(e) not terminate, release, assign any rights under or discharge any other party thereunder of any of their obligations under any Assumed Contract or any Assumed Lease, and

not amend any of the terms and conditions thereof, in each case except in the ordinary course of business consistent with past practice;

(f) (i) subject to clause (ii) below, timely comply with all monetary and non-monetary obligations under the Assumed Contracts and Assumed Leases as in effect on the date hereof and (ii) make timely payment in full of all amounts due under the TFFC MV Leases and all other vehicle leases (including all guaranties in respect thereof) with funds other than from draws of letters of credit issued pursuant to the Amended and Restated Credit Agreement or the DIP L/C Rollover; PROVIDED, HOWEVER, that Seller Parties shall be permitted to make or cause to be made payments under the TFFC MV Leases with proceeds from draws under letters of credit issued pursuant to the Amended and Restated Credit Agreement and the DIP L/C Rollover, to the extent an amount equal to each such draw is concurrently (x) applied by Seller Parties to reimburse previously drawn letters of credit issued pursuant to the Amended and Restated Credit Agreement or the DIP L/C Rollover, (y) applied by Seller Parties to provide credit enhancement for purposes of the DIP Asset-Backed Fleet Financing or the Additional DIP Asset-Backed Fleet Financing or (z) deposited by Seller Parties pursuant to an escrow arrangement reasonably satisfactory to Buyer for purposes of being transferred to Buyer hereunder at Closing;

(g) (i) collect accounts receivable and pay accounts payable and perform all other obligations of the Acquired Business (including obligations with respect to self-insurance) when they become due and payable in accordance with the current terms thereof, (ii) not pay accounts payable prior to the stated maturity thereof (other than for a valid and legitimate business reason), (iii) not discharge any obligor from its obligations under any account receivable other than upon payment in full of all amounts payable thereunder (other than for a valid and legitimate business reason (for purposes of this

clause (iii), a valid and legitimate business reason shall not include addressing the cash or liquidity needs of any of Seller Entities) and (iv) not forgive any indebtedness held by any of Seller Entities;

(h) (i) not make any payments under or in respect of any pre-Petition indebtedness for borrowed money (other than Assumed Indebtedness), (ii) in the case of the Acquired Companies, not incur any indebtedness for borrowed money other than (A) in the case of TFFC, Budget Funding Corporation and BGI Leasing, Inc., pursuant to the DIP Asset-Backed Fleet Financing, the Additional DIP Asset-Backed Fleet Financing and the Ford Line of Credit and (B) in the case of Acquired Companies other than TFFC, BGI Leasing, Inc. and Budget Funding Corporation, indebtedness not exceeding in the aggregate $15,000,000 and (iii) not use or permit any of the proceeds from any indebtedness permitted to be incurred pursuant to clause (ii)(B) above to be used other than solely in the Acquired Business conducted by the Acquired Company that incurs such indebtedness or any of its Subsidiaries;

(i) not layoff any employees, other than layoffs of employees of the Acquired Business that are in the ordinary course of business and which do not materially impair the operations of the Acquired Business;

(j) not make or agree to make any Investment in any Person (other than in any other Seller Entity or a wholly-owned Subsidiary of a Seller Entity other than with respect to the Retained Business) or in the Retained Business (except in each case to the extent contemplated by SECTION 3.31), other than Investments in the form of deferred purchase price for

services provided by Seller Parties to its customers in the ordinary course of business consistent with past practice;

(k) not increase the compensation or benefits provided to, or change payroll periods or vacation accrual policies in respect of, any employee of the Acquired Business or establish, increase or make any retention, severance, deferred compensation, pension retirement, profit sharing or sales bonus arrangement with any employee of the Acquired Business other than (i) in the ordinary course of business consistent with past practice or (ii) as contemplated by Sellers' retention plan set forth in SECTION 5.1(k) OF THE SELLER PARTIES DISCLOSURE SCHEDULE (the "QUALIFIED RETENTION PLAN") and approved by the Bankruptcy Court, in each case, after consultation with Buyer;

(l) not establish any new Benefit Plan or amend or modify any existing Benefit Plan (except, in each case, to the extent not inconsistent with SECTION 5.1(k) or as contemplated by SECTION 7.2(g)), to the extent such action would affect any employee of the Acquired Business, or make any sales bonus payments to any employee of the Acquired Business other than commission payments made in the ordinary course of business consistent with past practice and consented to by Buyer, which consent shall not be unreasonably withheld or delayed;

(m) use reasonable best efforts to obtain and renew all material Permits held by or in connection with the Acquired Business;

(n) administer insurance claims involving or relating to the Acquired Business in the ordinary course of business consistent with past practice. Subject to the foregoing, the claims administration performed by Seller and its Subsidiaries regarding and with respect to the Acquired Business shall include, but not be limited to: (i) the provisions of forms necessary for submission and processing of claims; (ii) the receipt of notices and review of all claims, and the creation and maintenance of files with respect to, and administration to final disposition and payment of, each such claim; (iii) prompt acknowledgment to claimants of the receipt of notices received from claimants in connection with any claim to the extent required by applicable Law; (iv) prompt investigation of any claim, as necessary, to determine its validity and compensability, including verification of coverage; (v) performance of all administrative and clerical work in connection with any claim; (vi) notification to claimants of declined claims and the reasons for such declinations; (vii) provision of the services of claim experts on matters relating to claims; (viii) compliance with claims file maintenance, record retention and reconciliation requirements in conformity with ordinary course standards; (ix) prosecution and defense of disputes involving claims; (x) engagement and direction, as necessary, of outside counsel consultants or other professionals in connection with the processing and handling of claims; (xi) the establishment of adequate reserves in respect of claims and (xii) generally, all such other acts and things reasonably necessary in the administration and settlement of claims regarding or relating to the Acquired Business;

(o) not change any of its or their accounting principles, practices, methods or policies (including any reserving and depreciation methods, practices and policies) used by it or them, in each case except (i) as may be required as a result of a change in Law or GAAP or (ii)

for changes to accounting principles, practices, methods or policies which are immaterial and of which Buyer is given written notice by Seller Parties prior to the implementation thereof;

(p) not terminate, cancel or amend, or cause the termination, cancellation or amendment of, any insurance coverage (and any surety bonds, letters of credit, cash collateral or other deposits related thereto required to be maintained with respect to such coverage) maintained by it or them with respect to the Acquired Business which is not replaced by a comparable insurance coverage, other than in the ordinary course of business consistent with past practice and consented to by Buyer, which consent shall not be unreasonably withheld or delayed;

(q) use reasonable best efforts to (i) preserve and protect the Intellectual Property, (ii) maintain the Business Records in the ordinary course and in accordance with GAAP and (iii) maintain, preserve and protect all of the Acquired Assets in the condition in which they exist on the date of this Agreement, except for ordinary wear and tear or for assets no longer used or useful in the Acquired Business;

(r) not enter into any new collective bargaining agreements or amend or modify any existing collective bargaining agreements, in each case, applicable to employees of the Acquired Business; PROVIDED, HOWEVER, that Seller Parties may negotiate successor collective bargaining agreements to those listed on SECTION 3.19(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, and may negotiate other collective bargaining agreements or arrangements as required by Law or for the purpose of implementing the agreements listed on SECTION 3.19(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE; PROVIDED, FURTHER, that all such agreements are negotiated and entered into in the ordinary course of business consistent with past practice;

(s) not enter into any settlement or release with respect to any material Action relating to or affecting the Acquired Business (unless such Action constitutes an Excluded Asset or an Excluded Liability) without the consent of Buyer (which consent shall not be unreasonably withheld or delayed), other than in the ordinary course of business consistent with past practice;

(t) not grant, terminate, transfer, or otherwise materially alter any licenses or other Contracts relating to any proprietary Intellectual Property owned, used by or relating to the Acquired Business without the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed;

(u) not enter into any new joint venture, limited liability company agreement, partnership agreement or similar agreement;

(v) not enter into any Related Party Agreement or Derivative Agreement (other than interest rate protection agreements entered into in connection with or required pursuant to the Assumed Indebtedness, the DIP Asset-Backed Fleet Financing, the Additional DIP Asset-Backed Fleet Financing, the Amended and Restated Series 1997-2 Supplement, dated as of June 20, 2001, to the Amended and Restated Base Indenture, dated as of December 1, 1996, among TFFC, Seller and Bankers Trust Company as Trustee and the Amended and Restated Liquidity Agreement, dated as of June 20, 2001, among Budget Funding Corporation, the liquidity lenders thereto and Deutsche Bank AG, as Liquidity Agent);

(w) not make any Tax election, file any amended Tax Return, enter into any closing agreement or request a Tax ruling from a Tax authority, settle any Tax Claim, surrender any right to claim a refund of Taxes, or consent to any extension or waiver of the limitation period applicable to any Taxes, Tax Return and Tax Claim, in each case (i) with respect to any Acquired Company or Acquired Assets, without the consent of Buyer, which consent shall not be unreasonably withheld or delayed and (ii) with respect to any Seller Party, other than in the ordinary course of business consistent with past practice;

(x) (i) prepare and timely file all Tax Returns required to be filed by each Seller Entity in a manner consistent with past practice, (ii) timely pay all Taxes due and payable in respect of any Tax Returns of each Seller Entity and (iii) promptly notify Buyer of any federal or state income or franchise (or other material) Tax Action or audit pending or threatened against or with respect to any Seller Entity (or any significant developments with respect to any ongoing Tax matters);

(y) not permit any of Seller Entities to adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization, reorganization or any comparable transaction, other than solely for purposes of disposing of all or any part of the Retained Business;

(z) not, at any time during the Chapter 11 Cases, file a motion or otherwise seek to convert to a Chapter 7 case;

(aa) (i) within seven Business Days after the last day of each calendar month, deliver to Buyer a list of each account payable of the Acquired Business in excess of $10,000 then outstanding, together with the name of the relevant creditor, the date of incurrence thereof and its stated maturity, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such list is true, accurate and correct in all material respects;

(ii) five Business Days prior to the expected Closing Date, deliver to Buyer a list of each payment in an amount of $100,000 or more made by any Seller Entity in connection with the Acquired Business from the date of this Agreement to the date such report is so delivered, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such list is true, accurate and correct in all material respects;

(iii) within 20 days from the last day of each calendar month, deliver to Buyer consolidating statements of income for the calendar month then ended, and the related balance sheet of Seller and its Subsidiaries operating in the United States and Canada (the "DOMESTIC SELLER ENTITIES") as of the end of such calendar month, in each case prepared in accordance with GAAP and accompanied by (w) a schedule of all capital expenditures made by the Domestic Seller Entities during such calendar month, (x) a schedule of payments made during such calendar month by the Domestic Seller Entities under or pursuant to Related Party Agreements, (y) a schedule of all intercompany balances and obligations of the Domestic Seller Entities as of the end of such calendar month and (z) a certificate of the chief financial officer of Seller stating

that such financial statements fairly present the financial condition and results of operations of the Domestic Seller Entities and that the other information accompanied thereto is true, accurate and correct in all material respects;

(iv) within 30 days from the last day of each calendar month, deliver to Buyer consolidating statements of income for the calendar month then ended, and the related balance sheet of Seller and its Subsidiaries (other than with respect to each Subsidiary of Seller for which consolidating statements of income and related balance sheet for such month delivered pursuant to clause (iv) above and the Excluded Companies (the "INTERNATIONAL SELLER ENTITIES")), in each case prepared in accordance with GAAP and accompanied by (w) a schedule of all capital expenditures made during such calendar month by the International Seller Entities during such calendar month, (x) a schedule of payments made during such calendar month by the International Seller Entities under or pursuant to Related Party Agreements, (y) a schedule of all intercompany balances and obligations of the International Seller Entities as of the end of such calendar month and (z) a certificate of the chief financial officer of Seller stating that such financial statements fairly present the financial condition and results of operation of the International Seller Entities and that the other information accompanied thereto is true, accurate and correct in all material respects;

(v) on or prior to September 13, 2002, deliver to Buyer the 13-Week Cash Flow Projections for the period commencing on September 13, 2002, and on or prior to the second Friday of each calendar month subsequent to September 13, 2002, the 13-Week Cash Flow Projections for the period commencing with the immediately succeeding Saturday, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such 13-Week Cash Flow Projections has been prepared in accordance with the provisions of this Agreement and based on assumptions that are reasonable;

(vi) within seven Business Days after the last day of each calendar month, deliver to Buyer a detailed report of (A) all paid or incurred Qualified Fees during such calendar month, (B) all payments made during such calendar month to directors and officers of Seller Entities or any of their Affiliates, their respective relatives and Affiliates and (C) all payments under all Related Party Agreements, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such report is true, accurate and correct in all material respects;

(vii) within two Business Days of the delivery thereof to TFFC, copies of all monthly vehicles statements and quarterly non-program vehicle reports required to be delivered pursuant to the TFFC MV Leases;

(viii) within two Business Days of the delivery thereof to the applicable lessor, trustee, holder or lender under the DIP Asset-Backed Fleet Financing, DIP L/C Rollover, the Amended and Restated Credit Facility, the Additional DIP Asset-Backed Fleet Financing and the Ford Line of Credit, copies of all statements, reports

certificates, financial statements and other information required to be delivered pursuant to such instruments;

(ix) within seven Business Days (or 15 Business Days in the case of Adjusted EBITDAR) after the last day of each calendar month, deliver to Buyer a report setting forth the Adjusted EBITDAR, Automotive Fleet Utilization Ratio, Automotive Rental Revenue to Rental Days Ratio, Rental Transactions to Full-Time Equivalents Ratio, Automotive Rental Days, Automotive Rental Fleet, Automotive Rental Revenue, Full-Time Equivalents and Rental Transactions, in each case, for the most recently ended calendar month, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such report has been prepared in accordance with the provisions of this Agreement and is true, accurate and correct in all material respects;

(x) within 20 Business Days of this Agreement, Seller Parties shall deliver to Buyer a reporting setting forth the Seller Entity that owns each of the vehicles listed in SECTION 3.7(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE;

(xi) within five Business Days of entering into any amendment, modification or supplement to any Contract relating to any of the Assumed Indebtedness, the TFFC MV Leases or the Ford MV Lease, Seller Parties shall deliver a copy of each such amendment, modification or supplement to Buyer; and

(xii) five Business Days prior to the Closing Date, deliver to Buyer a detailed report of all amounts constituting Assumed Indebtedness that will be outstanding at Closing, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such report is true, accurate and correct in all material respects;

(bb) not purchase or acquire any vehicles, except to the extent such vehicles (i) are purchased or acquired (including by way of leasing) for use in connection with the Acquired Business through TFFC or, in connection with the Ford Line of Credit, through BGI Leasing, Inc. and (ii) are subject to a Repurchase Program and are listed in SECTION 3.28(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE; PROVIDED, HOWEVER, that Seller Entities may purchase or acquire vehicles (including by way of leasing) that are not subject to Repurchase Programs (A) if such vehicles are passenger vehicles (i.e., cars, sport utility vehicles, passenger vans and pickup trucks) and the purchase price therefor does not exceed, individually or in the aggregate, (1) $49,900,000 for passenger vehicles to be used in connection with the Acquired Business in the United States (including Puerto Rico) and Canada and (2) $25,000,000 for passenger vehicles to be used in connection with the Acquired Business in Australia and New Zealand and (B) if such vehicles are non-passenger vehicles to be used in connection with the Acquired Business in the United States and the purchase price therefor does not exceed, individually or in the aggregate, $100,000;

(cc) continue to sell or dispose of the Existing Trucks in the ordinary course of business consistent with past practice and Prudent Industry Practices; PROVIDED, HOWEVER, (i) that Seller Parties shall use reasonable best efforts to conduct such sales or dispositions so that

Existing Trucks shall be sold or disposed of in such a manner that (A) the highest accumulated mileage shall be sold or disposed of prior to those comparable Existing Trucks with lower mileage and (B) earlier model years shall be disposed of prior to comparable Existing Trucks of later model years and (ii) Seller Parties may implement from time to time such reasonable changes to its past practice relating to the sale or disposition of the Existing Trucks as may be necessary in light of the liquidity requirements of Seller Parties;

(dd) not (i) enter into any new franchise, prime license, license, sublicense or barter agreements; PROVIDED, HOWEVER, that Seller Parties may enter into new franchise, prime license, license or sublicense agreements with third parties (other than directors, officers employees or agents of any of Seller Parties (or any Affiliate of any such director, officer, employee or agent)) (A) with respect to any territory more than 25 miles from any location where any Seller Party conducts an automotive rental business and (B) on terms no less favorable than those contained in Seller Parties' current standard form of prime license agreement attached as SECTION 5.1(dd) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, (ii) not enter into any new dealer agreements in connection with Seller Parties' truck rental business; PROVIDED, HOWEVER, that Seller Parties may enter into new dealer agreements with third parties (other than directors, officers employees or agents of any of Seller Parties (or any Affiliate of any such director, officer, employee or agent)) if each such dealer agreement (A) is entered into in Seller Parties' current standard form of dealer agreement and (B) may be terminated by 90 days' (or shorter period) written notice by each Seller Party that is a party thereto without (1) any penalty or

other payment by such Seller Party (other than payments to which Buyer consents in writing), (2) imposing any requirement that Seller Parties sell or dispose of any assets or properties and (3) imposing any limitations on the conduct of business by any Seller Party or (iii) open new automotive rental business locations, other than new automotive rental business locations (w) to replace existing automotive rental business locations, including those currently operated by Seller Parties pursuant to the License Agreement, dated as of May 1, 1995, as amended, between Sears, Roebuck and Co. and Budget Rent a Car Corporation, (x) pursuant to the Sub-Lease Agreement, dated as of March 13, 2002, between Wal-Mart Stores, Inc. and Budget Rent a Car Systems, Inc. as in effect as of the date hereof, (y) pursuant to the Master Lease Agreement, dated as of September 18, 2001, as amended, between The Pep Boys - Manny, Moe & Jack, The Pep Boys Manny, Moe & Jack California, Pep Boys - Manny, Moe & Jack of Delaware, Inc. and Budget Rent a Car Systems, Inc. as in effect as of the date hereof or (z) locations that service any airport;

(ee) (i) not consent to the termination of any Airport Concession or lease agreement with respect to premises located within any airport, (ii) use reasonable best efforts to maintain, keep and renew each existing Airport Concession in full force and effect, (iii) pay all rents and fees due and payable in accordance with the terms thereof and make and maintain all required deposits relating to each such Airport Concession and (iv) use reasonable best efforts to resolve or settle all existing and future disputes or Actions and secure Airport Concessions or lease agreements following the resolution or settlement of any such dispute or Action with respect to the operation of any automotive rental location within any airport, in each case other than with respect to the San Juan, Puerto Rico airport;

(ff) not enter into, amend, modify or terminate any Contract with Vehicle Manufacturers; PROVIDED, HOWEVER, that Seller Parties may enter into, amend or modify any

Contract with Vehicle Manufacturers to the extent that such Contract (i) is applicable to models for a single year, (ii) is on terms and conditions substantially similar to the existing terms and conditions under the current applicable Contract with the relevant Vehicle Manufacturer and (iii) the Seller Party which is a party to such Contract has given Buyer written notice, accompanied by the proposed Contract, at least three Business Days prior to execution of such Contract;

(gg) not to amend, modify or supplement the terms and conditions of the Assumed Indebtedness, the TFFC MV Leases or the Ford MV Leases in each case to the extent any such amendment, modification or supplement could be reasonably expected to affect Buyer adversely;

(hh) not take any action or fail to take any action that would reasonably be expected to result (i) in any of Seller Parties' representations and warranties set forth in this Agreement being or becoming untrue or incorrect in any material respect or (ii) in any of the conditions to Closing set forth in ARTICLE 7 not being satisfied;

(ii) not make any payment to any director or officer of any of Seller Entities or any of their Affiliates, or their respective relatives or Affiliates, other than pursuant to the Qualified Retention Plan, the Assumed Benefit Plans, the Related Party Agreements listed in SECTION 3.11 OF THE SELLER PARTIES DISCLOSURE SCHEDULE and, subject to SECTION 5.1(k), director fees, salaries, bonuses, payments of benefits and reimbursement of expenses in the ordinary course of business consistent with past practice and payments set forth in SECTION 5.1(ii) OF THE SELLER PARTIES DISCLOSURE SCHEDULE;

(jj) continue to prepay for Yellow Page advertising and listing, security deposits for Airport Concessions and other customary prepaid expenses relating thereto, in each case, in the ordinary course of business consistent with past practice;

(kk) use reasonable best efforts to minimize the amount of Qualified Fees incurred by Seller Parties following the date hereof; and

(ll) contest the Action instituted by RSI against Seller Parties described in SECTION 3.13(a) OF THE SELLER PARTIES DISCLOSURE SCHEDULE and any other Action instituted or commenced by RSI or any Affiliate thereof regarding unlawful use of tradenames or trademarks, use all reasonable efforts to have vacated, lifted, reverse or overturned any decree, judgment, injunction or other order against Seller Parties rendered or entered in connection therewith, and not enter into any settlement with respect to any such dispute without the prior written consent of Buyer (which consent shall not be unreasonably withheld), unless such settlement includes an absolute and unconditional release of Seller Parties and Buyer from any and all claims and liabilities relating to or arising from any such disputes.

Section 5.2 ACCESS AND INFORMATION.

(a) Seller Parties shall, and shall cause their Subsidiaries,

accountants, auditors, counsel and other representatives to, give Buyer and its Affiliates and to their respective directors, officers, employees, accountants, agents, counsel, insurance brokers, insurance companies, lenders and other financing sources and other representatives (collectively, "REPRESENTATIVES") reasonable access during Seller Parties' normal business hours throughout the

period prior to the Closing to all of Seller Entities' properties, books, Business Contracts, commitments, financial and operating data, Tax Returns and materials related to Taxes, accounting work papers, reports of examination and records relating to the Acquired Business, the Acquired Assets or the Assumed Liabilities. Without limiting the generality of the foregoing, Buyer and its Affiliates shall be entitled to make (or cause to be made) such other investigations of the Acquired Business, the Acquired Assets (including the Acquired Companies), the Liabilities, Encumbrances and the condition (financial or otherwise) of such businesses, assets and liabilities as Buyer or Parent deems necessary or advisable in connection with the transactions contemplated by this Agreement or the Ancillary Agreements (including, but not limited to, conducting prior to the expected Closing Date a physical inspection and preparing an inventory of Rental Vehicles and Support Vehicles (in each case, including Owned Vehicles) in a manner that does not unreasonably interfere with the business of Seller Entities and otherwise consistent with Prudent Industry Practices), and Seller Parties shall reasonably cooperate with any such investigations. Upon reasonable notice from Buyer, Seller Parties shall furnish to Buyer updated information of the type described in SECTION 3.7(a) and (b) in advance of such physical inspection.

(b) Through the Closing Date, Parent Buyer and Seller Parties shall provide each other or each other's respective counsel the opportunity to review in advance and comment on all filings with any Governmental Body pertaining to the transactions contemplated in this Agreement and the Ancillary Agreements and will keep each other informed of the status of matters pertaining thereto. It is expressly understood by the parties that the representatives of each of the parties shall have the right to attend and participate in any hearing, proceeding, meeting, conference or similar event before or with a Governmental Body or rating agency or other organization relating to this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby. In furtherance of the foregoing, the parties shall provide each other reasonable advance notice of any such hearing, proceeding, meeting, conference or similar event.

(c) As soon as practicable after the execution of this Agreement, Seller Parties shall permit Buyer to electronically link Seller's financial reporting system related to the Acquired Business to Parent's financial reporting system ("HYPERION"). Access to Hyperion will be provided by Buyer's financial reporting staff and the tasks necessary to complete the link to Hyperion will be led by Buyer's accounting staff, with the necessary assistance from Seller's accounting staff and other technical staff; provided that neither such installment nor the operation or use by Parent of Hyperion shall interfere with or disrupt the normal operation of Seller's business or its financial reporting system or violate any applicable software licenses. Buyer will provide the necessary Hyperion software to be installed on a computer in Seller's accounting department; PROVIDED, HOWEVER, that the information retrieved from Seller's financial reporting system will not be made available to persons who are directly involved in pricing or any other competitive activity at Parent or any of its Subsidiaries.

(d) Seller Parties shall keep Buyer informed of all material developments in the negotiations relating to the DIP Financing, the DIP Asset-Backed Fleet Financing, the DIP L/C Rollover and the Additional Asset-Backed Fleet Financing, and promptly provide copies of all documents (including drafts) relating thereto, including term sheets, commitment letters,

purchase agreements, vehicle lease agreements, credit agreements, security agreements and other related agreements or documents.

Section 5.3 EFFORTS TO EFFECT TRANSACTION; CERTAIN FILINGS.

(a) Subject to SECTION 5.3(d), Seller Parties, Parent and Buyer shall (i) use reasonable best efforts to cooperate with each other in determining which other filings are required or advisable to be made, prior to the Closing Date with, and which Permits are required to be obtained prior to the Closing Date from any Governmental Body in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated in this Agreement and the Ancillary Agreements, (ii) use reasonable best efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper, advisable or appropriate to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements, as soon as practicable, including using all reasonable best efforts to obtain all necessary or advisable Permits in connection with the requirements of all Governmental Bodies in respect of the transactions contemplated in this

Agreement and the Ancillary Agreements, and to effect all necessary registrations and filings and (iii) cooperate with each other in determining which Permits are required to be obtained by Buyer the operation the Acquired Business by Buyer following the Closing. In connection with the foregoing, Seller Parties will provide Parent and Buyer, and Parent and Buyer will provide Seller Parties, with copies of all correspondence, filings, or communications (or memoranda setting forth the substance thereof) between such party or any of its representatives, on the one hand, and any Governmental Body, on the other hand, with respect to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby.

(b) In furtherance of the foregoing but subject to SECTION 5.3(d), each Seller Party, Parent and Buyer shall: (i) make or cause to be made all filings required of each of them or any of their respective Subsidiaries or Affiliates under the applicable Competition Laws with respect to the transactions contemplated by this Agreement as promptly as practicable and, in any event, within five Business Days after the date of this Agreement, (ii) comply at the earliest practicable date with any request under any applicable Competition Laws for additional information, documents, or other materials received by each of them or any of their respective Affiliates from any Governmental Body in respect of such filings or such transactions, (iii) cooperate with each other in connection with any such filing and in connection with resolving any investigation or other inquiry of any Governmental Body under any Competition Laws with respect to any such filing or any such transaction and (iv) advise the other parties promptly of any material communication received by such party from any other Governmental Body regarding any of the transactions contemplated in this Agreement and the Ancillary Agreements, and of any understandings, undertakings or agreements (oral or written) such party proposes to make or enter into with any Governmental Body in connection with the transactions contemplated in this Agreement and the Ancillary Agreements.

(c) Subject to SECTION 5.3(d), if any Action is instituted (or threatened to be instituted) challenging any transaction contemplated in this Agreement and the Ancillary Agreements as violative of any applicable Competition Laws (a "REGULATORY CHALLENGE"), each Seller Party, Parent and Buyer shall cooperate in all respects with each other and use its respective reasonable efforts in order to contest and resist any such Regulatory Challenge and

have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts the consummation of the transactions contemplated by this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, Parent, Buyer and their Affiliates shall not be required to (i) sell, hold separate, license or otherwise dispose of or conduct any of their businesses or assets in a specified manner, or agree to sell, hold separate, license or otherwise dispose of or conduct any of their businesses or assets in a specified manner, (ii) permit the sale, holding separate, licensing or other disposition of, any portion of the Acquired Assets or the Acquired Business or (iii) conduct all or any portion of the Acquired Business in a specified manner, in each such case, whether as a condition to obtaining any approval from a Governmental Body or any other Person or for any other reason.

Section 5.4 BANKRUPTCY FILINGS.

(a) Within two Business Days of the date of this Agreement, Seller Parties shall file with the Bankruptcy Court a motion, supporting papers, notices and proposed Overbid Procedures Order seeking the Bankruptcy Court's approval of (i) the provisions of SECTIONS 5.1 and 5.5 and ARTICLE 8 of this Agreement and observance and performance of such provisions by Seller Parties during the pendency of the Chapter 11 Cases, (ii) the date, time and place for, and prescribing the form and manner of notice of, a hearing to consider approval of the 363 Order and the 365 Order and (iii) this Agreement and the Ancillary Agreements, Seller Parties' performance under this Agreement and the Ancillary Agreements, and the transfer to Buyer of the Acquired Assets (including all the Equity Securities of the Acquired Companies and the Minority Investees), the assumption and assignment to Buyer of the Assumed Contracts and Assumed Leases and the assumption by Buyer of the Assumed Liabilities.

(b) Seller Parties shall provide Buyer with copies of all motions, applications and supporting papers prepared by or on behalf of Seller Parties (including forms of orders and notices to interested parties) relating in any way to Buyer, the Acquired Assets (including the Acquired Companies), the Assumed Liabilities, the Acquired Business, or the transactions contemplated by this Agreement and the Ancillary Agreements at least one full Business Day prior to the filing thereof in the Chapter 11 Cases.

(c) Within two Business Days of the date of this Agreement, Seller Parties shall file with the Bankruptcy Court a motion, supporting papers, notices and proposed order in substance and form satisfactory to Buyer in its sole and absolute discretion, and other motions, supporting papers and notices

necessary to effect the transactions contemplated in this Agreement and the Ancillary Agreements.

(d) Seller Parties shall give appropriate notice, and provide appropriate opportunity for hearing, to all parties entitled thereto, of all motions, orders, hearings, or other proceedings relating to this Agreement and the Ancillary Agreements or the transactions contemplated hereby and thereby.

Section 5.5 BIDDING PROCEDURES.

(a) Buyer and Seller Parties acknowledge that this Agreement is the culmination of an extensive process undertaken by Seller Parties to identify and negotiate a transaction with a bidder who was prepared to pay the highest and best purchase price for the assets of Seller and its Subsidiaries while assuming or otherwise satisfying specified liabilities in order to maximize value for each Seller Party's constituents. The parties also acknowledge that under the Bankruptcy Code, Seller Parties must take reasonable steps to demonstrate that they have sought to obtain the highest and best price possible for the assets, including, but not limited to, giving notice of the transactions contemplated by this Agreement to creditors and other interested parties as ordered by the Bankruptcy Court, providing information about the Acquired Business and Acquired Assets to responsible bidders subject to appropriate confidentiality agreements, entertaining higher and better offers from responsible bidders, and, if necessary, conducting an auction. To facilitate the foregoing, Seller Parties shall, within two Business Days of the date of this Agreement, seek the entry of an order (in the form attached as EXHIBIT E) (a) approving the bidding procedures attached as EXHIBIT F (the "BIDDING PROCEDURES"), the amount, timing, terms of payment and priority of the Termination Amount as set forth in ARTICLE 8 and the provisions of SECTION 5.1 and (b) providing for, among other things, the procedures set forth below (the "OVERBID PROCEDURES ORDER").

(b) Seller Parties shall give notice of the transactions contemplated by this Agreement and the Ancillary Agreements to such Persons and in such manner as the Bankruptcy Court shall direct, and to such additional Persons as Buyer requests.

(c) Unless this Agreement has been terminated in accordance with its terms, until the earlier of the entry of the Overbid Procedures Order and September 17, 2002, none of Seller Parties nor any of their Representatives shall (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action to facilitate, any inquiry or the making of any proposal that constitutes, or can reasonably be expected to lead to, an Alternative Transaction; (ii) participate in any discussions or negotiations that could possibly lead to an Alternative Transaction; (iii) enter into any agreement regarding a possible Alternative Transaction or (iv) make or authorize any statement, recommendation or solicitation in support of a possible Alternative Transaction; PROVIDED, HOWEVER, that if the Board of Directors of Seller determines in good faith that it is necessary to do so to comply with its fiduciary duties under the Bankruptcy Code or applicable corporate law, Seller Parties may, in response to an unsolicited inquiry: (x) provide public and non-public information concerning the Acquired Business and its assets to those Persons who first have delivered an inquiry meeting the requirements of the Bidding Procedures; PROVIDED that such Person executes a confidentiality agreement in accordance with the Bidding Procedures; and (y) participate in negotiations or discussions concerning such inquiry. Seller Parties shall promptly notify Buyer orally and in writing of all inquiries or proposals or requests for information received from any party, the identity of the Person making such inquiry, proposal or request and provide copies of any written proposals. Seller Parties shall keep Buyer fully informed of the status (including amendments or proposed amendments) of any written proposal. Upon request by Buyer, Seller Parties will identify and furnish to Buyer all information provided in response to any such inquiry, proposal or request.

Section 5.6 INTERCOMPANY AMOUNTS; OTHER AGREEMENTS.

(a) At or prior to the Closing, all intercompany receivables or payables and loans then existing between any of Seller Parties, or any of the Excluded Companies, on the one hand, and any of the Acquired Companies, on the other hand, shall be settled in full by way of capital contribution or as otherwise agreed by Buyer and Seller Parties. For the avoidance of doubt, nothing in this SECTION 5.6(a) shall require Seller Parties to pay or otherwise settle prior to or at Closing any amounts accrued but not yet payable under the TFFC MV Leases and the Ford MV Leases (except to the extent required pursuant to SECTION 2.10), or to pay or otherwise settle prior to or at Closing obligations of Seller Parties under the Demand Notes, which shall be assumed by Buyer hereunder pursuant to clauses (i) or (ii) of SECTION 2.5(a), as the case may be.

(b) At or prior to the Closing, Seller Parties shall, and shall cause the Excluded Companies to, withdraw from, or otherwise terminate any

contractual rights they may have in, to or under the Acquired Insurance Contracts being acquired by Buyer pursuant to this Agreement.

(c) Subject to this SECTION 5.6(c), Buyer shall make available to Seller Parties and the Excluded Companies any insurance proceeds from any Acquired Insurance Contract for which the premiums have been paid by Seller Entities in respect of any Assumed Liability, to the extent Seller Parties are determined to be liable therefor or such Acquired Insurance Contract provides insurance coverage with respect to any Excluded Liability. Buyer shall submit any claims under each Acquired Insurance Contract to the relevant insurance company or companies, and Buyer shall have the sole and absolute authority to manage any and all claims filed under any Acquired Insurance Contract. Seller Parties shall cooperate with and assist Buyer in making claims under the Acquired Insurance Contracts in respect of such Assumed Liabilities and collecting recoveries with respect thereto. Subject to the foregoing, if any limits apply to amounts payable under any Acquired Insurance Contract, payments under each Acquired Insurance Contract shall be allocated between Buyer and Seller Parties on a first come/first served basis.

Section 5.7 UPDATES OF SCHEDULES.

(a) Within seven Business Days after the last day of each calendar month and within five Business Days prior to the expected Closing Date, Seller Parties shall prepare and deliver to Buyer a supplement to SECTIONS 3.15(a), 3.15(b), 3.15(c), 3.15(d), 3.15(f), 3.15(g), 3.15(i), 3.15(j), 3.15(k), 3.15(m), 3.15(s), 3.16(a), 3.17(a), 3.19(a) and 3.22(c) OF SELLER PARTIES DISCLOSURE SCHEDULE to reflect all Contracts entered into following the date hereof that constitute Assumed Contracts pursuant to SECTIONS 2.3(a), 2.3(b), 2.3(c), 2.3(d), 2.3(f), 2.3(g), 2.3(i), 2.3(j), 2.3(k), 2.3(o), 2.3(q), 2.3(r) and 2.3(s). Seller Parties shall provide copies of all such Contracts to Buyer concurrently with each such supplement and other information related thereto requested by Buyer and shall further supplement the Seller Parties Disclosure Schedule to include any information omitted therein or to reflect Contracts entered into by Seller Entities after the delivery thereof and which are Assumed Contracts or Assumed Leases.

(b) Promptly upon becoming aware thereof, Seller Parties shall prepare and deliver to Buyer a supplement to SECTION 3.13(a) OF SELLER PARTIES DISCLOSURE SCHEDULE to reflect

all Actions to which any Seller Party is a party following the date hereof that constitute Assumed Liabilities pursuant to SECTION 2.5(a)(iv).

(c) From time to time promptly upon becoming aware thereof, Seller Parties shall supplement or amend the Seller Parties Disclosure Schedule with respect to any matter (i) which may arise hereafter and which, if existing or occurring at or prior to the date hereof, would have been required to be set forth or described in the Seller Parties Disclosure Schedule or (ii) which makes it necessary to correct any information in the Seller Parties Disclosure Schedule or in any representation and warranty of the parties herein.

(d) Notwithstanding the foregoing, for purposes of determining the accuracy of the representations and warranties of the parties contained in this Agreement, the Seller Parties Disclosure Schedule on the date hereof shall be deemed to include only that information contained therein on the date of this Agreement and the supplements thereto pursuant to clause (a) above and shall be deemed to exclude any other information contained in any subsequent supplement or amendment thereto.

Section 5.8 TAX RETURNS; TAX SHARING AGREEMENTS. Seller shall prepare (or cause to be prepared) all Tax Returns required to be filed by each of Seller Parties and shall pay (or cause to be paid) all Taxes required to be paid by it or any of Seller Parties. As of the Closing, all Tax sharing agreements, Tax indemnification agreements (other than (x) a customary commercial agreement to indemnify for Taxes contained in any Lease or (y) an employment agreement for which a gross-up payment (described in SECTION 3.23(b)(xi)) is required to be made) or similar Contracts, with respect to or involving any of the Acquired Companies shall be terminated as of the Closing Date and, after the Closing Date, none of the Acquired Companies shall have any further rights or obligations under any such agreement or contract.

Section 5.9 PURCHASE PRICE ALLOCATION.

(a) As promptly as practicable after the date hereof, Buyer and Seller (on behalf of it, and as agent for each other Seller Party) shall agree to an allocation of the Cash Purchase Price that will be paid to, or for the benefit of, each Seller Party, which allocation shall be reasonable and in accordance with the principles of section 1060 of the Code and the Treasury Regulations thereunder. If Buyer and Seller cannot agree on the amounts and allocations described in the preceding sentence, such amounts and allocations shall be prepared by the Accounting Firm. The allocation determined pursuant to this SECTION 5.9(a) shall be final, conclusive and binding on Buyer and each of Seller Parties for tax purposes only.

(b) As promptly as practicable after the date hereof, with respect to each Seller Party, Buyer and Seller (on behalf of it, and as agent for each other Seller Party) shall agree to an allocation of the Cash Purchase Price allocated to each Seller Party pursuant to SECTION 5.9(a) and the Assumed Liabilities attributable to each such Seller Party among the Acquired Assets attributable to each such Seller Party, which allocations shall be reasonable and in accordance with section 1060 of the Code and the Treasury Regulations thereunder. If Buyer and Seller cannot agree on the amounts and allocations described in the preceding sentence, such amounts and allocations shall be prepared by the Accounting Firm. The allocation determined pursuant to this SECTION 5.9(b) shall be final, conclusive and binding on Buyer and each of Seller

Parties for tax purposes only. Buyer and each Seller Party shall file an asset acquisition statement on IRS Form 8594 (or any replacement or successor form) reflecting the allocation of the portion of the Cash Purchase Price and the Assumed Liabilities attributable to each such Seller Party among the Acquired Assets attributable to each such Seller Party.

(c) Buyer and each Seller Party shall (i) be bound by the allocations determined pursuant to SECTIONS 5.9(a) and (b) for purposes of all Tax related matters, (ii) prepare and file all Tax Returns to be filed with any Tax authority in a manner consistent with such allocations determined pursuant to SECTIONS 5.9(a) and (b) and (iii) take no position inconsistent with such allocations determined pursuant to SECTIONS 5.9(a) and (b) in any Tax Return, any Action before any Tax or other Governmental Body or otherwise. If any of the allocations determined pursuant to SECTION 5.9(a) or (b) are disputed by any Tax authority, the party receiving notice of such dispute shall promptly notify and consult with the other party hereto concerning resolution of such dispute, and Buyer and each Seller Party shall cooperate in good faith in responding to such challenge in order to preserve the effectiveness of the allocations determined pursuant to SECTIONS 5.9(a) and (b).

(d) Notwithstanding anything to the contrary contained in this SECTION 5.9, the amount, if any, paid by Buyer pursuant to SECTION 2.5(b) shall be allocated by Buyer and Seller among the Seller Parties and the Acquired Assets of each Seller Party in accordance with, and subject to, the principles of, and obligations set forth in, this SECTION 5.9.

Section 5.10 TRANSFER TAXES.

(a) To the extent provided in the 363 Order, in accordance with section 1146(c) of the Bankruptcy Code, the instruments transferring the Acquired Assets to Buyer shall contain the following endorsement:

> "Because this [instrument] has been authorized pursuant to Order of the United States Bankruptcy Court for the District of Delaware relating to a chapter 11 plan of the Grantor, it is exempt from transfer taxes, stamp taxes or similar taxes pursuant to 11 U.S.C. Section 1146(c)."

(b) To the extent the endorsement described in SECTION 5.10(a) is not applicable or effective, Seller Parties shall pay 50% and Buyer shall pay 50% of any real property transfer or gains Tax, sales Tax, use Tax, excise Tax, stamp Tax, stock transfer Tax or, registration Tax documentary Tax or other similar Tax incurred in connection with the transactions contemplated by this Agreement (collectively, "TRANSFER TAXES"). No later than 15 days prior to the date any Tax Return that must be filed by Seller (or the applicable Seller Party) in connection with Transfer Taxes required to be paid pursuant to this SECTION 5.10(b) (such Tax Returns, "TRANSFER TAX RETURNS") is due, Seller (or the applicable Seller Party) shall prepare, on a basis consistent with the allocations determined in accordance with SECTION 5.9, all Transfer Tax Returns and provide copies of such Transfer Tax Returns to Buyer for its review and consent, which consent shall not be unreasonably withheld or delayed. Seller (or the applicable Seller Party) shall file any such Transfer Tax Return prepared pursuant to this SECTION 5.10(b) that is required to be filed by Seller (or any applicable Seller Party) under applicable law.

Notwithstanding anything to the contrary in this Agreement, if such Transfer Taxes are not paid on or prior to the Closing, Buyer shall be entitled to escrow (on reasonable terms) from the Cash Purchase Price an amount of cash equal to $3,000,000 to secure Seller Parties' obligations under this SECTION 5.10(b).

Section 5.11 VEHICLE RETURN PURSUANT TO REPURCHASE PROGRAMS; DISPOSITION OF VEHICLES. Seller Parties shall, and shall cause each other lessee under a TFFC MV Lease to: (i) sell or return each vehicle subject to a Repurchase Program (other than a vehicle that has suffered a casualty loss) to the nearest related manufacture official auction or other facility designated by the relevant Vehicle Manufacturer or Affiliate thereof at the relevant lessee's sole expense

after the minimum term or mileage limit under such Repurchase Program for such vehicle is achieved, but prior to the expiration of the maximum term and/or prior to reaching the maximum mileage limit under such Repurchase Program for such vehicle, other than isolated cases not exceeding 25 vehicles in any calendar month on average; and (ii) sell or dispose of all vehicles not subject to a Repurchase Program in accordance with the provisions of the applicable TFFC MV Lease. Each such lessee agrees that the vehicles will be in vehicle turn-in condition as specified in the applicable Repurchase Program.

Section 5.12 COOPERATION IN CONNECTION WITH REFINANCING. Seller Parties shall, and shall cause their Affiliates to, cooperate with Parent, Buyer and their respective Affiliates, in connection with any proposed refinancing by Buyer of all or any part of the Assumed Indebtedness and of the indebtedness of TFFC, Budget Funding Corporation and BGI Leasing, Inc. upon consummation of the transactions contemplated hereby. Buyer will be responsible for any reasonable out-of-pocket costs and expenses incurred by Seller Parties pursuant to this SECTION 5.12. Such cooperation shall include, without limitation, providing all such accurate and complete information relating to Seller Entities' vehicle fleet as Buyer may reasonably request, assisting in the preparation of offering documents and materials, rating agencies presentations and direct access to Seller Parties' financing sources.

Section 5.13 CONFIDENTIALITY.

(a) From the date hereof and until the Closing, subject to SECTIONS 5.13(b) and 5.13(c), Buyer and Parent shall keep, and shall cause their Affiliates and their Representatives to keep, all the Seller Evaluation Material confidential and will not, without the prior written consent of Seller, disclose any Seller Evaluation Material, in whole or in part, and will not use the Seller Evaluation Material, directly or indirectly, for any purpose other than in connection with this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby.

(b) Buyer and Parent agree to disclose Seller Evaluation Material to their Representatives only if and to the extent that such Representatives need to know the Seller Evaluation Material for the purpose of the transactions contemplated by this Agreement and the Ancillary Agreements and are informed by Buyer or Parent of the confidential nature of the Seller Evaluation Material. Buyer and Parent each agree to be responsible for any breach of this SECTION 5.13 by Representatives of Buyer or Parent.

(c) Notwithstanding the foregoing, Buyer, Parent or any of their Representatives may disclose any of Seller Evaluation Materials (to the extent such disclosure is reasonably related to the purpose of approving or consummating the transactions contemplated by this Agreement) to creditors of Seller Parties that agree pursuant to a written agreement containing confidentiality provisions substantially similar to those set forth in this SECTION 5.13, to keep such Seller Evaluation Materials confidential, to the creditors' committee formed in connection with the Chapter 11 Cases and in connection with appearances by Buyer or any Affiliate thereof in the Bankruptcy Court to the extent the Seller Evaluation Materials so disclosed reasonably relate to the purpose of such appearances. Buyer shall deliver to Seller a copy of each such written confidentiality agreement with creditors of Seller Parties as promptly as reasonably practicable after any such confidentiality agreement is executed and delivered to Buyer.

(d) If Buyer, Parent or any of their Representatives, or any Person to whom any of the foregoing have, directly or indirectly, transmitted Seller Evaluation Material, are requested or required by Law (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation demand, any informal or formal investigation by any Governmental Body, stock exchange regulation or otherwise) to disclose any Seller Evaluation Material, each of Buyer and Parent agrees: (x) to promptly notify Seller of the existence, terms and circumstances surrounding such request, (y) to consult with Seller on the advisability of taking legally available steps to resist or narrow such request and (z) if disclosure of any Seller Evaluation Material is required, to furnish only that portion of Seller Evaluation Material, which is required to be disclosed and to use reasonable efforts to cooperate with any reasonable action by Seller Parties to obtain an appropriate protective order of other reliable assurance that confidential treatment will be accorded to Seller Evaluation Material.

(e) If the transactions contemplated by this Agreement are not consummated and this Agreement is terminated in accordance with the terms hereof, Buyer and Parent will redeliver to Seller or destroy all tangible Seller Evaluation Material and any other tangible material containing any information in the Seller Evaluation Material (whether prepared by a Seller Entity, their Representatives or otherwise), and will not retain any copies, extracts or other reproductions in whole or in part of such tangible material. If requested by Seller, an appropriate officer of Buyer or Parent will certify to Seller that all such Seller Evaluation Material has been so redelivered or destroyed. Notwithstanding the delivery or destruction of the Seller Evaluation Material required by this SECTION 5.13(e), all duties and obligations existing under this

SECTION 5.13 (including with respect to any oral Seller Evaluation Material) will remain in full force and effect.

Section 5.14 NO SOLICITATION OF EMPLOYEES. Without the consent of Seller, until the later of December 21, 2002 and the termination of this Agreement, Buyer, Parent and their Representatives who have knowledge of the transactions contemplated by this Agreement and the Ancillary Agreements will not take any action to solicit any officer or key employee of Seller to terminate his or her employment with Seller (except for employment as contemplated by SECTION 6.1 after the Closing), it being understood that the foregoing shall not prohibit a solicitation directed at the public in general, by a professional employment agency or to any employee who approaches Buyer or Parent without being initially solicited by Buyer or Parent;

PROVIDED, HOWEVER, that the obligations of Buyer and Parent under this SECTION 5.14 shall terminate automatically upon Closing.

Section 5.15 CERTAIN TAX REPORTING.

(a) CERTAIN PAYROLL REPORTING MATTERS. If so instructed by Buyer (in its sole discretion), Seller Parties shall elect with Buyer (the "96-60 ELECTION") the "ALTERNATIVE PROCEDURE" set forth in section 5 of Revenue Procedure 96-60, 1996-2 C.B. 399 ("REV PROC 96-60"). In accordance with the 96-60 Election, Seller Parties shall provide Buyer with the amounts of wages paid from January 1, 2002 to the Closing Date to Affected Employees, withholdings from such wages and any other information required pursuant to Rev Proc 96-60. Provided Seller Parties have provided Buyer the information set forth in the immediately preceding sentence, Buyer shall file Form W-2 for all wages paid to Affected Employees for the period January 1, 2002 to December 31, 2002.

(b) Notwithstanding anything to the contrary contained in this Agreement, Seller Parties shall calculate, report and pay all federal, state and local employment tax obligations (e.g., FICA, Medicare, FUTA and SUTA) with respect to Affected Employees for any period or portion thereof ending on or prior to Closing Date (including, but not limited to, Form 941, all state and local employee withholding tax obligations and state unemployment insurance forms, in each case, for any period or portion of any period ending on or prior to the Closing Date).

Section 5.16 SEC REPORTS. Notwithstanding that the Seller and its Subsidiaries may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, Seller and its Subsidiaries shall file with the SEC and provide Buyer with the quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2002 and the related certification required under Section 906 of the Sarbanes-Oxley Act of 2002, as promptly as practicable but in no event later than five Business Days prior to the Closing Date.

ARTICLE 6
ADDITIONAL POST-CLOSING COVENANTS

Section 6.1 BENEFIT AND EMPLOYMENT MATTERS.

(a) Prior to the Closing Date (to be effective on the Closing Date), Buyer will offer regular full-time or part-time employment, as applicable, to each full-time and part-time Seller Parties Employee with comparable compensation, benefits and in the same geographic area as applicable to such Seller Parties Employee immediately before the Closing Date. Seller Parties Employees who accept offers of employment made by Buyer pursuant to this SECTION 6.1(a) and commence employment with Buyer and its Affiliates immediately upon Closing shall be referred to herein as the "AFFECTED EMPLOYEES;" PROVIDED, HOWEVER, that any Seller Parties Employee who is not actively at work on the Closing Date on account of sickness, vacation or short-term disability shall be deemed a "Affected Employee" upon his or her return to active employment with Buyer after the Closing Date. Except as specifically provided for in this Agreement, Seller Parties shall be responsible for and shall indemnify, defend and hold harmless Buyer and its Affiliates from any liabilities relating to any current or former employee of Seller

Parties who is not an Affected Employee (including, without limitation, any liabilities arising under any Benefit Plan or other compensation program, arrangement or agreement of Seller Parties). Seller Parties shall make their employees available to Buyer, at reasonable times and in a manner intended not to disrupt ongoing operations, for the purpose of making employment offers to such employees.

(b) With respect to those employee benefit plans of Buyer or any of its Subsidiaries ("BUYER PLANS") in which Buyer, in its sole discretion, shall determine that Affected Employees may participate as of or following the Closing Date, Buyer shall, and shall cause its Subsidiaries to, credit the prior

service of the Affected Employees with Seller Parties for purposes of eligibility and vesting under such Buyer Plans to the extent that such service was recognized under the analogous Benefit Plans; PROVIDED, HOWEVER, that such service need not be credited to the extent it would result in a duplication of benefits. Affected Employees shall also be given credit for any deductible or co-payment amounts paid in respect of the Buyer Plan year in which the Closing occurs, to the extent that, following the Closing, they participate in any Buyer Plan during such plan year for which deductibles or co-payments are required. Buyer shall, and shall cause its Subsidiaries to, waive (i) any preexisting condition restriction (other than a restriction to which the Affected Employee is subject immediately prior to the time of the Closing) under the terms of the analogous Benefit Plan immediately prior to the Closing or (ii) any waiting period limitation which would otherwise be applicable to an Affected Employee on or after the Closing to the extent such Affected Employee had satisfied any similar waiting period limitation under an analogous Benefit Plan prior to the Closing.

(c) With respect to any Affected Employees who are given notice of termination of employment during the first nine months immediately following the Closing Date, Buyer shall provide each such Affected Employee with severance benefits equal to those provided as of the date hereof under the applicable Seller Entity severance plan in which such Affected Employee currently participates.

(d) Nothing in this SECTION 6.1 shall be deemed to require that the employment of any Affected Employee be continued for any specific period of time after the Closing Date. Except as expressly provided in this SECTION 6.1, nothing in this SECTION 6.1, express or implied, shall be construed to prevent Buyer or its Affiliates from (i) terminating, or modifying the terms of employment of, any Affected Employee following the Closing Date or (ii) terminating or modifying to any extent or in any respect employee benefit plan, program, agreement or arrangement that Buyer or its Affiliates, as applicable, may establish or maintain. Buyer shall be responsible for and shall indemnify, defend and hold harmless Seller and its Affiliates from any liabilities arising from the termination, following the Closing Date, of any Affected Employee.

(e) Prior to Closing, Seller shall deliver to Buyer a list of all employees who have suffered an "employment loss" (as defined in the WARN Act) during the three months prior to the Closing Date.

(f) Subject to the consummation of the transaction pursuant to the terms of this Agreement, effective as of Closing, Buyer shall be obligated to provide, or to cause Parent to provide, the benefits set forth on SCHEDULE 6.1(f).

(g) With respect to the following plans: Automobile Mechanics Local 701 - International Association of Machinists and Aerospace Workers, AFL-CIO Mechanics Welfare Fund - Chicago; Teamsters Garage Employees Union Local 272 Management Pension Fund; Machinist Money Purchase Pension Fund - Auto Lodge 447; Western Conference of Teamsters Local 117 - Seattle; Western Conference of Teamsters Local 78 - Oakland; W PA Teamsters and Employees Pension Fund Local - Local 926 Pittsburgh; Union De Tronquistas De PR Local 901 - Puerto Rico; and Teamsters Local 117, Supplemental Income 401K Plan - Seattle (collectively, the "MULTIEMPLOYER PLANS"), after the Closing:

(i) Buyer will be obligated to make contributions to each Multiemployer Plan in accordance with all collective bargaining agreements relating thereto and shall contribute to such plan with respect to such operations for substantially the same number of contribution base units for which Seller Parties had an obligation to contribute to such plan.

(ii) Unless and until a variance or exemption is obtained in accordance with section 4204(c) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Buyer will provide to each Multiemployer Plan, for a period of five plan years commencing with the first plan year beginning after the Closing, a bond issued by a corporate surety company that is an acceptable surety for purposes of section 412 of ERISA, or an amount held in escrow by a bank or similar financial institution satisfactory to such Multiemployer Plan, or such other security as may be permitted under section 4204(a)(1)(B) of ERISA or regulations thereunder, in an amount equal to the greater of:

(A) the average annual contribution required to be made by the Seller Parties to the Multiemployer Plan with respect to the operations thereunder for the three plan years preceding the plan year in which the Closing occurs, or

(B) the annual contribution that the Seller Parties were required to make with respect to the operations under the Multiemployer Plan for the last plan year before the plan year in which the Closing occurs,

which applicable bond or escrow shall be paid to such Multiemployer Plan if

Buyer withdraws from such Multiemployer Plan, or fails to make a contribution to such Multiemployer Plan when due, at any time during the first five plan years beginning after the Closing.

(iii) If Buyer withdraws from a Multiemployer Plan in a complete withdrawal or a partial withdrawal with respect to the union employees within the period referred to in the preceding subsection (ii), Buyer will be primarily liable and Seller Parties agree to be secondarily liable for any withdrawal liability the Seller Parties would have had at the Closing Date to such Multiemployer Plan, but for the application of section 4204 of ERISA, if the withdrawal liability of Buyer with respect to such Multiemployer Plan is not paid.

(iv) Buyer agrees that any action on its part that causes withdrawal liability (either partial or complete) during the period referred to in subsection (ii) hereof shall be for valid business reasons only. In the event of a subsequent sale of the assets of the Acquired Business by Buyer during such period, Buyer agrees to comply with the provisions of section 4204(a)(1) of ERISA.

(v) If all, or substantially all, of the Seller Parties' assets are distributed, or if the Seller Parties are liquidated before the end of the first five plan years beginning after Closing, then, except as may otherwise be required by law, Seller Parties shall provide a bond, an amount in escrow or such other security as may be permitted under section 4204(a)(1)(B) of ERISA or regulations thereunder, equal to the present value of the withdrawal liability Seller Parties would have had but for the application of section 4204 of ERISA, which bond, amount in escrow or other security may be applied toward the satisfaction of Seller's secondary liability described in subsection (iii) hereof.

(vi) Buyer agrees to provide the applicable Seller Parties with reasonable advance notice of any action or event which could result in the imposition of withdrawal liability contemplated by this SECTION 6.1(g), and in any event Buyer shall immediately furnish such Seller Parties with a copy of any notice of withdrawal liability it may receive with respect to a Multiemployer Plan, together with all the pertinent details. In the event that any such withdrawal liability shall be assessed against Buyer, Buyer further agrees to provide the applicable Seller Parties with reasonable advance notice of any intention on the part of Buyer not to make full payment of any withdrawal liability when the same shall become due.

Section 6.2 BOOKS AND RECORDS; PERSONNEL. For a period of six years after the Closing Date, Buyer shall maintain all Business Records that are transferred to Buyer hereunder. At all times during which Buyer maintains such Business Records (including electronic access to the extent such Business Records are in electronic form and the information can be provided separate and apart from all other information relating to Buyer, any of its Affiliates or their respective businesses), Buyer shall allow Seller Parties and their accountants and counsel access to all such Business Records, properties and personnel that are reasonably required in the administration of the Chapter 11 Cases or anticipation of, or preparation for, any existing or future Action involving a Seller Party, Tax Return preparation or defense, litigation or Excluded Liability. Such access shall be afforded during regular business hours and upon reasonable written notice at Buyer's principal place of business or at any location where such Business Records are stored; PROVIDED, HOWEVER, that any such access shall not interfere with the normal conduct of the business or operations of Buyer and its Affiliates. Seller Parties shall be responsible for any actual out-of-pocket costs and expenses incurred by Buyer and its Affiliates in connection with granting Seller Parties access to such Business Records, properties and personnel pursuant to this SECTION 6.2. If, prior to the expiration of such six-year period, Buyer proposes to dispose of any such Business Records, Buyer shall (and Parent shall cause Buyer to) provide Seller with written notice and, if requested, shall deliver the same to Seller at Seller's expense.

Section 6.3 SECTION 338(h)(10) ELECTIONS.

(a) Seller, in respect of each or any Seller Party, if so instructed by Buyer, shall jointly make a timely election under section 338(h)(10) of the Code (and any comparable elections under state and local income tax Law) with Buyer with respect to any domestic Acquired Company (individually, any such election referred to herein as an "ELECTION" and, collectively, such elections referred to herein as the "ELECTIONS"). On or prior to the Closing Date, Seller (in respect of each Seller Party that Buyer has instructed Seller to make an Election pursuant to this SECTION 6.3(a)) and Buyer shall exchange completed and executed original copies of IRS Form 8023 and any applicable similar state or local forms with respect to the Elections. Notwithstanding the foregoing, Seller shall not be required to make an Election with respect to any Acquired Company if the aggregate tax basis of the assets of

such Acquired Company exceeds the "Aggregate Deemed Sales Price" allocable to such Acquired Company unless such Election has no adverse Tax effect on Seller or any Seller Party.

(b) In connection with any Election with respect to an Acquired Company, as promptly as practicable after the date hereof, Buyer and Seller shall agree to: (i) a determination of the "Aggregate Deemed Sales Price" and the "Adjusted Grossed Up Basis" (each, as defined under applicable Treasury Regulations) with respect to any such Acquired Company and (ii) an allocation of each such Aggregate Deemed Sales Price and Adjusted Grossed Up Basis among the assets of any such Acquired Company, which allocations shall be made in accordance with section 338 of the Code and any applicable Treasury Regulations and the portion of the Cash Purchase Price, if any, and the Assumed Liabilities, if any, attributable to such Acquired Company that have been allocated to such Acquired Company pursuant to SECTION 5.9 (each, a "SECTION 338(h)(10) ALLOCATION STATEMENT"). If Buyer and Seller cannot agree on the amount(s) and allocation(s) described in the preceding sentence, such amount(s) and allocation(s) shall be prepared by the Accounting Firm. Any Section 338(h)(10) Allocation Statement prepared pursuant to this SECTION 6.3(b) shall be final, conclusive and binding on Buyer and each Seller Party.

(c) Buyer and each Seller Party: (i) shall be bound by the determinations of the Section 338(h)(10) Allocation Statements determined pursuant to SECTION 6.3(b) consistently therewith for purposes of determining any Taxes, (ii) shall prepare and file all Tax Returns to be filed with any Tax authority in a manner consistent with the Section 338(h)(10) Allocation Statements and (iii) shall take no position inconsistent with the Section 338(h)(10) Allocation Statements in any Tax Return, any Action before any Tax authority or otherwise. In the event that a Section 338(h)(10) Allocation Statement is disputed by any Tax authority, the party receiving notice of such dispute shall promptly notify and consult with the other party hereto concerning resolution of such dispute.

(d) Each Seller Party and Buyer shall cooperate in the preparation and timely filing of (i) Forms 8023 with respect to any Election and any comparable state or local forms or reports and (ii) to the extent permissible by or required by Law, any corrections, amendments, or supplements thereto. To the extent necessary for the valid filing of any such corrections, amendments, supplements, forms or reports, each Seller Party and Buyer shall cooperate in the timely execution thereof. Neither Seller nor Buyer shall, or shall permit any of their Affiliates to, take any action to modify any of the forms or reports (including any corrections, amendments,

or supplements thereto) that are required for the making of any Election after their execution or to modify or revoke any of the Elections following the filing of the Forms 8023 without the prior written consent of the other party.

(e) Notwithstanding anything to the contrary contained in this SECTION 6.3, the amount, if any, paid by Buyer pursuant to SECTION 2.5(b) and allocated to an Acquired Company (for which an Election has been made pursuant to SECTION 6.3(a)) pursuant to SECTION 5.9(d) shall be: (i) taken into account for purposes of determining Aggregate Deemed Sales Price and Adjusted Grossed Up Basis and (ii) allocated by Buyer and Seller among the assets of such Acquired Company in accordance with, and subject to, the principles and obligations set forth in this SECTION 6.3.

Section 6.4 TAX COOPERATION. Seller Parties and Buyer agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to books and records) and assistance relating to the Acquired Assets (including the Acquired Companies) as is reasonably requested for the filing of any Tax Returns (including any Transfer Tax Return required to be filed pursuant to SECTION 5.10(b)), for the preparation of any audit and for the prosecution or defense of any Action or other matter related to Taxes or any Tax Return. Any information obtained under this SECTION 6.4 shall be kept confidential except (i) as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or other proceeding or (ii) as may be consented to by Seller Parties or Buyer, as applicable. Without limiting the foregoing, Buyer shall, as promptly as practicable, cause the Acquired Companies and their Subsidiaries to prepare and provide to Seller a package of Tax information materials, including schedules and work papers (the "TAX PACKAGE") required by Seller to enable Seller to prepare and file its U.S. federal consolidated (and any applicable state unitary, combined or similar) income Tax Return. The Tax Package shall be completed in accordance with past practice, including past practice as to providing such information and as to the method of computation of separate taxable income or other relevant measure of income of the Acquired Companies.

Section 6.5 USE OF NAME. Seller Parties agree that promptly following the Closing Date, Seller and its Affiliates shall, except to the extent provided in the license agreement to be entered into pursuant to SECTION 2.11, cease and desist, and cause all other Persons to cease and desist, from all further use of the names "Budget" or "Ryder" and any variation or derivation thereof and any trademarks, service marks, trade names, domain names, trade dress, logos,

business and product names, slogans and registrations and applications for registration thereof (the "MARKS AND LOGOS") and will (i) adopt new Marks and Logos which are not confusingly similar to the Marks and Logos, (ii) file amendments to the certificate or articles of incorporation, as the case may be, of Seller with the Delaware Secretary of State (or other appropriate Governmental Body) and shall make appropriate filings with any other applicable registry(ies) changing Seller's and its Subsidiaries' corporate names and any d/b/a's to names that do not include any of the Marks and Logos or words confusingly similar thereto and (iii) neither Seller nor any of its Subsidiaries shall make any further use of the Marks and Logos.

Section 6.6 REMITTANCE OF FUNDS.

(a) Any interest, commissions, fees and other payments, including without limitation, payments in respect of principal and interest, received by Seller Parties or any Affiliate thereof relating to the Acquired Business after the Closing Date in any capacity, whether accrued prior to or on the Closing Date, including with respect to any TFFC MV Lease, franchise or other Contract included in the Acquired Business, shall as of the Closing Date be for the account of Buyer. Any such amounts received by Seller Parties and their Affiliates after the Closing Date shall be received by Seller Parties and their Affiliates in trust for Buyer and Seller Parties will, and will cause their Affiliates to, subject to the consummation of the Closing, immediately pay such amounts to an accounted designated by Buyer upon receipt thereof.

(b) Any interest, commissions, fees and other payments, including payments in respect of principal and interest, received by Buyer in any capacity in respect of any Excluded Asset or Retained Business (whether because the Closing has not yet occurred or otherwise) shall be received by Buyer in trust for Seller Parties and Buyer will immediately pay such amounts to an account designated by Seller upon receipt thereof.

Section 6.7 MAIL RECEIVED AFTER THE CLOSING. Following the Closing, Buyer may receive and open all mail addressed to Seller or any of its Affiliates and deal with the contents thereof in its reasonable discretion to the extent that such mail and the contents thereof relate to the Acquired Business, the Acquired Assets or any of the Assumed Liabilities. Buyer shall deliver or cause to be delivered to Seller, at Seller's expense, all mail received by Buyer after the Closing addressed to any Seller Entity which does not relate to the Acquired Business, the Acquired Assets or the Assumed Liabilities until the earlier of (i) one year after the Closing and (ii) the entry of a final order in the Chapter 11 Cases.

Section 6.8 FURTHER ASSURANCES.

(a) At any time and from time to time after Seller Parties shall execute and deliver to Buyer such instruments of transfer, conveyance, assignment and confirmation, in addition to those executed and delivered by Seller Parties at Closing, and take such action as Buyer may reasonably deem necessary or desirable in order to more effectively transfer, convey and assign to Buyer and to confirm Buyer's title to all of the Acquired Assets, to put Buyer in actual possession and operating control thereof and to permit Buyer to exercise all rights with respect thereto and otherwise to give full effect to the provisions of this Agreement.

(b) If, notwithstanding the 363 Order and the 365 Order, any transfer or assignment by Seller Parties to, or any assumption by Buyer of, any interest in, or liability, obligation or commitment under, any Acquired Asset requires a Governmental Consent or a Third Party Consent and any such consent is not obtained prior to the Closing and Buyer, in its sole discretion, waives the condition set forth in SECTION 7.2(d) with respect to such Governmental Consent or Third Party Consent, then, if Buyer so elects, such Acquired Asset shall not be transferred to Buyer at the Closing Date and Seller Parties shall cooperate (at their own expense) in any lawful and reasonable arrangement reasonably proposed by Buyer under which Buyer shall obtain the economic benefits under the asset, claim or right with respect to which the consent has not been obtained. Such reasonable arrangement may include (i) the

subcontracting, sublicensing or subleasing to Buyer of any and all rights of Seller Parties against the other party to such third-party agreement arising out of a breach or cancellation thereof by the other party and (ii) the enforcement by Seller Parties of such rights.

ARTICLE 7
CONDITIONS PRECEDENT TO CLOSING

Section 7.1 GENERAL CONDITIONS. The respective obligations of Buyer and Seller Parties to effect the Closing are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

(a) No statute, rule, regulation, executive order, decree, decision, ruling or preliminary or permanent injunction shall have been enacted, entered, promulgated or enforced by any Governmental Body, that enjoins, prevents or prohibits confirmation of the transactions contemplated by this Agreement or any of the Ancillary Agreements.

(b) Any applicable waiting period (and any extension thereof) under applicable Competition Law shall have expired or been terminated, and all approvals under such applicable Competition Law in jurisdiction which filings relating to the transactions contemplated by this Agreement or the Ancillary Agreement are required and under the Competition Law of Australia and New Zealand shall have been obtained.

(c) The 363 Order and the 365 Order shall have been entered and shall not have been stayed or vacated.

(d) No Action shall have been taken or remain pending and unstayed by any Governmental Body seeking to restrain or materially and adversely alter the transactions contemplated by this Agreement.

Section 7.2 CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS. The obligations of Buyer to effect the Closing are subject to the fulfillment, prior to or at the Closing, of each of the following additional conditions, any of which may be waived in writing by Buyer:

(a) The representations and warranties of Seller Parties contained in this Agreement or in any certificate delivered pursuant to this Agreement (without regard to any qualifications therein as to materiality or Material Adverse Effect) shall be true and correct in all material respects at and as of the date hereof and at and as of the Closing Date (except to the extent that such representations and warranties are made as of a specified date, in which case, such representations and warranties shall be true and correct in all material respects as of such date); PROVIDED, HOWEVER, that the representations and warranties of Seller Parties contained in this Agreement or in any certificate delivered pursuant to this Agreement shall be deemed true and correct in all material respects at and as of the date hereof and at and as of the Closing Date notwithstanding that a representation and warranty of Seller Parties contained in this Agreement is not true and correct in all material respects (a "REPRESENTATION FAILURE") if (i) the Representation Failure was the result of an inadvertent error or omission by Seller Parties and (ii) to the extent the impact of Representation Failure can be measured adequately or reasonably estimated in monetary terms, the adverse impact of each Representation Failure does not exceed in the aggregate, together with the impact of all other Representation Failures, $10,000,000, it

being understood that if the impact of a Representation Failure can not be measured adequately or reasonably estimated in monetary terms, this proviso shall not apply to such a Representation Failure; and PROVIDED, FURTHER, that the representations and warranties of Seller Parties contained in this Agreement or in any certificate delivered pursuant to this Agreement shall not be deemed to be true and correct in all material respects if the adverse impact of any Representation Failure which can be measured adequately or reasonably estimated in monetary terms, together with the impact of all other Representation Failures, exceeds $10,000,000.

(b) Seller Parties shall have performed all obligations and agreements and complied in all material respects with all covenants required by this Agreement to be performed or complied with by Seller Parties prior to or at the Closing.

(c) Buyer shall have received a certificate of the chief executive officer of each Seller Party as to the satisfaction of the conditions set forth in SECTION 7.2(a) and SECTION 7.2(b).

(d) All Governmental Consents and Third Party Consents shall have been obtained and shall remain in full force and effect, except for Third Party Consents required pursuant to Contracts (in each case other than Airport Concessions and Leases in any airport or area adjacent thereto) to which any of the Acquired Companies is a party and which are not, individually or in the aggregate, material to the Acquired Business or to the Acquired Business conducted by the Acquired Company that is a party to such Contract.

(e) Since the date hereof, there shall have been no change, effect, event, occurrence or state of facts that, individually or in the aggregate, would be reasonably expected to have a Material Adverse Effect.

(f) Seller Parties shall have delivered all other documents specified in SECTION 2.8 to Buyer.

(g) The Benefit Plans listed on items 1 through 9, 11, 12 and 13in SECTION 3.18(b) OF THE SELLER PARTIES DISCLOSURE SCHEDULE, shall have been amended effective as of not later than the Closing to be consistent with SCHEDULES 1.1(c) and 6.1(f).

(h) The 363 Order and the 365 Order shall have become Final Orders.

(i) Each of the BRACI Administrative Services Agreement and the BRACI License Agreement shall have been terminated, in each case on terms satisfactory in substance and form to Buyer.

(j) Seller Parties shall have delivered to Buyer a report setting forth the aggregate amount of Qualified Fees paid by Seller Parties from June 30, 2002 until the Closing, an itemized list of each Qualified Fee so paid specifying the Person to which such payment has been made, the amount of such payment, the date thereof, accompanied by a certificate of the chief financial officer of Seller stating that the information contained in such list is true, accurate and complete in all respects and all supporting documentation for each such payment.

Section 7.3 CONDITIONS PRECEDENT TO SELLER PARTIES' OBLIGATIONS. The obligations of Seller Parties to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following additional conditions, any of which may be waived in writing by Seller Parties:

(a) The representations and warranties of each of Parent and Buyer contained in this Agreement or in any certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby (without regard to any qualifications therein as to materiality or material adverse effect) shall be true and correct in all material respects at and as of the date hereof and at and as of the Closing Date (except to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true and correct in all material respects as of such date).

(b) Buyer and Parent shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants required by this Agreement to be performed or complied with by it prior to or at the Closing.

(c) Seller shall have received a certificate of an officer of Buyer and Parent as to the satisfaction of the conditions set forth in SECTION 7.3(a) and SECTION 7.3(b).

(d) Buyer shall have delivered all documents specified in SECTION 2.9 to Seller Parties.

ARTICLE 8
TERMINATION; TERMINATION AMOUNT

Section 8.1 TERMINATION BY MUTUAL CONSENT. This Agreement may be terminated at any time prior to the Closing Date by mutual written agreement of Buyer and Seller Parties.

Section 8.2 TERMINATION BY EITHER BUYER OR SELLER PARTIES. This Agreement may be terminated at any time prior to the Closing Date by either Buyer or Seller Parties:

(a) upon written notice to the other party, (i) by Buyer, if the Closing shall not have occurred by November 9, 2002 (the "BUYER CLOSING DEADLINE") and (ii) by Seller Parties, if the Closing shall not have occurred by December 6, 2002 (the "SELLER CLOSING DEADLINE" and together with the Buyer Closing Deadline, the "CLOSING DEADLINES"); PROVIDED, HOWEVER, that the right to terminate this Agreement under this SECTION 8.2(a) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to be consummated on or prior to the Closing Deadline; and PROVIDED, FURTHER, that if the Closing shall not have occurred by the Buyer Closing Deadline solely as a result of any applicable waiting period (or any extension thereof) under any Competition Law relating to the transactions contemplated by this Agreement or the Ancillary Agreements (the "APPLICABLE WAITING PERIOD") not having expired or been terminated, the Closing Deadline shall be deemed to read "December 31, 2002"; and PROVIDED, FURTHER, that if at any time Buyer or Seller Parties have the right to terminate this Agreement pursuant to this SECTION 8.2(a) but neither does so within five Business Days after the applicable Closing Deadline, then such Closing Deadline shall be extended by an additional thirty days; or

(b) if a Governmental Body shall have issued a Final Order or taken any other nonappealable final action having the effect of restraining, enjoining or otherwise prohibiting the transactions contemplated hereby.

Section 8.3 TERMINATION BY BUYER. This Agreement may be terminated at

any time prior to the Closing Date by Buyer if:

(a) there has been a breach by any Seller Party of any representation or warranty contained in this Agreement or in any certificate delivered pursuant to this Agreement which breach is not curable or, if curable, is not cured within 15 days after written notice of such breach given by Buyer to Seller Parties and which has caused, or could reasonably be expected to cause, the condition set forth in SECTION 7.2(a) not to be satisfied;

(b) there has been a breach by any of Seller Parties of any of the covenants or agreements contained in this Agreement, which breach is not curable or, if curable, is not cured within 15 days after written notice of such breach given by Buyer to Seller Parties;

(c) the Bankruptcy Court shall not have entered the Overbid Procedures Order satisfying the requirements of SECTION 5.5 not later than September 10, 2002;

(d) (i) any of Seller Parties or any Chapter 11 trustee appointed for any Seller Parties shall (A) accept a proposal providing for, relating to or supporting an Alternative Transaction, (B) seek the approval by the Bankruptcy Court of an Alternative Transaction (whether pursuant to Section 363, in a Chapter 11 plan or otherwise) or, other than as expressly permitted by, and following the approval and entry by the Bankruptcy Court of, the Overbid Procedures Order, take any other action to pursue an Alternative Transaction, (C) file or support, or advocate in any court, a Chapter 11 plan, motion or other pleading requesting the Bankruptcy Court to approve an Alternative Transaction or which, if adopted, granted, approved or confirmed, could reasonably be expected to lead to consummation of an Alternative Transaction, or (D) other than as expressly permitted by, and following the approval and entry by the Bankruptcy Court of, the Overbid Procedures Order, take any action which is otherwise inconsistent with the consummation of the transactions contemplated by this Agreement; or (ii) the Committee of Unsecured Creditors in connection with the Chapter 11 Cases shall (A) withdraw or announce the withdrawal of its support to the transaction contemplated by this Agreement (including, without limitation, the Bidding Procedures and the Termination Amount), other than following a breach by Buyer or Parent which would permit Seller Parties to terminate this Agreement pursuant to SECTIONS 8.4(a) or 8.4(b) or (B) file or support, or advocate in any court, a Chapter 11 plan, motion or other pleading requesting the Bankruptcy Court to approve an Alternative Transaction or which, if adopted, granted, approved or confirmed, could reasonably be expected to lead to the confirmation of an Alternative Transaction, other than as expressly permitted by, and following the approval and entry by the Bankruptcy Court of, the Overbid Procedures Order;

(e) the 363 Order and the 365 Order containing the provisions required by this Agreement shall not have been entered not later than October 28, 2002 (or shall be vacated or stayed as of such date);

(f) the 363 Order and the 365 Order containing the provisions required by this Agreement shall not have become Final Orders by November 8, 2002; PROVIDED, HOWEVER, that if the Applicable Waiting Period shall not have expired or terminated on or before November 8, 2002, then the November 8, 2002 date set forth in this clause (f) shall be extended to the earlier of (i) the fifth Business Day after such Applicable Waiting Period expires and (ii) December 31, 2002 (the "FINAL ORDER DEADLINE");

(g) the Bankruptcy Court enters an order approving an Alternative Transaction or confirming a Chapter 11 plan not incorporating the transactions contemplated by this Agreement;

(h) any of the Seller Parties' Chapter 11 Cases shall be converted into a case under Chapter 7 of the Bankruptcy Code or dismissed;

(i) Seller Parties shall have failed to (i) obtain a cumulative Adjusted EBITDAR for any period commencing on August 1, 2002 and ending on the last day of each calendar month commencing on August 31, 2002 (each such period, a "TESTING PERIOD") equal to or larger than the cumulative Adjusted EBITDAR projected for such Testing Period in the Operating Metric Forecast and (ii) achieve at least one of the following projected ratios or the projected Rental Transactions as set forth in the Operating Metric Forecast for the calendar month ending on the same day as the day on which the relevant Testing Period expires: (A) the Automotive Fleet Utilization Ratio; (B) the Automotive Rental Revenue to Rental Days Ratio; (C) the Rental Transactions to Full-Time Equivalents Ratio; or (D) Rental Transactions;

(j) Seller Parties shall not have entered into definitive agreements satisfactory in substance and form to Buyer (including, but not limited to, with respect to the ability of Buyer to prepay all amounts outstanding thereunder concurrently with the Closing without penalty, fee or breakage fee or similar payment or cost) with respect to each of the Ford MV Lease by August 30, 2002 or any of the orders entered by the Bankruptcy Court in connection with the DIP Financing, the DIP Asset-Backed Fleet Financing, the DIP

L/C Rollover or the Ford Line of Credit shall not be reasonably satisfactory in substance and form to Buyer; PROVIDED, HOWEVER, that if Seller Parties enter into the documents attached as SCHEDULE 8.2(j) with respect to the Ford MV Lease by August 30, 2002, the definitive documentation with respect thereto shall be deemed satisfactory in substance and form to Buyer;

(k) TFFC, Budget Funding Corporation or BGI Leasing, Inc. shall commence a voluntary bankruptcy, reorganization, arrangements, insolvency or liquidation proceeding or any other proceeding under any federal or state bankruptcy or similar law; or an involuntary bankruptcy, insolvency or liquidation proceeding or any other proceeding under any federal or state bankruptcy or similar law case is commenced against any of TFFC, Budget Funding Corporation or BGI Leasing, Inc. and the petition is not controverted within 10 days, or is not dismissed within 30 days, after commencement of the case; or

(l) any event of default or amortization event under or relating to any of the DIP Financing, the DIP L/C Rollover, the DIP Asset-Backed Fleet Financing, the Additional DIP Asset-Backed Fleet Financing or the Ford Line of Credit shall have occurred and be continuing, to the extent (A) in the case of the DIP Financing and the DIP L/C Rollover, the amounts due

under the DIP Financing on the DIP L/C Rollover, as the case may be, have become due and payable prior to the stated maturity thereof (based on the original amortization or repayment schedule) and (B) in the case of the DIP Asset-Backed Fleet Financing, the Additional DIP Asset-Backed Fleet Financing or the Ford Line of Credit, any action is taken to terminate the related vehicle lease agreements.

If Buyer elects to terminate this Agreement pursuant to (i) SECTION 8.3(e), it must do so on or before the tenth Business Day after the later of (A) October 28, 2002 and (B) the date upon which a 363 order not complying with the requirements of this Agreement is entered or (ii) SECTION 8.3(i), it must do so, with respect to each Testing Period, within ten Business days after Buyer receives the last report required to be delivered pursuant to SECTION 5.1(aa)(ix) for such Testing Period. If Buyer fails to terminate this Agreement (A) pursuant to SECTION 8.3(e) by the date set forth in clause (i) above, Buyer shall not thereafter be entitled to terminate this Agreement pursuant to SECTION 8.3(e) or (B) pursuant to SECTION 8.3(i) by the date set forth in clause (ii) above, Buyer shall not thereafter be entitled to terminate this Agreement pursuant to SECTION 8.3(i) as a result of Seller Parties failure to satisfy the requirements of SECTION 8.3(i) for the applicable Testing Period.

Section 8.4 TERMINATION BY SELLER PARTIES. This Agreement may be terminated prior to the Closing Date by Seller Parties if:

(a) there has been a breach by Buyer or Parent of any representation or warranty contained in this Agreement which breach is not curable or, if curable, is not cured within ten days after written notice of such breach given by Seller Parties to Buyer or Parent, as the case may be, and which has caused or could reasonably be expected to cause the condition set forth in SECTION 7.3(a) not to be satisfied;

(b) there has been a breach by Buyer or Parent of any of the covenants or agreements contained in this Agreement, which breach is not curable or, if curable, is not cured within ten days after written notice of such breach given by Seller Parties to Buyer or Parent, as the case may be;

(c) any Seller Party enters into a binding commitment with respect to, or consummates, an Alternative Transaction; or

(d) (i) the 363 Order and the 365 Order shall have been entered on or before October 28, 2002, but shall not have become Final Orders by the Final Order Deadline, (ii) Seller Parties have requested in writing that Buyer waive its right to terminate this Agreement under SECTION 8.3(f) (which request shall not be made (or if made, shall not be effective) until the later of entry of (A) the 363 Order and the 365 Order and (B) any order disposing of a motion under Fed. R. Bankr. P. 7052, 9023 or 9024 relating to the 363 Order and the 365 Order) and (iii) Buyer has refused or failed to waive its right to terminate this Agreement under SECTION 8.3(f) within 30 days of receiving the request referred to in clause (ii) above.

Section 8.5 EFFECT OF TERMINATION. In the event of termination of the Agreement pursuant to this ARTICLE 8, written notice thereof shall as promptly as practicable be given to the other parties to this Agreement, and this Agreement shall terminate and the transactions

contemplated hereby shall be abandoned, without further action by any of the parties hereto. If this Agreement is terminated as provided herein (a) there shall be no liability or obligation on the part of Seller Parties, Buyer or

their respective officers and directors, and all obligations of the parties shall terminate, except for the obligations of the parties pursuant to this SECTION 8.5 and SECTIONS 5.13, 8.6, 9.3, 9.7, 9.10, 9.11 and 9.14; PROVIDED, HOWEVER, that notwithstanding the foregoing or any other provision hereof, a party that is in breach of its representations, warranties, covenants or agreements set forth in this Agreement shall be liable for all damages caused by such breach, including, without limitation, any expenses incurred by the other party in connection with this Agreement and the transactions contemplated hereby; and PROVIDED, FURTHER, Buyer's right to damages from Seller Parties hereunder shall be limited to the Termination Amount (or appropriate percentage thereof) and shall constitute liquidated damages and (b) all filings, applications and other submissions made pursuant to the transactions contemplated by this Agreement shall, to the extent practicable, be withdrawn from the Governmental Body or Person to which made.

Section 8.6 EXPENSES; TERMINATION AMOUNT.

(a) Subject to SECTION 2.5(a)(vi), costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such cost or expense.

(b) If this Agreement is terminated, Seller Parties, jointly and severally, shall pay in cash to Buyer as a termination fee and/or as liquidated damages, the applicable percentages set forth below of an amount equal to $15,000,000 (the "TERMINATION AMOUNT"):

(i) upon termination of this Agreement pursuant to SECTIONS 8.3(a), 8.3(b), 8.3(d), 8.3(g), or 8.4(c), Seller Parties shall pay to Buyer an amount equal to (A) 23.34% of the Termination Amount (i.e., $3,500,000) within two Business Days of such termination and (B) 76.66% of the Termination Amount (i.e., $11,500,000) on or before the earlier of (x) the date of closing of Alternative Transaction (if any) and (y) the sixth month anniversary of the termination of this Agreement; PROVIDED, HOWEVER, that: (i) notwithstanding the foregoing if Buyer terminates this Agreement pursuant to SECTION 8.3(a), Buyer's recovery shall be limited to 23.34% of the Termination Amount (i.e., $3,500,000) if and only if (A) the breaches of representations and warranties by Seller Parties giving rise to such termination do not, individually or in the aggregate with all other breaches of representations and warranties by Seller Parties under this Agreement, constitute or have a Material Adverse Effect, (B) the representations or warranties of Seller Parties whose breach gives rise to the termination were true and correct (to the extent that the condition set forth in SECTION 7.2(a) was satisfied on the date of this Agreement) when first given or made, (C) such representations and warranties of Seller Parties have become untrue or incorrect (to the extent Buyer has a termination right under SECTION 8.3(a)) solely as a result of an event(s) or occurrence(s) which was and is outside the control of, and which was not and is not caused by or remediable by, any of Seller Parties or their Affiliates and (D) Seller Parties have not breached any of their covenants in any material respect; (ii) if Buyer terminates this Agreement pursuant to SECTION 8.3(b), Buyer's recovery shall be limited to 23.34% of the Termination Amount (i.e., $3,500,000) if but only if the breaches giving rise to such termination do not, individually

or in the aggregate with all other breaches by Seller Parties under this Agreement, constitute or have (A) a Material Adverse Effect, (B) a material adverse effect on the value to Buyer of the Acquired Business or the Acquired Assets or of the transactions contemplated hereby or (C) a material adverse effect on consummation of the transactions contemplated hereby on a timely basis; and (iii) if this Agreement is terminated pursuant to SECTION 8.3(d)(ii) or SECTION 8.3(g), Buyer's recovery shall be limited to 23.34% of the Termination Amount (i.e., $3,500,000) unless an Alternative Transaction closes on or before (A) six months after the termination of this Agreement pursuant to SECTION 8.3(d)(ii) or (B) one year after the termination of this Agreement pursuant to SECTION 8.3(g), in which case the remaining 76.66% (i.e., $11,500,000) shall be due on the date of closing of such Alternative Transaction, without any need of written demand therefor by Buyer; and

(ii) upon termination of this Agreement pursuant to SECTIONS 8.2(a) (if any of Seller Parties is the terminating party), 8.3(c), 8.3(e), 8.3(f), 8.3(h), 8.3(j), 8.3(k) or 8.3(l) Seller Parties shall pay to Buyer 23.34% of the Termination Amount (i.e., $3,500,000) within two Business Days of such termination; PROVIDED, HOWEVER, that if Buyer terminates this Agreement pursuant to SECTION 8.3(e), Buyer shall not be entitled to any portion of the Termination Amount if by October 23, 2002 Seller Parties shall have notified Buyer in writing of their desire to extend the October 28, 2002 deadline set forth in SECTION 8.3(e) to and including November 28, 2002 and Buyer terminates this Agreement pursuant to SECTION 8.3(e) prior to November 28, 2002; PROVIDED, FURTHER, that if (A) Buyer terminates this Agreement pursuant to SECTION 8.3(e), and (B) any of Seller Parties obtains approval of Bankruptcy Court for an Alternative Transaction within 275 days of the termination of this Agreement pursuant

to Section 8.3(e) and (C) a proposal for the Alternative Transaction so approved was in existence prior to such termination, then Seller Parties shall pay to Buyer an additional amount in cash equal to 76.66% of the Termination Amount (i.e., $11,500,000) on the date of closing of such Alternative Transaction, without need of any written demand therefor by Buyer.

For purposes of clauses (i) and (ii) of this SECTIONS 8.6(b), the closing of an Alternative Transaction shall be deemed to occur on the earliest of (i) the date any payment in respect thereof or relating thereto is made, (ii) the date on which any asset or property is transferred, conveyed, assigned or leased pursuant thereto, (iii) the date on which any Equity Securities are issued pursuant thereto and (iv) the date of substantial consummation of any plan of reorganization or liquidation.

(c) No portion of the Termination Amount shall be payable to Buyer if (i) this Agreement is terminated (A) pursuant to SECTIONS 8.1 or (B) because the necessary approvals under the applicable Competition Law relating to the transactions contemplated by this Agreement or the Ancillary Documents have been denied and (ii) no event has occurred (or failed to occur) which has or could at the time of the termination described in clause (B) above, form the basis for termination of this Agreement by Buyer under any other provision of this Agreement.

(d) If Buyer terminates or is entitled to terminate this Agreement pursuant to more than one Section of this Agreement, Buyer shall be entitled to receive from Seller Parties

an amount equal to the highest percentage of the Termination Amount prescribed by all such Sections.

(e) The obligations of Seller Parties to pay the Termination Amount as provided herein shall be, pursuant to section 364(c) of the Bankruptcy Code, entitled to administrative expense status with priority over any and all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code in each of the Chapter 11 Cases and senior to all other superpriority administrative expenses in such cases, except any superpriority administrative expenses granted pursuant to the interim orders of the Bankruptcy Court dated August 5, 2002 or to be granted pursuant to Final Orders of the Bankruptcy Court, authorizing and approving the DIP Financing and the DIP L/C Rollover.

(f) Seller Parties agree and acknowledge that Buyer's due diligence, efforts, negotiation and execution of this Agreement have involved substantial investment of management time and have required significant commitment of financial, legal and other resources by Buyer and its Affiliates and that such due diligence, efforts, negotiation and execution have provided value to Seller Parties.

ARTICLE 9
MISCELLANEOUS PROVISIONS

Section 9.1 NON-SURVIVAL OF REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS. The representations and warranties of and covenants to be performed on or prior to the Closing by Seller Parties, Parent and Buyer set forth in this Agreement or any document or instrument delivered pursuant hereto shall not survive the Closing.

Section 9.2 GUARANTEE BY PARENT. Parent hereby guarantees the performance of all the obligations of Buyer contained in this Agreement (other than with respect to the assumption of the Assumed Liabilities, other than under the Amended and Restated Credit Agreement, the DIP Financing and the DIP L/C Rollover).

Section 9.3 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt if (i) mailed by certified or registered mail, return receipt requested, postage prepaid (ii) sent by express carrier, fee prepaid, (iii) sent via facsimile with receipt confirmed or (iv) delivered personally, addressed as follows or to such other address or addresses of which the respective party shall have notified the other.

(a) If to Seller Parties, to:

Budget Group, Inc.
4225 Naperville Road
Lisle, IL 60532
Fax: (630) 955-7517
Attention: General Counsel

with a copy to

Sidley Austin Brown & Wood

Bank One Plaza
10 S. Dearborn Street
Chicago, IL 60603
Fax: (312) 853-7036
Attention: Larry J. Nyhan, Esq.

If to Buyer, to:

Cendant Corporation
Six Sylvan Way
Parsippany, NJ 07054
Fax: (973) 496-5335
Attention: General Counsel

and

9 West 57th Street, 37th Floor
New York, NY 10019
Fax: (212) 413-1800

with a copy to

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Fax: (212) 735-2000
Attention: David Fox, Esq. and Alesia Ranney-Marinelli, Esq.

Section 9.4 BULK SALES LAWS. Each Seller Party each hereby waives compliance by each such party with the provisions of the "bulk sales," "bulk transfer" or similar laws of any state.

Section 9.5 AMENDMENT OF AGREEMENT. This Agreement may be amended with respect to any provision contained herein at any time by action of the parties hereto; PROVIDED, HOWEVER, that such amendment shall be evidenced by a written instrument duly executed on behalf of each party by its duly authorized officer or employee.

Section 9.6 ENTIRE AGREEMENT. The agreement of the parties, which consists of this Agreement, the Schedules and Exhibits hereto and the documents referred to herein, sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement including the Confidentiality Agreement.

Section 9.7 ASSIGNMENT. This Agreement and the rights and obligations of the parties hereunder may not be assigned by any party hereto without the other parties' written consent; PROVIDED, HOWEVER, that (i) Buyer may assign any or all of its rights and obligations to a direct or indirect wholly-owned Subsidiary of Parent (PROVIDED that no such assignment shall relieve

Buyer of its obligations under this Agreement) and (ii) Seller may assign any or all of its rights to a successor or assignee of all or part of the Retained Business. Any assignment in violation of this SECTION 9.7 shall be null and void.

Section 9.8 PARTIES IN INTEREST; NO THIRD PARTY BENEFICIARIES. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Buyer and Seller Parties, and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 9.9 SEVERABILITY. The provisions of this Agreement are severable, and if any one or more provisions are deemed illegal or unenforceable the remaining provisions shall remain in full force and effect unless the deletion of such provision shall cause this Agreement to become materially adverse to Buyer on the one hand or Seller Parties on the other hand, in which event the parties shall use reasonable best efforts to arrive at an accommodation that best preserves for the parties the benefits and obligations of the offending provision.

Section 9.10 GOVERNING LAW; CONSENT TO JURISDICTION. Except to the extent the mandatory provisions of the Bankruptcy Code apply, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable hereto. The parties agree that, except as provided herein without limitation of any party's right to appeal any order of the Bankruptcy Court, (a)

the Bankruptcy Court shall retain jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated herein; and (b) any and all Actions or causes of action relating to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent and submit to the jurisdiction of the Bankruptcy Court.

Section 9.11 WAIVER OF JURY TRIAL. The parties hereto hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to the Agreement and the agreements entered into in connection herewith and any amendment, waiver, consent or other document that amends, waives, supplements or otherwise modifies the Agreement or any of the agreements entered into in connection herewith and therewith.

Section 9.12 EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 9.13 PUBLIC ANNOUNCEMENT. Prior to the signing of this Agreement, Seller Parties, Parent and Buyer shall prepare a mutually agreeable release announcing the transaction contemplated hereby. Except for such press release, none of Seller Parties, Parent or Buyer shall, without the approval of the other, make any press release or other announcement concerning the existence of this Agreement or the terms of the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by Law, in which case the other parties shall be advised and the parties shall use their reasonable best efforts

to cause a mutually agreeable release or announcement to be issued; PROVIDED, HOWEVER, that the foregoing shall not preclude communications or disclosures necessary to comply with accounting, stock exchange or federal securities Law disclosure obligations.

Section 9.14 NO STRICT CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement. Consequently, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall each be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 9.15 DISCLAIMER OF WARRANTIES. EXCEPT AS TO THOSE MATTERS EXPRESSLY COVERED BY THE REPRESENTATIONS AND WARRANTIES IN THIS AGREEMENT, SELLER PARTIES ARE SELLING THE ACQUIRED ASSETS ON AN "AS IS, WHERE IS" BASIS AND SELLER PARTIES DISCLAIM ALL OTHER WARRANTIES, REPRESENTATIONS AND GUARANTIES WHETHER EXPRESS OR IMPLIED, SELLER PARTIES MAKE NO REPRESENTATION OR WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AND NO IMPLIED WARRANTIES WHATSOEVER. Parent and Buyer acknowledge that neither Seller Parties nor any of its Affiliates or representatives or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any memoranda, charts, summaries or schedules heretofore made available by Seller Parties or their Affiliates or representatives to Parent or Buyer or any other information that is not included in this Agreement, the Exhibits and Schedules attached hereto or the Seller Parties Disclosure Schedule, and neither Seller Parties nor any of their Affiliates or Representatives or any other Person will have or be subject to any liability to Parent, Buyer, any Affiliate of Parent or Buyer or any other Person resulting from the distribution of any such information to, or use of any such information by, Parent, Buyer, any Affiliate of Parent or Buyer or any of their Representatives; PROVIDED, HOWEVER, that the foregoing shall in no manner limit the rights of Buyer hereunder (in particular under ARTICLE 8).

Section 9.16 EFFECT OF INVESTIGATION. No investigation conducted by Parent, Buyer, any of their Affiliates and any of their Representatives made heretofore or hereafter shall affect the representations and warranties of Seller Parties which are contained herein.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each party has caused this Asset and Stock Purchase Agreement to be duly executed on its behalf by its duly authorized officer as of the date first written above.

BUDGET GROUP, INC.

By: /s/ Sanford Miller

Name:
Title:

CHEROKEE ACQUISITION CORPORATION

By: /s/ Eric J. Bock

Name: Eric J. Bock
Title: Executive Vice President and
Corporate Secretary

CENDANT CORPORATION

By: /s/ Eric J. Bock

Name: Eric J. Bock
Title: Executive Vice President and
Corporate Secretary

BGI AIRPORT PARKING, INC.

By: /s/ Sanford Miller

Name:
Title:

BGI SHARED SERVICES, INC.

By: /s/ Sanford Miller

Name:
Title:

BGI SHARED SERVICES, LLC

By: /s/ Sanford Miller

Name:
Title:

VEHICLE RENTAL ACCESS COMPANY, LLC

By: /s/ Sanford Miller

Name:
Title:

PREMIER CAR RENTAL LLC

By: /s/ Sanford Miller

Name:
Title:

AUTO RENTAL SYSTEMS, INC.

By: /s/ Sanford Miller

Name:
Title:

RYDER TRS, INC.

By: /s/ Sanford Miller

Name:
Title:

RYDER MOVE MANAGEMENT, INC.

By: /s/ Sanford Miller

Name:
Title:

MASTERING THE MOVE REALTY, INC.

By: /s/ Sanford Miller

Name:
Title:

THE MOVE SHOP, INC.

By: /s/ Sanford Miller

Name:
Title:

RYDER RELOCATION SERVICES, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET STORAGE CORPORATION

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT A CAR CORPORATION

By: /s/ Sanford Miller

Name:
Title:

CONTROL RISK CORPORATION

By: /s/ Sanford Miller

Name:
Title:

PHILIP JACOBS INSURANCE AGENCY, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT-A-CAR INTERNATIONAL, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET CAR SALES, INC.

By: /s/ Sanford Miller

Name:
Title:

TCS PROPERTIES, LLC

By: /s/ Sanford Miller

Name:
Title:

IN MOTORS VI, LLC

By: /s/ Sanford Miller

Name:
Title:

VALCAR RENTAL CAR SALES, INC.

By: /s/ Sanford Miller

Name:
Title:

DIRECTORS ROW MANAGEMENT
COMPANY, LLC

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF SOUTHERN
CALIFORNIA, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF SAN DIEGO, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF RICHMOND, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF PHILADELPHIA, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF DAYTON, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM CAR SALES OF CHARLOTTE, INC.

By: /s/ Sanford Miller

Name:
Title:

WARREN WOOTEN FORD, INC.

By: /s/ Sanford Miller

Name:
Title:

PAUL WEST FORD, INC.

By: /s/ Sanford Miller

Name:
Title:

CARSON CHRYSLER PLYMOUTH DODGE
JEEP EAGLE, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET SALES CORPORATION

By: /s/ Sanford Miller

Name:
Title:

RESERVATION SERVICES, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM REALTY SERVICES, INC.

By: /s/ Sanford Miller

Name:
Title:

TEAM HOLDINGS CORPORATION

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT-A-CAR SYSTEMS, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET -RENT-A-CAR OF ST. LOUIS, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET -RENT-A-CAR OF THE MIDWEST, INC.

By: /s/ Sanford Miller

Name:
Title:

BVM, INC.

By: /s/ Sanford Miller

Name:
Title:

DAYTON AUTO LEASE COMPANY, INC.

By: /s/ Sanford Miller

Name:
Title:

MOSIANT CAR SALES, INC.

By: /s/ Sanford Miller

Name:
Title:

NYRAC INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT A CAR CARIBE CORPORATION

By: /s/ Sanford Miller

Name:
Title:

BUDGET FLEET FINANCE CORPORATION

By: /s/ Sanford Miller

Name:
Title:

TRANSPORTATION AND STORAGE ASSOCIATES

By: /s/ Sanford Miller

Name:
Title:

BRAC CREDIT CORPORATION

By: /s/ Sanford Miller

Name:
Title:

TEAM FLEET SERVICES CORPORATION

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT A CAR ASIA-PACIFIC, INC.

By: /s/ Sanford Miller

Name:
Title:

BUDGET RENT A CAR OF JAPAN, INC.

By: /s/ Sanford Miller

Name:
Title:

EXHIBIT 10.72

FIRST AMENDMENT TO
ASSET AND STOCK PURCHASE AGREEMENT

FIRST AMENDMENT TO ASSET AND STOCK PURCHASE AGREEMENT, dated as of September 10, 2002 (the "FIRST AMENDMENT"), by and among Budget Group, Inc., a Delaware corporation ("SELLER"), the Subsidiaries of Seller listed on SCHEDULE 1 (collectively with Seller, "SELLER PARTIES"), Cendant Corporation, a Delaware corporation ("PARENT"), and Cherokee Acquisition Corporation, a Delaware corporation ("BUYER").

WHEREAS, Parent, Cherokee and Seller Parties have entered into the Asset and Stock Purchase Agreement, dated as of August 22, 2002 (the "PURCHASE AGREEMENT"); and

WHEREAS, Parent, Cherokee and Seller Parties desire to amend the Purchase Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

1. DEFINED TERMS. Capitalized terms used but not defined in this First Amendment shall have the respective meanings assigned thereto in the Purchase Agreement.

2. AMENDMENT TO THE PURCHASE AGREEMENT.

(a) The definition of the term "Cash Purchase Price" in SECTION 1.1 OF THE PURCHASE AGREEMENT is hereby amended by replacing "$107,500,000" with "$110,000,000."

(b) SECTION 2.5(a)(vi) OF THE PURCHASE AGREEMENT is hereby amended by adding", or on account of the fees and expenses, including the fees and expenses of attorneys and professionals, of the Indenture Trustees of (i) the 9 1/8% Senior Notes Due 2006, (ii) the 6.85% Convertible Subordinated Notes, Series B, Due 2007 and (iii) the Remarketable Term Income Deferrable Equity Securities Due 2028" after the words "Additional DIP Asset-Backed Financing" in the fourteenth line thereof.

(c) SECTION 8.6(b)(i) OF THE PURCHASE AGREEMENT is hereby amended by adding the following proviso at the end of such Section:

"; PROVIDED, FURTHER, that if Buyer terminates this Agreement pursuant to SECTIONS 8.3(a) or 8.3(b) and Buyer's recovery is not limited to $3,500,000 by virtue of the immediately preceding proviso (i) or (ii) above, Buyer shall be entitled to receive (A) 23.34% of the Termination Amount (I.E., $ 3,500,000) within two Business Days of such termination and (B)

76.66% of the Termination Amount (I.E., $11,500,000) upon the closing of an Alternative Transaction or (C) if no Alternative Transaction closes, such additional amount, not to exceed $11,500,000, as the Bankruptcy Court determines pursuant to a Final Order compensates Buyer and Parent for their reasonable pre-Petition and post-Petition attorneys', accountants' and financial advisors' fees and expenses) incurred in connection with the transaction contemplated by this Agreement (including their due diligence with respect to the Debtors, the Acquired Assets and the Assumed Liabilities, the drafting and negotiation of this Agreement (including the schedules and exhibits hereto and the Seller Parties Disclosure Schedule) and the Ancillary Agreements), such reasonableness to be determined from the point of view of a reasonable potential buyer of the Acquired Business after taking into account the actual payment of the $3,500,000 referred to above."

3. CONTINUING EFFECT OF PURCHASE AGREEMENT. Except as specifically amended pursuant to this First Amendment, the provisions of the Purchase Agreement are and shall remain in full force.

4. COUNTERPARTS. This First Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and the executed counterparts taken together shall be deemed to be one originally executed document.

5. GOVERNING LAW. Except to the extent the mandatory provisions of the Bankruptcy Code apply, this First Amendment shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable

hereto.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Parent, Cherokee and Seller Parties have caused this First Amendment to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

BUDGET GROUP, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

CHEROKEE ACQUISITION CORPORATION

By: /s/ Eric J. Bock

Name: Eric J. Bock
Tile: Secretary

CENDANT CORPORATION

By: /s/ Eric J. Bock

Name: Eric J. Bock
Title: Executive Vice President, Law and Corporate Secretary

BGI AIRPORT PARKING, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BGI SHARED SERVICES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BGI SHARED SERVICES, LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

VEHICLE RENTAL ACCESS COMPANY, LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

PREMIER CAR RENTAL LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

AUTO RENTAL SYSTEMS, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

RYDER TRS, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

RYDER MOVE MANAGEMENT, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
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MASTERING THE MOVE REALTY, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

THE MOVE SHOP, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

RYDER RELOCATION SERVICES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET STORAGE CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT A CAR CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

CONTROL RISK CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

PHILIP JOCOBS INSURANCE AGENCY, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT-A-CAR INTERNATIONAL, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET CAR SALES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TCS PROPERTIES, LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

IN MOTORS VI, LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

VALCAR RENTAL CAR SALES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

DIRECTORS ROW MANAGEMENT COMPANY, LLC

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF SOUTHERN CALIFORNIA, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF SAN DIEGO, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF RICHMOND, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF PHILADEPHIA, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF DAYTON, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM CAR SALES OF CHARLOTTE, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

WARREN WOOTEN FORD, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

PAUL WEST FORD, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

CARSON CHRYSLER PLYMOUTH DODGE JEEP EAGLE, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET SALES CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

RESERVATION SERVICES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM REALTY SERVICES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM HOLDINGS CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT-A-CAR SYSTEMS, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET-RENT-A-CAR OF ST.LOUIS, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUNGET-RENT-A-CAR OF THE MIDWEST, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BVM, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

DAYTON AUTO LEASE COMPANY, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

MOSIANT CAR SALES, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

NYRAC INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT A CAR CARIBE CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET FLEET FINANCE CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TRANSPORTATION AND STORAGE ASSOCIATES

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BRAC CREDIT CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

TEAM FLEET SERVICES CORPORATION

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT A CAR ASIA-PACIFIC, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

BUDGET RENT A CAR OF JAPAN, INC.

By: /s/ Robert L. Aprati

Name: Robert L. Aprati
Title: Executive Vice President

EXHIBIT 10.73

AMENDED AND EXTENDED EMPLOYMENT AGREEMENT

This Amended and Extended Employment Agreement ("Agreement") dated as of July 1, 2002 (the "Effective Date"), by and between Cendant Corporation, a Delaware corporation (the "Company"), and Henry R. Silverman (the "Executive").

WHEREAS, the Executive has served as the Chairman of the Board and Chief Executive Officer and President of the Company or its predecessors and currently serves as such pursuant to an employment agreement that has been amended over the years to reflect the growth of the Company and the Executive's expanded responsibilities and duties (the "Prior Agreement"):

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that the Executive's contribution to the growth and success of the Company has been substantial and that the size and scope of the Company's operations have expanded significantly in recent years requiring increased executive management oversight and additional responsibilities for the Executive; and

WHEREAS, the Board and the Executive desire to further amend and restate the Executive's employment agreement to extend the term of employment of the Executive and to provide the Executive with employment arrangements with the Company in the best interests of the Company and its stockholders and the Executive is willing to commit himself to serve the Company on the terms and conditions herein provided, which terms and conditions shall be considered for all purposes an extension of the Executive's Prior Agreement.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the terms and conditions set forth below.

1. TERM OF EMPLOYMENT. The employment of the Executive by the Company pursuant to this Agreement shall begin as of the Effective Date and shall end on December 31, 2012, subject to earlier termination as provided herein (the "Expiration Date") (such period from the Effective Date to the Expiration Date, the "Term").

2. POSITION AND DUTIES. During the Term the Executive shall serve as Chairman of the Board and Chairman of the Executive Committee and President and Chief Executive Officer of the Company and shall report solely and directly to the Board. During the Term, the Executive shall at all times be the senior-most officer of the Company, with the duties, responsibilities and authority commensurate with chief executive officers of public entities of similar size, and in any case consistent with such duties, responsibilities and authority as have heretofore been his as Chairman and CEO. The Executive shall devote such time and effort as may be necessary and appropriate from time to time in the circumstances for the proper discharge of his duties and obligations under the Agreement.

3. PLACE OF PERFORMANCE. In connection with the Executive's employment, the Company shall continue to provide him with an office, office furniture and office staff of his selection in midtown Manhattan of the New York City metropolitan area at the same level as currently provided for, which office shall continue to be his base of operations, except to the extent that the Executive may, at his election, render his services from other locations, and except for required travel on the Company's business. The Company shall pay all the

Executive's reasonable business expenses which relate to the Company at such Manhattan location.

4. COMPENSATION AND RELATED MATTERS. (a) SALARY. During the Term, the Company shall pay the Executive an annual base salary at a rate of $3,300,000 per year, such salary to be paid in substantially equal semi-monthly or bi-weekly installments. Such annual salary shall be increased on each January 1, commencing January 1, 2003, during the Term (an "Adjustment Date") as follows: if the "Consumer Price Index" for the calendar month immediately preceding the applicable Adjustment Date shall exceed the Consumer Price Index for the corresponding month during the prior year, then such salary (as previously adjusted) shall be determined by multiplying the amount of such salary (as previously adjusted) by a fraction, the numerator of which shall be the Consumer Price Index for the calendar month immediately preceding the applicable Adjustment Date, and the denominator of which shall be the Consumer Price Index for the applicable month during the prior year. Each adjustment shall be made as promptly as practicable after publication of the Consumer Price Index for the month immediately preceding the applicable Adjustment Date. Immediately after such publication, the Company shall pay to the Executive such additional amount as shall be required to bring the aggregate of the semimonthly installments of the then current annual salary paid to the Executive on and after the applicable Adjustment Date up to the total dollar amount required by reason of such adjustment; thereafter, all monthly installments of the adjusted annual salary for the balance of the 12 months shall be made at the newly adjusted rate. In no event shall such annual salary (as previously adjusted) be decreased to reflect a decline in the Consumer Price Index. As used in this Agreement, "Consumer Price Index" shall mean the Consumer Price Index, Urban Wage Earners and Clerical Workers, Northeast Urban Size A, published by the Bureau of Labor Statistics of

the United States Department of Labor. The applicable number in such Index, for purposes of this Agreement, shall be the number for "All Items" (which number for the month of March 2002 was 183.6). In the event a substantial change is made with respect to the information used to determine the Consumer Price Index, or in the event another publication is used because the Consumer Price Index is not published, appropriate adjustment shall be made in the corresponding numbers for prior periods so that after such adjustment the same result will be produced as would have resulted had there been no such change in the Consumer Price Index or had it continued to be published. Notwithstanding the foregoing, the Board may, during the Term, increase (but not decrease) the Executive's annual base salary from what would otherwise be payable hereunder.

(b) EXPENSES. During the Term, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by him in performing services hereunder, including first-class travel accommodations (air and lodging) for business-related travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company and approved by the Board. The Company shall provide the Executive with a car and driver. So long as the Company is in the car rental or car leasing business, the Company shall also continue to arrange to provide the Executive, in a manner consistent with past practice prior to the execution of this Agreement, access to and the use of "demonstration" and/or other vehicles used for product testing and evaluation at the Executive's request.

(c) OTHER BENEFITS. The Executive shall be entitled to participate in or receive benefits under any employee benefit plan, arrangement or perquisite made available by the

Company now or in the future to its senior- most management and key management employees, and nothing paid to the Executive under any plan, arrangement or perquisite presently in effect or made available in the future shall be deemed to be in lieu of the salary and other compensation payable to the Executive pursuant to this Section 4. Any payments or benefits payable to the Executive hereunder in respect of any year during which the Executive is employed by the Company for less than the entire such year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such year during which he is so employed. Without limiting the generality of the foregoing, the compensation, benefits and perquisites provided pursuant to this paragraph (c) shall (i) in no event be less favorable than such compensation, benefits and perquisites provided to the Company's Chairman of the Board of Directors (at such times as the Executive is not serving in such capacity) or the Chief Executive Officer (at all other times during the term of employment hereunder), (ii) provide the Executive with a level of benefits and perquisites no less favorable than those that are made available to chief executive officers of other comparable public companies, (iii) be no less favorable than the highest level of compensation, benefits and perquisites provided to the Executive currently under the Prior Agreement, and (iv) include (A) use of an automobile driver and car service consistent with current practice as in effect prior to the execution of this Agreement and (B) priority use and scheduling of the Company aircraft as provided for in Section 4(h) below.

(d) INDEMNIFICATION. In addition to any indemnification provided by the Certificate of Incorporation or By-Laws of the Company or otherwise (the indemnification provisions of which shall not be amended in any way to limit or reduce the level or nature of indemnification available to the Executive as a Director or officer of the Company during the

Term from that in effect immediately prior to the execution of this Agreement), the Company shall indemnify and provide reasonable advances for expenses to the Executive, to the fullest extent permitted by the laws of the State of Delaware, if the Executive is made a party, or threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the Executive is or was an officer, director or employee of the Company or any subsidiary or affiliate thereof, in which capacity the Executive is or was serving at the Company's request, against expenses (including reasonable attorneys' fees and expenses), judgments, fines and amounts paid in settlement incurred by him in connection with such action, suit or proceeding. The Company shall at no cost to the Executive at all times include the Executive, during the Term and for so long thereafter as Executive may be subject to any such claim, as an insured under any directors' and officers' liability insurance policy maintained by the Company, which policy shall provide such coverage as the Board may deem appropriate (but in no event less than the coverage as in effect prior to the execution of this Agreement). Any payments under this provision which are treated as taxable income to the Executive (in accordance with IRS rules and regulations) shall be grossed up for tax purposes at the Executive's then applicable federal, state and local tax rate.

(e) BONUS. (i) In addition to the annual base salary provided for above in Section 4(a), the Company shall pay to the ----- Executive incentive compensation in an amount determined as follows (such amount, the "Annual Formula Bonus"):

(A) FOR FISCAL YEAR 2002 FROM JANUARY 1, 2002 THROUGH TO THE EFFECTIVE DATE:

The Company shall pay to the Executive an Annual Formula Bonus in an amount equal to seventy-five basis points (0.75%) of the Company's

Adjusted EBITDA (as defined below) for Fiscal Year 2002 determined through to the Effective Date; PROVIDED, HOWEVER, that such bonus payment shall in no event exceed 150% of the pro rated annual base salary payable to the Executive through to the Effective Date.

(B) FOR FISCAL YEAR 2002 FROM THE EFFECTIVE DATE THROUGH TO THE END OF FISCAL YEAR 2002 AND EACH FISCAL YEAR THEREAFTER

The Company shall pay to the Executive an Annual Formula Bonus for any particular fiscal year (or part thereof) during the Term equal to the product of (I) sixty basis points (0.60%) multiplied by (II) the Company's Adjusted Pre-Tax Income (as defined below) for such fiscal year (or part thereof, and in the case of Fiscal Year 2002 Adjusted Pre-Tax Income shall be determined from the Effective Date through the end of Fiscal Year 2002); PROVIDED, HOWEVER, that such bonus payment shall in no event exceed the product of (x) $100,000 multiplied by (y) each penny of the Company's Adjusted Diluted Earnings Per Share (as defined below) for such fiscal year (or part thereof, and in the case of Fiscal Year 2002 Adjusted Diluted Earnings Per Share shall be determined from the Effective Date through the end of Fiscal Year 2002).

(ii) The aggregate Annual Formula Bonus due the Executive for Fiscal Year 2002 shall be the sum of the Fiscal Year 2002 bonus calculations provided for in subclauses (e)(i)(A) and (e)(i)(B) above.

(iii) For purposes of this Agreement:

"Adjusted EBITDA" shall mean the Company's earnings before interest, taxes, depreciation and amortization for any applicable fiscal year as

reflected on the Company's audited consolidated statements of income, but (A) adjusted for any extraordinary gains or losses or items of a non-recurring nature to the extent such may have otherwise been reflected in the Company's audited financial statements and any acquisition and integration costs arising in connection with or otherwise related to acquisitions or mergers undertaken by the Company and (B) including any budgeted EBITDA for the applicable fiscal year (or part thereof) attributable to any business division, unit or operation that was sold, transferred, spun-off, or otherwise disposed of during such fiscal year; "Adjusted Pre-Tax Income" shall mean the Company's income before taxes for any applicable fiscal year as reflected on the Company's audited consolidated statements of income, as the same may be adjusted by the Company's auditors, and further adjusted for any extraordinary gains or losses or items of a non-recurring nature to the extent such may have otherwise been reflected in the Company's audited financial statements and any acquisition and integration costs arising in connection with or otherwise related to acquisitions or mergers undertaken by the Company; and "Adjusted Diluted Earnings Per Share" shall mean the Company's diluted earnings per share as reflected on the Company's quarterly and/or annual press releases as the same may be adjusted by the Company's auditors, and including adjustments for any extraordinary gains or losses (net of taxes, per diluted share) or items of a non-recurring nature (net of taxes, per diluted share) to the extent such may have otherwise been

reflected in the Company's audited financial statements and any acquisition and integration costs (net of taxes, per diluted share) arising in connection with or otherwise related to acquisitions or mergers undertaken by the Company to the extent such may have otherwise been reflected in the Company's audited financial statements and/or press releases.

(iv) The Annual Formula Bonus, with respect to any fiscal year of the Company, shall be paid to the Executive no later than ninety (90) days following the end of such fiscal year, or as soon as practicable thereafter if the amount of such Annual Formula Bonus cannot be determined by such date. Notwithstanding the foregoing, a prorated Annual Formula Bonus shall not be paid for a partial year if the Executive's employment is terminated for Cause pursuant to Section 6(a)(iii) or by a voluntary resignation pursuant to Section 6 (b).

(f) OPTIONS AND RESTRICTED STOCK. During the Term, the Board or the Compensation Committee of the Board may grant options or restricted stock to the Executive from time to time on a discretionary basis, on such terms and conditions as the Board or Committee deems appropriate; provided that to the extent the terms and conditions of this Agreement conflict with or are otherwise inconsistent with the terms and conditions of any such stock option, restricted stock or other equity based award plan (including but not limited to the provisions regarding accelerated vesting of options or lapsing of restrictions on restricted stock), the terms and conditions of this Agreement shall govern and prevail.

(g) LIFE INSURANCE BENEFITS. Subject to the terms and conditions of the Split-Dollar Agreements dated as of August 23, 2000 by and between the Company and the Executive and the Limited Collateral Assignments related thereto (the "Insurance Agreements"), the

Company shall maintain throughout the Term and following the termination or expiration of the Term for any reason and for the remainder of the Executive's life, one or more term life insurance policies on the life of the Executive in the aggregate face amount of $100 million. Any reference to the Executive's Amended and Restated Employment Agreement set forth in the Insurance Agreements shall be deemed to mean this Agreement. Nothing contained in this paragraph shall in any way reduce or alter the Executive's rights under the Insurance Agreements or reduce or alter the Company's obligations under the Insurance Agreements, including without limitation the Executive's right to name beneficiaries of the policies and the Company's obligation to make certain premium payments in respect of the policies. The Company represents and warrants that the terms of the Insurance Agreements are in conformance with the provisions of this Agreement.

(h) USE OF AIRCRAFT. In order to ensure the accessibility and safety of the Executive during the Term, the Executive shall have priority scheduling on Company aircraft used for business purposes and Executive shall be entitled to any other use of Company aircraft in accordance with Company practice. The Company also shall reimburse Executive for all costs associated with the Executive's use of aircraft in accordance with the Company's policies, whether the aircraft is being chartered or is Company-owed. Any payments under this provision which are to be treated as taxable compensation to the Executive (in accordance with IRS rules and regulations) shall be grossed up for tax purposes at the Executive's then applicable federal, state and local tax rate.

(i) REGISTRATION RIGHTS AND RELATED ASSISTANCE. During the Term and for so long thereafter as the Executive or his estate directly or indirectly own common stock, stock options or equity-based awards in the Company, (A) the Company shall file with the Securities

and Exchange Commission and thereafter maintain the effectiveness of one or more registration statements registering under the Securities Act of 1933, as amended (the "1933 Act"), the offer and sale of shares by the Company to Executive pursuant to stock options or other equity-based awards granted to Executive under Company plans or otherwise or, if shares are acquired by Executive in a transaction not involving an offer or sale to Executive but resulting in the acquired shares being "restricted securities" for purposes of the 1933 Act, registering the reoffer and resale of such shares by Executive, (B) the Executive shall have unlimited piggyback registration rights in connection with any proposed public offering by the Company (subject to any reasonable allocation requirements and/or restricted selling or blackout periods imposed by the Company or any applicable regulatory agency), and (C) to the extent the Executive (or his estate) determines to engage in an exempt sale of any common stock or other securities of the Company, the Company shall take all reasonable steps to cooperate with and assist the Executive (or his estate) in connection with such sale.

5. ADDITIONAL POTENTIAL COMPENSATION. Nothing in this Agreement shall prohibit the Compensation Committee of the Company's Board of Directors from awarding additional compensation to the Executive if, in its sole discretion, the Compensation Committee determines that such a payment is warranted based upon the Executive's performance.

6. TERMINATION. (a) The Executive's employment pursuant to this Agreement may be terminated by the Company only under the following circumstances:

(i) DEATH. The Executive's employment shall terminate upon his death. If the Executive's employment is terminated pursuant to this paragraph his estate or legal representative shall receive his accrued annual base salary through the date his employment is terminated, an Annual Formula Bonus prorated for the period

ending on the date his employment is terminated and any other earned and accrued, but otherwise unpaid amounts (including, without limitation, any then unpaid Annual Formula Bonus). In addition, the Executive's eligible dependants shall be entitled to continued Health and Welfare Coverage (as defined below) for the remainder of their lives at the prevailing contribution rates applicable to Company employees receiving such Health and Welfare Coverage.

(ii) DISABILITY. If, in the written opinion of a qualified physician selected by the Company and acceptable to the Executive (or the Executive's legal representative) the Executive shall become permanently and totally unable to perform his duties hereunder due to physical or mental illness, and has failed, because of such illness, to render, for at least six (6) consecutive months, services of the character contemplated by this Agreement, the Company may terminate the Executive's employment upon 30 days written notice to the Executive , and in such event, the Executive's employment with the Company shall terminate effective upon the 30th day after receipt of such notice (provided that the Executive shall not have returned to full-time performance prior to such time). If the Executive's employment is terminated pursuant to this paragraph, he shall receive a lump sum cash payment within 30 days of the date of termination in an amount equal to the sum of (A) the Executive's accrued and unpaid Base Salary through the date of termination and any earned but unpaid Annual Formula Bonus, (B) an Annual Formula Bonus for the fiscal year in which such termination occurred, prorated for the number of whole or partial months worked by the Executive in such year, but based upon the Company's then most current

financial forecast of pre-tax income for such fiscal year consistent with past practices, and (C) the greater of (I) the aggregate amount of Base Salary that would have been paid to the Executive for the remainder of the Term, assuming for purposes of this Section 6(a)(ii) that the Executive would have received for the remainder of the Term the highest annual Base Salary paid (or in the case of Base Salary due during the year of termination, payable) within five (5) years of the date of termination (the "Designated Base Salary"), or (II) the product of the Designated Base Salary multiplied by three (3); PROVIDED THAT the amount of any Base Salary payable hereunder shall be reduced by the sum of (x) amounts that have been paid to the Executive under any Company-sponsored disability plan providing disability benefits to the Executive with respect to the disability giving rise to the termination pursuant to this Section 6(a)(ii) ("Covered Disability Payment") and (y) the present value, calculated in a manner reasonably acceptable to the Executive, of any Covered Disability Payment to be paid to the Executive. In addition, the Executive and his eligible dependants shall be entitled to continued Health and Welfare Coverage (as defined below) for three (3) years after the date of his termination ("3-Year Benefit Plan Coverage"), after which the Executive (and his eligible dependants) shall be eligible for the lifetime benefits provided for under Section 6(vi) of this Agreement.

(iii) CAUSE. The Company may terminate the Executive's employment for Cause. As used in this Agreement, "Cause" shall mean: (A) the willful and continued failure by the Executive substantially to perform his duties hereunder (other than any such failure resulting from the Executive's incapacity due to physical or mental

illness) after written warning from the Board specifying in reasonable detail the breach(es) complained of; (B) fraud or willful misconduct that has a material detrimental effect upon the Company, as finally determined through arbitration or final judgment of a court of competent jurisdiction (which arbitration or judgment, due to the passage of time or otherwise, is not subject to further appeal); or (C) conviction of a criminal offense constituting a felony (which conviction, due to the passage of time or otherwise, is not subject to further appeal). For purposes of the foregoing, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act that is authorized by the Board or pursuant to the advice of counsel and that is undertaken by the Executive for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in the best interests of the Company. The Executive's employment shall not be deemed to have been terminated for Cause unless the Company shall have given or delivered to the Executive (I) reasonable notice setting forth the reasons for the Company's intention to terminate the Executive's employment for Cause, (II) an opportunity for the Executive to cure any such breach during the 30-day period after the Executive's receipt of such notice, (III) a reasonable opportunity, at any time during the 30-day period after the Executive's receipt of such notice, for the Executive, together with his counsel, to be heard before the Board, and (IV) a Notice of Termination (as defined below) stating that, in the good faith opinion of not less than 75% of the

disinterested Board members then in office, the Executive was guilty of the conduct set forth in clauses (A), (B) or (C) of the preceding sentence. For purposes of this Agreement, a "Notice of Termination" means a written notice which (x) indicates the specific termination provision of this Agreement relied upon, (y) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (z) specifies the termination date (which date shall be not less than ninety (90) days after the giving of such notice). On the termination date specified in a Notice of Termination duly delivered pursuant to this paragraph, the Executive's compensation and other benefits set forth in this Agreement (other than Section 4(d) and other than any compensation or benefit that shall have been earned or otherwise accrued but not been paid as of such date) shall terminate. For purposes of the foregoing, no certification by the Executive, as may be required by any governmental authority, of any periodic reports or other documentation filed by the Company under any applicable law, rule or regulation shall provide any basis for any alleged "Cause" hereunder so long as the Executive reasonably relied on the Company's disclosure and reporting procedures in connection with Executive's review of the periodic reports or other documentation underlying his certification and the Executive believed that his certification was accurate at the time made (such certification shall be referred to as a "Covered Certification").

(iv) GOOD REASON. The Executive may terminate his employment for "Good Reason." As used in this Agreement, "Good Reason" shall mean: (A) the failure to elect

and continue the Executive as Chairman of the Board and Chairman of the Executive Committee or to nominate the Executive for re-election as a member of the Board; (B) the assignment to the Executive of duties, authorities, responsibilities and reporting requirements inconsistent with his position, or if the scope of any of the Executive's material duties or responsibilities as Chief Executive Officer and President of the Company is reduced or expanded to a significant degree without the Executive's prior consent, except for any reduction in duties and responsibilities due to Executive's illness or disability and except in the event the Board shall determine that the Executive shall no longer serve the Company in the capacity of President and/or Chief Executive Officer but permits the Executive to continue to serve the Company in the capacity of Chairman of the Board of Directors and Chairman of the Executive Committee; (C) a reduction in or a substantial delay in the payment of the Executive's compensation or benefits from those required to be provided in accordance with the provisions of this Agreement; (D) a requirement by the Company or the Board, without the Executive's prior written consent, that the Executive be based in another location that is more than a 20-mile radius from the Executive's mid-town Manhattan offices as provided for under Section 3, other than on travel reasonably required to carry out the Executive's obligations under this Agreement; (E) the failure of the Company to indemnify the Executive (including the prompt advancement of expenses), or to maintain directors' and officers' liability insurance coverage for the Executive, in accordance with the provisions of Section 4(d) hereof; (F) the Company's purported termination of the Executive's employment for Cause other

than in accordance with the requirements of this Agreement; (G) a "Change of Control" as defined below shall have occurred; (H) the delivery to the Board of a written notice from the Executive stating that the Executive is unable to deliver a Covered Certification because either (I) the Company and/or its representatives have failed to cooperate or otherwise have prevented the Executive from completing such review as he deems necessary to deliver a Covered Certification or (II) the Company and/or its representatives have failed to address the Executive's reasonable concerns regarding the adequacy and completeness of the periodic reports or other documentation, or regarding the Company's disclosure or reporting procedures, as to which the Covered Certification relates, PROVIDED THAT in any such case the Board fails to cure to the Executive's satisfaction any of the matters addressed in subclauses (I) or (II) in a timely manner prior to when the Covered Certification would otherwise have been required to be filed; (I) the failure of any successor company to the Company to assume this Agreement in accordance with Section 9 hereof; and (J) any other breach by the Company of any provision of this Agreement. For purposes of this Agreement, "Change of Control" shall have the meaning set forth in the Company's 1993 Stock Option Plan as of the date hereof with respect to the definitions of a "Change-of-Control Transaction," subject to any subsequent modifications in such definitions that are more favorable to the Executive, PROVIDED THAT in any event "Change of Control" shall include the approval by the shareholders of the Company of any transaction or series of transactions under which the Company is merged or consolidated with any other company, other than a merger or consolidation (I) which would result in

the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (II) after which no person holds 20% or more of the combined voting power of the then-outstanding securities of the Company or such surviving entity.

(v) OTHER. If the Executive's employment is terminated by the Company, other than as set forth in paragraphs (i), (ii) or (iii) of this Section 6(a), or if the Executive terminates for Good Reason, then (A) the Company shall continue to make available to the Executive and his eligible dependants continued Health and Welfare Coverage (as defined below) until the later of the remainder of the Term or the 3-Year Benefit Plan Coverage period, unless the Executive shall theretofore deliver a written notice to the Company to the effect that he elects not to accept such other benefits (and provided that upon the expiration of this Agreement at the end of the Term, the Executive (and his eligible dependants) shall be entitled to the benefits set forth in Section 6(vi) hereof), (B) all stock options held by the Executive immediately prior to such termination, to the extent not theretofore fully vested and exercisable, shall become fully vested and exercisable and all shares of restricted stock held by the Executive immediately prior to such termination shall become fully vested and free of restrictions (PROVIDED THAT the vesting and exercisability of those stock options granted to the Executive on October 14, 1998 (the "1998 Option Grant") shall continue to be governed by the

operative terms of the Prior Agreement applicable to the 1998 Option Grant, and (C) the Company shall pay to the Executive, on the date of termination, a lump sum cash payment equal to the sum of (I) the Annual Formula Bonus pro rated through the date of termination (the "Accrued Bonus") plus (II) the product of (x) the sum of (1) the Executive's annual base salary (as in effect immediately prior to such termination) plus (2) the Annual Formula Bonus, multiplied by (y) the greater of (1) the number of years (including partial years) remaining in the Term (determined immediately prior to such termination) or (2) 2.99. (the amounts payable to the Executive pursuant to preceding subclauses (I) and (II) shall be referred to as the "Termination Payment"). For purposes of determining the Termination Payment, the Annual Formula Bonus shall be calculated assuming the Executive is employed for the entire fiscal year in which such termination occurs, but shall be based upon the Company's then most current financial forecast of pre-tax income for such fiscal year consistent with past practices. Notwithstanding anything herein to the contrary, in the event the Board and the Executive agree that the Executive shall no longer serve the Company in the capacity of President and/or Chief Executive Officer, then so long as the Executive agrees to continue to serve the Company in the capacity of Chairman of the Board of Directors and Chairman of the Executive Committee, such change in position and duties shall not be deemed a termination of the Executive's employment by the Company within the meaning of this Section 6(a)(v). Notwithstanding any provision of this Agreement to the contrary, if the Executive is eligible under any other plan or arrangement for any additional benefit or

payment in the event of a change of control of the Company then the Executive shall be entitled to receive such payment or benefit in accordance with the terms of such plan or arrangement.

(vi) CERTAIN POST TERM BENEFITS AND OBLIGATIONS. (A) If the Executive's employment under this Agreement is terminated by the Company, other than as set forth in paragraphs (i) or (iii) of this Section 6(a), or if the Executive terminates his employment for Good Reason under this Agreement, or upon the expiration of the Term (in each case, the "Post Term Period"), then (I) the Company shall provide to the Executive the Separation Benefits for the remainder of his life and/or the Separation Benefits Buyout, if applicable, each as defined below, and (II) for the remainder of his life, the Company agrees to maintain the Executive as an employee (but not an officer) of the Company, and the Executive agrees to keep himself reasonably available to the chief executive officer of the Company to render such advice and perform such services on behalf of the Company as may be reasonably requested by such chief executive officer (provided that the Executive shall not be required to render such advice or perform such services for more than ninety (90) days in any calendar year, subject to the Executive's reasonable availability) (such services, the "Post Term Services"), in consideration for which the Executive shall receive monthly payments from the Company in the amount of $83,000 (which amount shall be adjusted to reflect all increases in the Consumer Price Index following the Effective Date and to be adjusted annually following termination of the Executive's employment to reflect any increase in the Consumer Price Index from the preceding calendar year) (the

"Post Term Compensation"). The Company's obligations set forth in this Section 6(a)(vi) are not to be subject to setoff or reduction, PROVIDED, HOWEVER, that (x) the Company's obligation to continue to employ the Executive and pay any future Post Term Compensation not yet then accrued shall terminate if during the Post Term Period (1) the Executive should become totally and permanently unable to provide the Post Term Services, (2) absent a breach of this Agreement by the Company, the Executive is otherwise unwilling to continue to perform the Post Term Services, (3) the Executive is convicted of a criminal offense constituting a felony (which conviction, due to the passage of time or otherwise, is not subject to further appeal) or (4) the Executive is found to have breached the restrictive covenants set forth in this Agreement, if applicable, (y) the Company's obligation to pay and/or continue any Separation Benefits (as defined below) not yet then accrued shall terminate upon the occurrence during the Post Term Period of any of the events described in subclauses (2), (3) or (4) in clause (x) above (the "Benefit Termination Events") and (z) upon the occurrence of the event described in subclause (1) in clause (x) above, the Company shall only have an obligation to continue to provide Health and Welfare Coverage (as defined below) and no other component of the Separation Benefits (as defined below). (B) For purposes of this Section 6(a)(vi), the following benefits, services, facilities and perquisites shall constitute "Separation Benefits":

(I) all group and/or executive hospitalization, medical or health programs, dental, vision and disability insurance coverage (for himself and his eligible dependents) to the extent provided generally to all full-time

employees of the Company, and/or to the extent provided additionally to all senior officers of the Company at no additional cost to the Executive or his family and/or dependents and on a basis no less favorable than was provided to him during his employment (collectively "Health and Welfare Coverage"), PROVIDED that the Executive executes appropriate enrollment materials;

(II) office space convenient to the Executive's primary residence and suitable in respect of the services which the Executive provides to the Company hereunder, along with suitable clerical support;

(III) access to Company-owned or leased aircraft or charter equivalent thereof on terms then applicable to senior executives of the Company;

(IV) access to one Company-provided car and driver;

(V) appropriate personal security to be provided when traveling on Company business;

(VI) reimbursement for any properly documented business expenses incurred on behalf of the Company.

(C) In lieu of providing those Separation Benefits listed under Section 6(a)(vi)(B)(I) through (V), but not clause (VI), and including the Post Term Compensation, and provided a Benefit Termination Event has not occurred, the Company may elect to substitute one or more cash lump-sum payments to satisfy in full or in part any or all of such Company obligations to the Executive as provided for herein with respect to the Separation Benefits and Post Term Compensation (the "Separation Benefits Buyout"); PROVIDED the Company has

provided thirty days' advance written notice to the Executive of its election hereunder. In the event of a Separation Benefits Buyout with respect to the Post Term Compensation, the Executive shall have no further obligation to provide the Post Term Services. The amount of any cash lump-sum payment to be made to the Executive with respect to the Separation Benefits Buyout shall be determined by reasonable agreement of the parties hereto, after providing good faith consideration to the following factors, to the extent applicable: (u) the historical and forecast cost to the Company for providing the applicable item; (v) the forecast cost to the Executive for purchasing a comparable replacement of the applicable item; (w) any relevant actuarial considerations to the extent such items are required to be provided for the life of the Executive; (x) any appropriate adjustments to reflect net present value and/or inflationary considerations; (y) any appropriate adjustment to reflect the obligations of the Executive under Section 8; and (z) any relevant taxation considerations applicable to the Executive's receipt of a current lump-sum payment. The Company shall provide the Executive with all work papers supporting its determination and calculation of the Separation Benefits Buyout. Any disputes as to the amount to be paid in accordance with a Separation Benefits Buyout shall be settled by an independent third party reasonably acceptable to the parties hereto within sixty (60) days after submission of any such dispute by the parties, and shall be final and binding on all parties hereto. The Separation Benefits Buyout shall be in addition to, and not in lieu of, any other payments, severance or otherwise, owed by the Company to the

Executive. Any payment made in respect of a Separation Benefits Buyout shall be subject to the approval of the Company's Audit Committee. (D) Upon the occurrence of a Potential Change in Control or Change in Control during the Post Term Period, the Executive may elect to receive, and the Company shall be required to immediately pay to the Executive, the Separation Benefits Buyout as determined pursuant to this subparagraph (D). In the event the Executive makes the foregoing election, such election shall be accompanied by a written determination of a national accounting firm selected by the Executive setting forth the amount of the Separation Benefits Payout, after applying the factors and considerations set forth in subparagraph 6(a)(vi)(C) above, and the determination of such firm shall be final and binding on the Company. The Company shall bear all costs and expenses incurred in connection with the retention of such accounting firm.

(vii) INTEGRATION. Notwithstanding any other provision of this Agreement to the contrary, to the extent that the Company is obligated to provide Health and Welfare Coverage and payments to the Executive pursuant to Section 6(a)(v)(A) and (C) as a result of a termination of the Executive's employment with less than three (3) years remaining in the Term, then the amount otherwise payable to the Executive pursuant to the foregoing provisions of this Section 6 shall be reduced so that the aggregate value of such Health and Welfare Coverage and payments (other than the portion of the Termination Payment attributable to the Accrued Bonus) shall not exceed the sum of the Executive's annual base salary (as in

effect immediately prior to such termination) plus the Annual Formula Bonus determined pursuant to Section 6(a)(v), multiplied by 2.99.

(b) RESIGNATION. If the Executive voluntarily resigns his employment under this Agreement during the Term (other than for Good Reason), the Executive's compensation and other benefits (other than those under Section 4(d) and other than any compensation or benefit that shall have accrued but not been paid as of the date of such resignation) set forth in this Agreement shall thereupon terminate.

(c) RABBI TRUST FUNDED UPON POTENTIAL CHANGE IN CONTROL OR CHANGE IN CONTROL. In the event of a Potential Change in Control or Change in Control, the Company shall, not later than 15 days thereafter, have established one or more rabbi trusts and shall deposit therein cash in an amount sufficient to provide for full payment of all potential obligations of the Company that would arise assuming consummation of a Change in Control, or that have arisen in the case of an actual Change in Control and a subsequent termination of Executive's employment under Section 6(a)(iv) or Section 6(a)(v). Such rabbi trust(s) shall be irrevocable and shall provide that the Company may not, directly or indirectly, use or recover any assets of the trust(s) until such time as all obligations which potentially could arise hereunder have been settled and paid in full, subject only to the claims of creditors of the Company in the event of insolvency or bankruptcy of the Company; PROVIDED, HOWEVER, that if no Change in Control has occurred within two years after such Potential Change in Control, such rabbi trust(s) shall at the end of such two-year period become revocable and may thereafter be revoked by the Company. For purposes of this Agreement, a "Potential Change in Control" shall be deemed to have occurred if, during the term of this Agreement: (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) any Person

(including the Company) publicly announces an intention to take or to consider taking action which if consummated would constitute a Change in Control; or (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

7. ADDITIONAL EXCISE TAX PAYMENT. (a) Anything in this Agreement or in any other plan, program or agreement to the contrary notwithstanding and except as set forth below, in the event that (i) the Executive becomes entitled to any benefits or payments under this Agreement in connection with a termination of employment including any Post Term Compensation, Separation Benefits and/or Separation Benefits Buyout, and (ii) it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any Gross-Up Payments (as defined below) made hereunder, such payments being referred to herein as the "Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche LLP or such other certified public accounting firm as may be designated by the Executive and reasonably acceptable to the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change-of-Control Transaction, the Executive and the Audit Committee of the Company shall mutually agree to appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within ten days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 7(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount

of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 60 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) The provisions of this Section 7 shall be in addition to any rights to payment available to the Executive under the terms of the Tax Gross-Up Program and to the extent the provisions of this Section 7 are more favorable to the Executive than the terms of the Tax Gross-Up Program, the provisions of this Section 7 shall control. The Company shall not terminate or amend the Tax Gross-Up Program without the Executive's consent.

8. OTHER COVENANTS BY THE EXECUTIVE. (a) During the Restricted Period (as defined in Section 8(c)), neither the Executive nor any "Controlled Affiliate" will, without the prior written consent of the Board, in any way directly or indirectly hire or attempt to hire any person who, to the Executive's best knowledge, was employed at any time during the period commencing six months prior to the termination of the Executive's employment with the Company, as an officer or executive or professional employee of the Company or any of its subsidiaries or affiliates. As used in this Agreement, "Controlled Affiliate" means any company,

partnership, firm or other entity as to which the Executive possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

(b) The Executive acknowledges that, through his status as Chairman of the Board, President and Chief Executive Officer of the Company, he has and will have possession of important, confidential information and knowledge as to the Company's business, including, but not limited to, knowledge of marketing and operating strategies, franchise agreements, financial results and projections, future plans, the provisions of important contracts entered into by the Company and possible acquisitions and divestitures. The Executive agrees that such knowledge and information constitute a vital part of the business of the Company and are by their nature trade secrets and confidential information (collectively, "Confidential Information"). The Executive agrees that he shall not, so long as the Company or any successor remains in existence, divulge, communicate, furnish or make accessible (whether orally or in writing or in books, articles or any other medium) to any individual, firm, partnership or corporation any knowledge and information with respect to Confidential Information directly or indirectly useful in any aspect of the business of the Company. As used in the preceding sentence, "Confidential Information" shall not include any knowledge or information which (i) is or becomes available to others or the public, other than as a result of breach by the Executive of this Section 8(b), (ii) was available to the Executive on a nonconfidential basis prior to its disclosure to the Executive through his status as an officer of the Company or (iii) becomes available to the Executive on a nonconfidential basis from a third party (other than the Company or its representatives) who is not bound by any confidentiality obligation to the Company.

(c) During the Restricted Period, neither the Executive nor any of his Controlled Affiliates will render any services, directly or indirectly, as an employee, officer, consultant or in any other capacity, to any individual, firm, corporation or partnership engaged in business activities that are competitive with any business segment activities in which the Company or its subsidiaries or affiliates are engaged at the time of such termination (such competitive businesses being herein called the "Company Business"). During the Restricted Period, the Executive shall not, without the prior written consent of the Company, hold an equity interest in any firm, partnership or corporation which competes with the Company Business, except that beneficial ownership by the Executive (together with any one or more members of his immediate family and together with any entity under his direct or indirect control) of less than 1% of the outstanding shares of capital stock of any corporation which may be engaged in any of the same lines of business as the Company Business which stock is listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of the covenants in this Section 8(c). As used in this Agreement, "Restricted Period" shall mean (i) if the Executive's employment with the Company shall be terminated for Cause or by the Executive's voluntary resignation (except any such resignation for Good Reason or arising from a breach of this Agreement by the Company), the period beginning on the date of such termination and ending on the second anniversary thereof and (ii) if the Executive's employment with the Company under this Agreement shall be terminated under any circumstances other than those to which clause (i) above applies, the period beginning on the date of such termination and ending on the later of (A) the second anniversary thereof or (B) the "Post Term Cessation Date" (as defined below). For purposes of the foregoing sentence, the "Post Term Cessation Date" shall mean the earlier of (I) the date that the Company ceases

making payments of Post Term Compensation or ceases providing Separation Benefits in breach of this Agreement, or (II) the date that the Executive shall deliver a written notice to the Company to the effect that he elects not to accept such Post Term Compensation, unless the parties otherwise agree to a different expiration date for the Restricted Period in connection with the determination and payment of the Separation Benefits Buyout. Notwithstanding the foregoing, in the event the Separation Benefits Buyout is paid to the Executive covering all of the Executive's lifetime rights with respect to the Post Term Compensation and the Separation Benefits listed under Section 6(a)(vi)(B)(I) through (V), the Restricted Period shall terminate as of the Executive's death.

(d) The Executive agrees that the provisions of Sections 8(a), (b) and (c) may not be adequately enforced by an action for damages and that, in the event of a breach thereof by the Executive or any such other entity, the Company shall be entitled to seek injunctive relief in any court of competent jurisdiction to restrain the breach or threatened breach of such violation or otherwise to enforce specifically such provisions against such violation.

9. SUCCESSORS: BINDING AGREEMENT. (a) This Agreement is personal to each of the parties hereto, and neither party may assign nor delegate any of its rights or obligations hereunder without the prior written consent of the other. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be given either by hand delivery or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Henry R. Silverman
9 West 57th Street
New York, New York 10019

If to the Company:

Cendant Corporation
1 Campus Drive
Parsippany, New Jersey 07054
Attention: General Counsel

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Notice and communications shall be effective when actually received by the addressee.

11. MISCELLANEOUS. (a) No provisions of this Agreement may be amended, supplemented, modified, cancelled or discharged unless such amendment, supplement, modification, cancellation or discharge is agreed to in writing signed by the Executive and a duly authorized officer of the Company (other than the Executive); and no provisions hereof may be waived except in writing so signed by or on behalf of the party granting such waiver. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be

deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior subsequent time. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State. The obligations of the Company, the Successor and the Executive under this Agreement, which by their nature may require either partial or total performance after the expiration of this Agreement or the termination of the Executive's employment (including, without limitation, under Sections 4, 6 and 7 hereof) shall survive such expiration and termination.

(b) The Company represents and warrants to the Executive that: (i) the Company has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; (ii) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and (iii) this Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable in accordance with its terms.

(c) After a termination of employment for any reason, the Executive shall not be obligated to mitigate damages by seeking other comparable employment, and any payments or benefits payable or due to the Executive shall not be subject to reduction as a result of any compensation received from other employment or from any other source whatsoever.

(d) The Company shall pay all reasonable attorneys' fees and related costs incurred by the Executive in connection with the negotiation of this Agreement.

(e) The amounts required to be paid by the Company to the Executive pursuant to this Agreement shall not be subject to offset.

12. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled conclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. One arbitrator shall be selected by the Executive, one by the Company and the third arbitrator shall be selected by the first two arbitrators; PROVIDED THAT if the first two arbitrators cannot agree on appointment of the third, the American Arbitration Association rules shall govern the process for selection of the third arbitrator. Judgment may be entered on the arbitrators' award in any court having jurisdiction; PROVIDED, HOWEVER, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of the provisions of Section 8 and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Company's posting any bond. The expenses of the arbitration shall be borne by the Company; and the Company shall bear its own legal fees and expenses and pay, at least monthly, all of the Executive's legal fees and expenses incurred in connection with such arbitration regardless of the outcome, except that the Executive shall have to reimburse the Company for his legal fees and expenses if the arbitrators find that Executive brought an action in bad faith.

14. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and shall be deemed an extension of the

Prior Agreement and shall supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the subject matter contained herein (PROVIDED THAT the terms of the Prior Agreement shall survive and govern solely with respect to the vesting and exercisability of the 1998 Option Grant as provided for therein).

[signature page to follow]

[Amended and Extended Employment Agreement Signature Page]

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

CENDANT CORPORATION

By: /s/ James E. Buckman

Name:
Title: Vice Chairman &
General Counsel

HENRY R. SILVERMAN

/s/ Henry R. Silverman

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Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Cendant Corporation's Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-51586, 333-59246, 333-65578, 333-65456, 333-65858, 333-83334, 333-84626, 333-86674 and 333-87464 on Form S-3 and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-51544, 333-38638, 333-64738, 333-71250, 333-58670, 333-89686 and 333-98933 on Form S-8 of our report dated February 7, 2002 (April 1, 2002 as to the subsequent events described in Note 28 and August 12, 2002, as to the effects of the discontinued operation described in Notes 1 and 5 and as to the pro forma effect of the non-amortization of goodwill disclosed in Note 1) (which expresses an unqualified opinion and includes explanatory paragraphs with respect to the modification of the accounting treatment relating to securitization transactions, the accounting for derivative instruments and hedging activities, the revision of certain revenue recognition policies and as to the effects of the discontinued operation as discussed in Notes 1 and 5) appearing in this Annual Report on Form 10-K/A of Cendant Corporation for the year ended December 31, 2001.

/s/ Deloitte & Touche
New York, New York

November 1, 2002

QuickLinks

INDEPENDENT AUDITORS' CONSENT

EXHIBIT 99.3

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cendant Corporation (the "Company") on Form 10-K/A for the period ended December 31, 2001, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henry R. Silverman, as Chief Executive Officer of the Company, and Kevin M. Sheehan, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry R. Silverman
- ------------------------------
Henry R. Silverman
Chief Executive Officer
November 4, 2002

/s/ Kevin M. Sheehan
- ------------------------------
Kevin M. Sheehan
Chief Financial Officer
November 4, 2002

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section18 of the Securities Exchange Act of 1934, as amended.