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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

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:

None

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 ☒ No o

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. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act): Yes ☒ No o

The aggregate market value of the Registrant's common stock held by nonaffiliates of the Registrant on June 30, 2003 was $18,409,344,533.20. 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 1,007,659,616 as of January 31, 2004.

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 on April 20, 2004 (the "Annual Proxy Statement") are incorporated by reference into Part III hereof.

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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", "projects", "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:

- terrorist attacks, such as the September 11, 2001 terrorist attacks on New York City and Washington, D.C., 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 or political conditions or any outbreak or escalation of hostilities 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 a decline in the volume or value of U.S. existing home sales, due to adverse economic changes or otherwise, on our real estate related businesses;
- the effects of changes in current interest rates, particularly on our real estate franchise, real estate brokerage and mortgage businesses;
- the final 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 and other overhead costs in response to a reduction in revenue, particularly in our computer reservations, global distribution systems, car rental and real estate brokerage 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 acquisition of substantially all of the assets of Budget Group, 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;

- in relation to our management and mortgage programs, (i) the deterioration in the performance of the underlying assets of such programs and (ii) our inability to access the secondary market for mortgage loans and to act as servicer thereto, which could occur in the event that our credit ratings are downgraded below investment grade and, in certain circumstances, where we fail to meet certain financial ratios;

- competitive and pricing pressures in the travel industry, including the car rental and global distribution services industries;

- changes in the vehicle manufacturer repurchase arrangements in our Avis and Budget car rental business or changes in the credit quality of such vehicle manufacturers;

- filing of bankruptcy by, or the loss of business, of any of our significant customers, including our airline customers, and the ultimate disposition of UAL Corporation's bankruptcy reorganization; and

- changes in laws and regulations, including changes in accounting standards, global distribution services rules, telemarketing and timeshare sales regulations, mortgage and real estate related regulations, state, federal and international tax laws 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.

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 consumer and business services primarily in the travel and real estate services industries, which 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 real estate brokerage services under our Coldwell Banker, ERA, Corcoran Group and Sotheby's International Realty (as of February 17, 2004) brands through NRT Incorporated; provides home buyers with mortgages through Cendant Mortgage Corporation; provides settlement services, including, title insurance, appraisal review and closing services through Cendant Settlement Services Group, Inc.; and assists in employee relocations through Cendant Mobility Services Corporation.

- Our Hospitality Services segment operates the Days Inn, Ramada (in the United States and Canada), 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 development of vacation ownership interests through Fairfield Resorts, Inc. and Trendwest Resorts, Inc.; facilitates the exchange of vacation ownership interests through Resort Condominiums International, LLC; and markets vacation rental properties in Europe through our subsidiaries Holiday Cottages Group Limited, Cuendet S.p.A., Welcome Holidays Limited, Novasol A/S and the International Life Leisure Group Limited.

- Our Travel Distribution Services segment provides travel content and transaction processing services through our Galileo International, Inc., THOR, Inc., Travelwire A/S, Travel 2 Limited, Travel 4 Limited, Cendant Travel, Inc., Neat Group Corporation, S.D. Shepherd Systems, Travelport Corporate Solutions, Inc., TRUST International Hotel Reservation Services GmbH and WizCom International, Inc. subsidiaries and our CheapTickets.com and Lodging.com web sites.

- Our Vehicle Services segment operates and franchises our Avis and Budget vehicle rental businesses; and provides commercial fleet management and fuel card services to corporate clients and government agencies through PHH Vehicle Management Services LLC (d/b/a PHH Arval) and Wright Express LLC.

- Our Financial Services segment provides enhancement packages to financial institutions and insurance-based products to consumers through Progeny Marketing Innovations 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 Trilegiant Corporation subsidiary.

* * *

We focus on organic growth and from time to time may augment such growth through the select acquisition of (or possible joint venture with) complementary businesses primarily in the real estate and travel services industries. We expect to fund the purchase price of any such acquisition with cash on hand or borrowings under our credit lines. No assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. 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, repurchase our common stock, make acquisitions and for other general corporate purposes.

We were created through a merger with HFS Incorporated 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). We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, we file reports, proxy and information statements and other information with the Securities and Exchange Commission (the "Commission") and certain of our officers and directors file statements of changes in beneficial ownership on Form 4 with the Commission. Such reports, proxy statements and other information and such Form 4s can be accessed on our web site at *www.cendant.com.* A copy of our Codes of Conduct and Ethics, as defined under Item 406 of Regulation S-K, including any amendments thereto or waivers thereof, Corporate Governance Guidelines, Director Independence Criteria and Board Committee Charters can also be accessed on our web site. We will provide, at no cost, a copy of our Codes of Conduct and Ethics, Corporate Governance Guidelines and Board Committee Charters upon request by phone or in writing at the above phone number or address, attention: Investor Relations.

SEGMENTS

REAL ESTATE SERVICES SEGMENT (37%, 33% and 22% of revenue for 2003, 2002 and 2001, respectively)

Real Estate Franchise Business (4%, 5% and 7% of revenue for 2003, 2002 and 2001, respectively)

Our Real Estate Franchise Business is the world's largest real estate brokerage franchisor and was involved in approximately one in four single-family home purchase or sale transactions in the United States in 2003. 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 franchise offices and approximately 119,000 sales agents located in 37 countries and territories;
- Coldwell Banker, one of the world's leading brands for the sale of million-dollar-plus homes and one of the largest residential real estate brokerage franchisors, with approximately 3,500 offices in the United States, Canada and 26 other countries and territories and approximately 113,000 sales agents;
- ERA, a leading residential real estate brokerage franchisor, with approximately 2,500 offices, and more than 29,000 sales agents located in 31 countries and territories; and
- Coldwell Banker Commercial, a leading commercial real estate brokerage franchisor with approximately 100 franchise offices, and approximately 800 sales agents in the United States.

Through NRT, we own and operate approximately 920 of the Coldwell Banker, ERA and Coldwell Banker Commercial offices referred to above. NRT pays intercompany royalty and marketing fees to our Real Estate Franchise Business in connection with its operation of these offices.

Royalty and marketing fees on commissions from real estate transactions are the primary component of revenue for our Real Estate Franchise Business. Our franchise contracts generally have a term of ten years. We also offer service providers an opportunity to market their products to our brokers through our

Preferred Alliance Program. To participate in this program, service providers generally pay us an up-front fee, commissions or both.

On February 17, 2004, we obtained the rights to create a Sotheby's International Realty franchise system pursuant to a license agreement with Sotheby's Holdings, Inc. Such license agreement has a 100-year term, which consists of an initial 50-year term and a 50-year renewal option, whereby we will pay a licensing fee to Sotheby's Holdings for the use of the Sotheby's International Realty name. In connection with such transaction, we also acquired the domestic residential real estate brokerage operations of Sotheby's. The franchise system will be operated by our Real Estate Franchise Business and the company-owned residential real estate brokerage operations will be operated by NRT Incorporated.

Each of our brands has a consumer web site that offers real estate listings, contacts and services. century21.com, coldwellbanker.com, coldwellbankercommercial.com, sothebysrealty.com and era.com are the official web sites for the CENTURY 21, Coldwell Banker, Coldwell Banker

Commercial, Sotheby's International Realty and ERA real estate franchise systems, respectively. In addition, listings of our CENTURY 21, Coldwell Banker and ERA brands are available through the Realtor.com web site.

Growth. Our primary objectives are to sell new franchises, renew existing franchises and, most importantly, provide world-class service and support to our franchisee real estate brokers in a way that enables them to increase their profitability. We support our franchisees with dedicated national marketing programs, technology, training and education.

Our strategies for growth include the continued expansion of our franchise systems through additional franchise sales; facilitating mergers and acquisitions by our franchisees; recruitment of real estate agents; additional revenue generation through referrals to our other real estate-related businesses and our Preferred Alliance program; and international expansion.

Competition. Competition among the national real estate brokerage brand franchisors to grow their franchise systems is intense. Our largest national competitors in this industry include the Prudential, GMAC Real Estate 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 this 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. At December 31, 2003, our combined real estate franchise systems had approximately 8,200 brokerage offices in the United States and approximately 12,700 offices worldwide. The real estate franchise systems have offices in 62 countries and territories in North and South America, Europe, Asia, Africa and Australia.

Real Estate Brokerage Business (22% and 20% of revenue for 2003 and 2002, respectively)

As a result of our acquisition of NRT in 2002, we operate the largest residential real estate brokerage firm in the United States. We offer assistance with the sale and purchase of properties through approximately 985 full service real estate brokerage offices nationwide under the Coldwell Banker, ERA, Corcoran Group and Sotheby's International Realty (as of February 17, 2004) brand names. In addition, as a full service real estate brokerage offering one-stop shopping to consumers, we promote the services of Cendant Mortgage, Cendant Mobility, and Cendant Settlement Services Businesses.

Our Real Estate Brokerage Business derives revenue from sales commissions, which we receive at the closing of real estate transactions. Sales commissions usually range from 5% to 7% of the sales price. In transactions in which we act as broker on one side of a transaction (either the buying side or the selling side) and a third-party is acting as broker on the other side of the transaction, we typically must share half of the sales commission with the other broker. Sales associates generally receive between 50% and 80% of such commissions. NRT pays intercompany royalty and marketing fees to our Real Estate Franchise Business and such fees are not reflected in the percentage of revenue set forth above. During 2003, NRT represented approximately 38% of our Real Estate Franchise Business revenue.

Growth. Our strategy is to grow both organically and through the acquisition of independent real estate brokerages. In 2003, we acquired 19 brokerages, none of which was material to Cendant. To grow organically, we seek to recruit and retain sales associates, continue to provide exceptional service in existing markets, and enter new markets. When we acquire a real estate brokerage, we typically convert it to one of our existing real estate brands, Coldwell Banker, Corcoran or ERA. We believe that approximately 80% of real estate brokerages are currently independent.

Competition. The real estate brokerage industry is highly competitive, particularly in the metropolitan areas in which NRT operates. In addition, the industry has relatively low barriers to entry for new participants, including participants pursuing non-traditional methods of marketing real estate, such as internet-based listing services. Companies compete for sales and marketing business primarily on the basis of services offered, reputation, personal contacts, and brokerage commissions. NRT competes primarily with franchisees of local and regional real estate franchisors; franchisees of our brands and of other national real estate franchisors, such as the RE/MAX, GMAC Real Estate and Prudential real estate brokerage brands; regional independent real estate organizations, such as Weichert, Realtors and Long & Foster Real Estate; discount brokerages, such as Foxtons; web sites such as Lendingtree.com, and smaller niche companies competing in local areas.

Mortgage Business (6%, 3% and 9% of revenue for 2003, 2002 and 2001, respectively)

Cendant Mortgage is a centralized mortgage lender conducting business in all 50 states. We focus on retail mortgage originations in which we issue mortgages directly to consumers (including through our private label channel) as opposed to purchasing closed loans from third parties. We originate mortgage loans through three principal business channels: real estate brokers, financial institutions and relocation. In the real estate brokerage channel, we originate, sell and service residential first and second mortgage loans in the United States through Cendant Mortgage, Century 21 Mortgage, Coldwell Banker Mortgage and ERA Mortgage. This channel generated approximately 26% of our mortgages in 2003. We are a leading provider of private label mortgage originations where a financial institution outsources its mortgage origination functions to us. Our financial institutions, or "private label" channel, which includes outsourcing arrangements with Merrill Lynch Credit Corporation and marketing arrangements with American Express Membership Bank, among others, generated approximately 71% of our mortgages in 2003. The relocation channel offers mortgages to employees being relocated through Cendant Mobility and generated 3% of our mortgages in 2003. We generate revenue through our loan originations, private label services, mortgage sales and mortgage servicing.

As of September 30, 2003, Cendant Mortgage was a top four retail originator of residential purchase mortgages, the sixth largest retail originator of residential mortgages (including refinance and purchase) and the tenth largest overall residential mortgage originator in the United States. Our purchase mortgage volume has grown from approximately $1 billion in 1990 to approximately $35 billion in 2003. Our total mortgage volume for 2003 was $83.7 billion.

We derive our mortgages through the following methods:

- a toll-free-number teleservices operation under programs for real estate organizations (Phone In, Move In), relocation clients and private label and marketing programs for financial institutions;

- field sales professionals, generally located in real estate offices around the United States, who are equipped to obtain product information, quote interest rates and help customers prepare mortgage applications; and

- purchasing closed loans from financial institutions.

Our teleservices operation, the Phone In, Move In program, was developed in 1997 and has been established nationwide. Our teleservices operation, together with our web interface, which contains educational materials, rate quotes and a mortgage application, accounted for approximately 68% of our originations in 2003. Our field sales professionals accounted for approximately 19% of our originations in 2003, and while not a primary focus of our business, the purchase of closed loans accounted for approximately 13% of our mortgage volume in 2003.

The following table sets forth the composition of our mortgage loan originations by product type for each of the years ended December 31, 2003, 2002 and 2001.

	2003	2002	2001
Fixed rate	62.8%	55.9%	75.0%
Adjustable rate	37.2%	44.1%	25.0%
Total	100.0%	100.0%	100.0%
Conforming (*)	69.1%	63.1%	77.5%
Non-conforming	30.9%	36.9%	22.5%
Total	100.0%	100.0%	100.0%

(*) Such percentage of mortgages that we typically have available for resale that conform to the standards of Fannie Mae Corp., the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association.

Cendant Mortgage customarily sells all mortgages it originates to investors (which include a variety of institutional investors) generally within 60 days. Loans are typically sold 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. We generally retain the mortgage servicing rights on loans we sell. 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, managing escrow funds for payment of mortgage related expenses such as taxes and insurance, and administering our mortgage loan servicing portfolio.

The following table sets forth summary data of our mortgage servicing activities as of December 31:

	2003 (a)	2002 (a)	2001 (a)
Outstanding loans serviced ($ millions)	$ 136,427	$ 114,079	$ 97,205
Number of loans (units)	888,860	786,201	717,251
Average loan size	$ 153,485	$ 145,102	$ 135,525
Weighted average interest rate (%)	5.36%	6.17%	6.91%
Delinquent Mortgage Loans (b):			
30 days	1.7%	2.0%	2.3%
60 days	0.3%	0.4%	0.5%
90 days or more	0.4%	0.4%	0.4%
Total delinquencies	2.4%	2.8%	3.2%
Foreclosures/Bankruptcies	0.7%	0.7%	0.7%
Major Geographical Concentrations (b):			
California	10.9%	11.8%	11.9%
New Jersey	9.4%	7.4%	6.9%
New York	7.9%	6.4%	5.9%
Florida	7.1%	7.2%	6.7%
Texas	5.6%	6.1%	6.1%

(a) Does not include home equity mortgages serviced by us.
(b) As a percentage of unpaid principal balance of outstanding loans.

Growth. Our strategy is to increase sales by expanding all of our sources of business with emphasis on our private label program and purchase mortgage volume through our teleservices and Internet programs. We also expect to expand our volume of mortgage originations resulting from corporate employee relocations through increased linkage with Cendant Mobility and increasing our marketing programs within NRT and our real estate brokerage franchise systems. 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's share of retail mortgage originations in the United States was 5.1% as of September 30, 2003. The mortgage industry is highly fragmented and, according to *Inside Mortgage Finance*, the industry leader, at September 30, 2003, reported approximately a 19% 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.

Settlement Services Business (3%, 2% and 1% of revenue for 2003, 2002 and 2001, respectively)

Our Cendant Settlement Services Business provides settlement services for both residential and commercial real estate transactions, including title insurance, appraisal review and closing services throughout the United States. More specifically:

- We act in the capacity of a title agent and sell title insurance to property buyers and mortgage lenders. We issue title insurance policies on behalf of large national underwriters. This is accomplished through a centralized title agency licensed in 34 states, and through wholly and partially owned agency operations with physical locations in 14 states and Washington, D.C. We receive a commission on each policy sold and, absent our negligence, we are only typically liable for the first $5,000 of loss for such policies.

- We manage a network of closing agents, some of whom are our employees, and attorneys to close loans and clear title defects.
- We provide title and appraisal review services and manage a network of professional licensed appraisers.
- We also provide property tax tracking services, flood zone determinations for properties and closing management services.

We derive revenue for this business through fees charged in real estate transactions for rendering the services described above. We provide many of these services in connection with our residential and commercial real estate brokerage, mortgage and relocation operations.

Growth. We intend to grow our settlement services business through continued realization of the cross-selling opportunities presented by our other real estate, lodging and timeshare businesses. Additionally, we plan to expand our product offering and geographic coverage to capture additional business.

Competition. The settlement services business is highly competitive and fragmented. The number and size of competing companies vary in the different areas in which we conduct business. Generally, in metropolitan and suburban localities, we compete with other title insurers, title agents and other vendor management companies. While we are an agent for some of the large insurers, we also compete with these underwriters through their owned agency operations. These national competitors include Fidelity National Title Insurance Company, Land America Title Insurance Company, Stewart Title Guaranty Company, First American Title Insurance Company and Old Republic Title Insurance Group. In addition, numerous agency operations and small underwriters provide competition on the local level.

Relocation Business (2%, 3% and 5% of revenue for 2003, 2002 and 2001, respectively)

Cendant Mobility is the largest provider of outsourced corporate employee relocation services in the United States and in 2003 assisted more than 111,000 affinity customers, transferring employees and global assignees, including over 25,000 transferring employees internationally in over 135 countries. We deliver services from facilities in the United States, England, Australia, Singapore and Hong Kong. In addition, we deliver services at client facilities.

We primarily offer corporate and government clients employee relocation services, such as:

- home-sale assistance, including the evaluation, inspection, purchasing and/or selling 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 and assistance in locating a new home;
- expense processing, relocation policy counseling, relocation-related accounting, including international compensation administration, and other consulting services;
- arranging household goods moving services, with over 60,000 domestic and international shipments annually, providing support for all aspects of moving an employee's household goods, including the handling of insurance and claim assistance, invoice auditing and quality control of van line, driver and overall service;
- visa and immigration support, intercultural and language training and expatriation/repatriation counseling and destination services; and
- group move management services providing coordination for moves involving a large number of employees over a short period of time.

The wide range of our services allows clients to outsource their entire relocation programs to us.

Clients pay a fee for the services performed and/or permit Cendant Mobility to retain referral fees collected from brokers. We also receive commissions or referral fees from third-party service providers, such as van lines. 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 rather than to the potential changes in value of residential real estate. We believe such risk is minimal due to the credit quality of our corporate clients. Net credit losses as a percentage of the average balance of relocation receivables serviced has been less than 0.25% in each of the last five years. In addition, the average holding period for U.S. homes we purchased in 2003 on behalf of our clients was 44 days. In transactions where we assume the risk for losses on the sale of homes (primarily U.S. Federal government agency clients), which comprise less than 4% of net revenue for our Relocation Business, we control all facets of the resale process, thereby limiting our exposure.

About 5% of our relocation revenue is derived from our affinity services, which 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 60,000 individuals, with approximately 27,000 real estate transactions annually. In addition, we derive about 6% of our relocation revenue from referrals within our real estate broker network.

Growth. Our strategy is to grow our global Relocation Business by generating business from corporations and U.S. Federal government agencies seeking to outsource their relocation function due to downsizing, cost containment initiatives and increased need for expense tracking. This strategy includes bringing innovative products and services to the market and expanding our business as a lower cost provider by focusing on operational improvements and collecting fees from our supplier partners to whom we refer business. We also seek to grow our affinity services business by increasing the number of accounts, as well as through higher penetration of existing accounts.

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

Real Estate Services Seasonality

The principal sources of revenue for our Real Estate Franchise, Real Estate Brokerage, Mortgage and Settlement Services 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 quarters of each year.

Real Estate Services Trademarks and Intellectual Property

The trademarks "CENTURY 21," "Coldwell Banker," "Coldwell Banker Commercial," "ERA," "Corcoran," "Sotheby's International Realty" (as of February 17, 2004), "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 segment 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. We license the Sotheby's International Realty mark from SPTC, Inc., a subsidiary of Sotheby's Holdings, Inc.

Real Estate Services Employees

The businesses that make up our Real Estate Services segment employed approximately 19,900 people as of December 31, 2003.

HOSPITALITY SERVICES SEGMENT (14%, 16% and 18% of revenue for 2003, 2002 and 2001, respectively)

Lodging Franchise Business (2%, 3% and 5% of revenue for 2003, 2002 and 2001, 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, 2003, including the average occupancy rate, average room rate and total room revenue divided by total available rooms for each property, in each case for 2003. 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	69	103	7,077	U.S. and International[1]	58.3%	$ 57.16	$ 33.30
Days Inn	Upper Economy	84	1,892	157,995	U.S. and International[2]	47.6%	$ 53.53	$ 25.49
Howard Johnson	Middle Market	95	471	44,971	U.S. and International[3]	46.2%	$ 57.07	$ 26.39
Knights Inn	Lower Economy	77	203	15,723	U.S. and International[4]	42.6%	$ 37.03	$ 15.76
Ramada	Middle Market	116	905	104,636	U.S. and International[5]	45.2%	$ 59.88	$ 27.08
Super 8 Motel	Economy	61	2,086	126,421	U.S. and International[6]	53.2%	$ 48.38	$ 25.76
Travelodge	Upper Economy Lower Economy	78	535	41,505	U.S. and International[7]	42.8%	$ 51.10	$ 21.87
Villager	Lower Economy	107	71	7,613	U.S. and International[8]	42.5%	$ 32.77	$ 13.92
Wingate Inn	Upper Middle Market	94	133	12,494	U.S. and	58.6%	$ 72.88	$ 42.73

			International[9]		
Total	6,399	518,435	Total Average:	$	25.74

* Description of rights owned or licensed.
(1) One property located in Canada.
(2) 77 properties located in Canada and 57 properties located in Argentina, China, Egypt, England, India, Ireland, Italy, Jordan, Mexico, Philippines, South Africa and Uruguay.
(3) 54 properties located in Canada, and 41 properties located in Argentina, China, Columbia, Dominican Republic, Dutch Antilles, Ecuador, Guatemala, India, Israel, Jordan, Malta, Mexico, Oman, Peru, Venezuela and United Arab Emirates.
(4) 12 properties located in Canada.
(5) Limited to the Continental U.S., Alaska, Hawaii and Canada.
(6) 101 properties located in Canada.
(7) 116 properties located in Canada and two properties located in Mexico.
(8) Three properties located in Canada and one property located in Mexico.
(9) Two properties located in Canada.

Our Lodging Franchise Business derives substantially all of its revenue from franchise fees, which are comprised of royalty and marketing/reservation fees. The royalty fee is intended to cover our operating expenses, such as expenses incurred for franchise services, including quality assurance, administrative support and design and construction advice, and to provide us 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. Similar to our Real Estate Franchise Business, our Lodging Franchise Business also derives revenue through our Preferred Alliance Program.

Our lodging franchisees are dispersed geographically, which minimizes our exposure to any one hotel owner or geographic region. Of the approximately 6,400 properties and approximately 4,900 franchisees in our lodging systems, no individual hotel owner accounts for more than 2% of our franchised lodging properties.

In 2003, we launched TripRewards, a new loyalty program which enables customers to earn points when purchasing services from any of our lodging brands or Avis, Budget, RCI, Fairfield, Trendwest or Jackson Hewitt. Customers can also earn points when purchasing from over 30 other retailers. Customers can redeem TripRewards points for stays at our lodging brands or with over 100 other retailers and restaurants, including Home Depot, Circuit City, Olive Garden and Chili's. Businesses where points can be earned pay a fee to participate in the program and those fees are then used to reimburse the businesses where the points are redeemed. We intend to commence marketing for TripRewards in the first quarter of 2004.

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 believe that 48% of hotel owners in the United States are independent and not affiliated with any franchise.

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.

We seek to expand our franchise systems on an international basis through license agreements with developers, franchisors and franchisees based outside the United States. As of December 31, 2003, 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.

Central Reservation Systems. The lodging business is characterized by remote purchasing through travel agencies and the use by consumers of toll-free telephone numbers and the Internet. We maintain three reservation centers that are located in Knoxville, Tennessee; Aberdeen, South Dakota; and Saint John, New Brunswick, Canada. In 2003, we booked an aggregate of approximately 4.9 million roomnights from all Internet booking sources, compared to approximately 3.7 million roomnights booked in 2002, an increase of 32%.

Competition. Competition among the national lodging brand franchisors to grow and maintain their franchise systems is intense. Our largest 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 compete with brands, including the Comfort Inn, Red Roof Inn and Econo Lodge brands, in the economy sector. Our Ramada, Howard

Johnson, Wingate Inn and AmeriHost Inn brands compete with brands, including Holiday Inn and Hampton Inn, in the middle market sector. Our Knights Inn and Travelodge brands compete with Motel 6 and similar 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 cost/benefit 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 (3%, 4% and 5% of revenue for 2003, 2002 and 2001, respectively)

Our Resort Condominiums International ("RCI") subsidiary is a leading provider of timeshare vacation exchange opportunities and services for approximately 3 million timeshare subscribers from more than 3,800 resorts in over 100 countries. Our RCI business consists primarily of the operation of two worldwide exchange programs for timeshare owners at affiliated resorts, the operation of a vacation rental network consisting of vacation inventory available for rent to consumers, the publication of magazines and other periodicals related to the vacation and timeshare industry and travel-related services. RCI has significant operations in North America, Europe, Latin America, Southern Africa, Australia and the Pacific Rim. RCI also has limited operations in the Middle East. RCI charges its subscribers an annual subscription fee and an exchange fee for each exchange, resulting in revenues from such fees of approximately $464 million during 2003.

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. RCI members are acquired through developers; as a result, the growth of our 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 specialized firms such as Interval International Inc., vacation club products, internal exchange programs and regional and local timeshare exchange companies.

Timeshare Sales and Marketing Business (8%, 8% and 7% of revenue for 2003, 2002 and 2001, respectively)

Through our Fairfield and Trendwest subsidiaries, we are the largest vacation ownership company in the United States in terms of property owners and vacation units constructed. Our vacation ownership business includes sales and marketing of vacation ownership interests, providing consumer financing to individuals purchasing vacation ownership interests and providing property management services to property owners' associations at our resorts. We believe we have a well balanced portfolio of properties with a high degree of geographic and customer diversity, helping to insulate our timeshare operations from regional downturns. While we operate Fairfield and Trendwest as separate brands, we cross market to all of our timeshare owners and obtain referrals from our lodging and car rental operations. We are presently undertaking strategic initiatives to integrate certain business functions of Fairfield and Trendwest, including consumer finance, information technology, certain staff functions, product development and certain marketing activities. We utilize a points-based sales system at both Fairfield and Trendwest to provide our owners with flexibility as to resort location and length of stay.

Fairfield Resorts. Fairfield, based in Orlando, Florida, acquires, plans, designs and constructs timeshare properties and markets, sells and finances vacation products that provide quality recreational experiences to its more than 480,000 property owners and customers. As of December 31, 2003, Fairfield's portfolio of resorts consisted of 74 resorts, five of which are in various stages of construction, located in 20 states and the U.S. Virgin Islands. The average purchase price of a Fairfield vacation ownership interest is $14,000. Fairfield's vacation products consist of a deeded interest in a particular unit or resort for a specified period of time annually. The annual maintenance fees associated with the average vacation ownership interest purchased ranges from $300-$600, paid per year to a property owners' association. These fees are used to replace and renovate furnishings, defray maintenance and cleaning costs and cover taxes, insurance and other related costs. Typically, the property owners' associations contract with Fairfield to manage the properties.

Trendwest Resorts. Trendwest, based in Redmond, Washington, acquires, plans, designs and constructs timeshare properties and markets, sells and finances WorldMark, The Club and WorldMark South Pacific Club vacation ownership interests. The 59 properties Trendwest markets are located primarily in the western United States, British Columbia, Mexico, Hawaii and the South Pacific. At December 31, 2003, Trendwest had over 215,000 vacation credit owners. Trendwest's vacation ownership interests consist of vacation points which entitle the owner to book a vacation through the WorldMark system. In 2003, the average new owner purchased approximately 6,700 vacation credits for a purchase price of approximately $9,700. Owners of an average Trendwest vacation ownership interest pay annual maintenance fees of approximately $350 per year to WorldMark, The Club.

WorldMark Clubs. Trendwest formed WorldMark, The Club and WorldMark South Pacific Club (collectively the "Clubs") in 1989 and 1999, respectively. The Clubs own, operate and manage the real property conveyed to the Clubs by Trendwest. Trendwest develops vacation properties and deeds them to the Clubs in exchange for the exclusive right to sell the vacation credits associated with the properties contributed and retain the proceeds. Our ownership interest in both Clubs results from Trendwest's ownership of unsold vacation credits. The percentage of vacation credits owned by Trendwest in the Clubs is minimal.

Trendwest has management agreements with the Clubs under which Trendwest acts as the exclusive manager and servicing agent of the vacation owner programs. Trendwest oversees the property management and service levels of the resorts as well as certain administrative functions. As compensation for services, Trendwest, in general, receives a portion of budgeted annual expenses and reserves. Each of the management agreements of WorldMark, The Club and WorldMark South Pacific provides for automatic one-year and five-year renewals, respectively, unless such renewal is denied by a majority of the voting power of the owners, which excludes Trendwest. The revenues generated from Trendwest's management

activities for 2003 were $3.5 million, net of dues we paid to the Clubs on the unsold vacation credits we own.

Consumer Financing. Both Fairfield and Trendwest offer financing to the purchasers of vacation ownership interests. Loans extended are typically securitized. Fairfield and Trendwest continue to service loans extended by them and therefore remain responsible for the maintenance of accounts receivable files and all customer service, billing and collection activities through our consumer finance operation located in Las Vegas, Nevada. This operation employs 311 people. In addition, we employ 75 people in Redmond, Washington who are responsible for Trendwest's compliance and loan servicing. As of December 31, 2003, we serviced a portfolio of 240,000 loans totaling $1.9 billion in aggregate principal amount outstanding. Approximately 80% of our borrowers make their loan payments through direct withdrawal.

Sales and Marketing. Fairfield sells its vacation ownership interests at 35 resort locations and 7 off-site sales centers. Trendwest's sales primarily occur at 35 off-site sales offices located in metropolitan areas in six regions, including the South Pacific. The remainder of its sales occur at 19 on-site sales offices.

Growth. The growth strategy for our Timeshare Sales and Marketing Business is driven primarily by further development of existing and future resort locations. Numerous factors, including favorable demographic trends and low overall penetration of potential demand indicate continued potential growth in the timeshare industry. We also continually explore strategic corporate alliances and other transactions that would complement our Timeshare Sales and Marketing Business.

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 largest competitors include Disney Vacation Club, Hilton Grand Vacations Company LLC, Marriott Ownership Resorts, Inc. and Starwood Vacation Ownership, Inc.

Vacation Home Rental Business (1%, 1% and 1% of revenue for 2003, 2002 and 2001, respectively)

We are the largest self-catering cottage and villa rental company in Europe. We market privately-owned holiday properties for rent in Europe under the brands Cuendet, Dansommer, Novasol, Blakes Holidays in Britain, Ferrysavers.com, Country Manors, Les Manoirs, Country Cottages, Country Cottages in France, Country Cottages in Ireland, English Country Cottages, Welcome Holidays, Italian Life, French Life and Chez Nous. We derive revenue primarily through commissions on the rental of the vacation homes which range from 25% to 40% of the gross rent. We do not generally own properties, but act as an intermediary for the owners in exchange for a fee.

Our Vacation Home Rental Business has relationships with approximately 35,000 independent property owners in the United Kingdom, France, Ireland, the Netherlands, Italy, Spain, Portugal, Denmark, Norway, Sweden, Germany, Greece, Austria, Switzerland and eastern Europe. These property owners contract annually with our Vacation Home Rental subsidiaries to market their collective 40,000 rental properties. In 2003, our Vacation Home Rental Business had approximately 618,000 bookings consisting principally of vacation home rentals sold on behalf of vacation property owners, but also including camping holidays and boat rentals in the United Kingdom, the Netherlands and France, and ferry crossings in many European countries.

Our Vacation Home Rental subsidiaries market the properties they represent globally through direct marketing, the Internet and through tour operators and travel agents.

Growth. 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, online and travel agent marketing. We also attempt to leverage other Cendant businesses to increase the marketing and distribution of our holiday property portfolio.

Competition. Companies that are part of the European self-catering industry, in which we operate, rent an aggregate of 18 million vacations to consumers on an annual basis. This market is highly fragmented, and even the large operators such as Bourne Leisure, Holidaybreak and Interhome, represent only a small portion of industry volume. We believe that competition for vacation rental properties is based principally on the number of properties offered.

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," "Trendwest," "WorldMark" and related trademarks and logos are material to the businesses in our Hospitality segment. 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 businesses have significant operations. We own all the marks listed above other than the "Ramada" and "Days Inn" domestic marks. We own the Travelodge mark only in North America and are limited to using the "Ramada" marks in the Continental U.S., Alaska, Hawaii and, since 2002, in Canada. We license the Canadian "Ramada" trademark from Marriott. We license the domestic "Ramada" and "Days Inn" marks from a venture we have with Marriott International, Inc. In 2004, we expect to redeem Marriott's interest in the venture for approximately $200 million and upon such redemption we will own the domestic "Ramada" and "Days Inn" marks. We own the "WorldMark" mark pursuant to an assignment agreement with WorldMark. If our relationship with WorldMark should terminate, such mark would revert back to WorldMark upon request.

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 greater adverse effect on our lodging franchisees' annual performance and consequently our annual performance than in other periods. 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 to generate timeshare sales; consequently, sales volume tends to increase in the summer months as a result of greater tour flow from summer travelers. We cannot predict whether these trends will continue in the future.

Most consumers in our Vacation Home Rental Business book accommodations 8 to 15 weeks in advance of their departure date. Approximately 50% of departure dates fall during the summer. Therefore, most bookings are made during the first and second quarters. Recently, some consumers have begun to book accommodations closer to their departure date shifting some bookings to the third quarter.

Hospitality Employees

The businesses that make up our Hospitality Services segment employed approximately 22,950 people as of December 31, 2003.

TRAVEL DISTRIBUTION SERVICES SEGMENT (9%, 12% and 5% of revenue for 2003, 2002 and 2001, respectively)

Our Travel Distribution segment is one of the leading providers of travel content and transaction processing services in the world and is grouped into five categories based on the customer group served by such category: Travel Agency Services, which includes Galileo International, THOR, Travelwire, Travel 2 and Travel 4; Retail Travel Services, which includes CheapTickets.com, Cendant Travel and RCI Travel; Travelport Corporate Solutions; Hospitality and Leisure Services, which includes Lodging.com and Neat Group; and Supplier Services, which includes WizCom, TRUST International and Shepherd Systems. Our Travel Agency Services business generated approximately 91% of the revenue for the Travel Distribution segment in 2003.

Travel Agency Services

We provide, through Galileo, an electronic global distribution system ("GDS") for the travel industry utilizing a computerized reservation system. Travel suppliers such as airlines, hotel companies and car rental firms store, display, manage and sell their products and services through our GDS system. We market our GDS under the brands Apollo and Galileo. Apollo is utilized in North America and Japan, and Galileo is utilized in the rest of the world. Travel agencies and other subscribers at approximately 43,000 locations throughout the world and numerous Internet travel sites, such as CheapTickets.com, as well as corporations that use self-booking products, such as those provided by Travelport Corporate Solutions, are able to access schedule and fare information, book reservations and issue tickets for nearly 500 airlines. Travel agency subscribers represent a significant source of bookings that result in fees payable by travel suppliers to Galileo. Bookings generated by our five largest travel agency subscribers constituted approximately 22% of the bookings made through our GDS in 2003. Our GDS also provides subscribers with information and booking capabilities covering approximately 30 car rental companies and approximately 240 hotel companies with nearly 60,000 properties throughout the world. In 2003, Galileo processed approximately 267 million bookings. Galileo operates in approximately 120 countries.

We generate the vast majority of our GDS revenue from booking fees paid by travel suppliers. In 2003, approximately 93% of our booking fee revenues were generated from airlines. Other GDS revenue sources include lease fees for equipment provided to subscribers, such as travel agents, as well as advertising revenues paid by travel suppliers. We generate approximately 63% of our GDS revenues outside the United States.

Additional products and services provided through Travel Agency Services include: our THOR subsidiary, which provides 24-hour travel reservation assistance to customers of its travel agency clients; our Travelwire subsidiary, which provides mid-office solutions to tour operators and travel agencies through its Transfer software; and our Travel 2 and Travel 4 subsidiaries, acquired in November 2003 and which specialize in providing inventory for long-haul travel exclusively through the travel agency channel. The Travel 2 and Travel 4 acquisitions were not material to us. We have also introduced new products to increase revenues for our travel agency subscribers, such as Galileo NeatAgent, which allows travel agency subscribers the ability to offer customized vacation packages from their desktops, and Galileo Web! Hotels, which provides travel agency subscribers with desktop access to merchant hotel rates.

United Air Lines, Inc. is the largest single travel supplier utilizing our system, generating revenues of approximately $141 million relating to hosting, network services and GDS booking fees, which accounted for approximately 9% of our total Travel Distribution segment revenues in 2003. In 2003, Galileo entered into a ten-year agreement with United to provide reservations system technology and other services. In 2002, UAL Corporation, the parent of United, filed for bankruptcy protection. In 2003, United agreed to pay substantially all of its pre-petition debt to Galileo. If UAL does not successfully emerge from bankruptcy, as expected in 2004, we would not expect to recover outstanding amounts as of the date of any

subsequent liquidation, which could range from $20 to $40 million, and we would expect certain components of revenue for this segment, such as revenue generated from reservation and network management services (excluding GDS booking fees), to be negatively impacted.

The travel industry has been negatively impacted by the military conflict in Iraq, terrorist threat alerts, continuing economic pressures, and SARS concerns in the Asia-Pacific region and other parts of the world. As a result, several major travel suppliers are experiencing liquidity problems and some, such as UAL, US Airways Group and ANC Rental Group, have sought, and others may seek, bankruptcy protection. Therefore, the risk of non-payment of GDS fees from travel suppliers has increased. Travel activity could be further reduced if any of these conditions continue or resurface, which could negatively impact our Travel Distribution segment.

On December 31, 2003, the United States Department of Transportation announced that it would allow most of the rules governing pricing, fare displays and other business practices of GDSs to sunset on January 31, 2004. The few remaining rules will expire on July 31, 2004. Such rules had been implemented to protect consumers when the GDSs were controlled by airlines. In anticipation of such deregulation and as part of our commitment to provide our subscribers with a range of new solutions and capabilities for increasing revenue, we executed fare agreements with six major airlines in the United States under our Preferred Fares Select Program and with British Airways. These agreements provide our travel agency subscribers and their customers with complete access to all participating carriers' published fares for a three-year term. We are currently negotiating similar agreements with other international and domestic airlines in anticipation of ongoing deregulation efforts worldwide. We do not anticipate any near term negative impact on our travel distribution services business from deregulation.

Distribution of Products and Services. We market, distribute and support our Galileo products and services for subscribers primarily through our internal sales and marketing organizations ("SMOs") throughout the world, which accounted for approximately 76% of our 2003 bookings.

In regions not supported directly by our SMOs, we provide our products and services through our relationships with independent national distribution companies ("NDCs"), which are typically owned or operated by the national airline of the relevant country or a local travel-related business. Each NDC is responsible for maintaining the relationship with subscribers in its territory and providing ongoing customer support. We pay each NDC a share of the booking fees generated in the NDC's territory, and the NDC retains all subscriber fees billed in the territory. NDCs accounted for approximately 24% of our booking volume in 2003.

Growth. In order to grow our GDS business, we intend to expand our focus beyond booking fees to become a retailer of travel inventory and travel products and services, and thereby strengthen our relationships with our travel suppliers and travel agency customers. In doing so, we intend to continue to capitalize on our competitive strengths, the key elements of which are: (i) Cendant's business-to-business relationships and travel-related assets; (ii) a diversified global presence; (iii) established relationships with a diverse group of travel suppliers and travel agencies; (iv) a comprehensive offering of innovative products and services; and (v) new product and services initiatives with strong appeal to travel consumers, agencies and suppliers.

Competition. Our competitors include: the three major traditional GDS companies, Sabre, Inc., Amadeus Global Travel Distribution, LLC and Worldspan, L.P.; the major regional reservation systems, including Abacus International, Inc., Axess International Network, Inc., Infini Travel Information, Inc. and Topas Co., Ltd.; and other travel infrastructure companies such as Pegasus Solutions, Inc., Navitaire, Inc. and Datalex Communications USA, Inc. We also compete with alternative channels by which travel products and services are distributed; for example, some airlines operate computerized reservation systems on their web sites, and some low-cost airline carriers do not utilize a GDS distribution channel. In addition,

travelers are increasingly using the Internet to make their own bookings, thereby shifting business away from the travel agency community.

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 they achieve certain productivity or booking volume growth targets. Although continued expansion 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.

Retail Travel Services

We provide retail travel services through Cheap Tickets, Cendant Travel and RCI Travel. We are a full service travel agency, providing airline, car rental, hotel, vacation packages and other travel reservation and fulfillment services. We provide such services through Cheap Tickets, Travelers Advantage, our individual membership program, and to members of our Timeshare Exchange Business. We generate revenue from commissions on bookings from hoteliers, car rental companies, airlines, cruise lines and tour operators, as well as mark-ups on travel inventory. We also generate transaction-related advertising revenue from our online agency, CheapTickets.com.

We work directly with travel suppliers, such as airlines, car rental companies, hoteliers 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. We market and distribute this inventory to customers through our branded web site, CheapTickets.com, and through our membership channels. We book transactions primarily through our GDS and fulfill them through our travel agency network and ticketing operations. We maintain four call centers located in: Colorado Springs and Denver-Aurora, Colorado; Moore, Oklahoma; and Nashville, Tennessee.

In April 2003, we reacquired the common stock of Trip Network, Inc. by converting our preferred stock and purchasing the remainder of Trip Network's common stock for $4 million. In connection with this acquisition, we reacquired the rights for the online businesses, Trip.com and CheapTickets.com, which combined provide access to approximately 31 million registered users. The Trip.com web site ceased active operation in April 2003 to consolidate resources and technology in CheapTickets.com.

Growth. We intend to build on our existing position as a leading provider of online travel to deliver against initiatives that provide high margin products to our customers. We also intend to enhance our marketing efforts to strengthen our Cheap Tickets brand and its position as a leading retailer of attractive and well-priced travel content. We also intend to integrate travel content from other Travel Distribution businesses, enabling us to earn higher margins. Our complementary product and technology strategies are focused on improving the customer experience by providing industry leading features and functionality, while maintaining a robust operating environment.

Competition. We compete with a large number of leisure travel agencies, including Liberty Travel, Inc. and American Express Travel Related Services Company, Inc., and companies with Internet travel web sites, such as Orbitz, Inc., InterActiveCorp's Expedia, Inc., Hotels.com L.P. and Hotwire.com businesses, Sabre, Inc.'s Travelocity.com L.P. and Priceline.com Incorporated.

Travelport Corporate Solutions

Travelport Corporate Solutions (formerly known as Highwire), rebranded and launched in August 2003, offers our corporate customers the services of our GDS, our corporate online booking tool, and fulfillment services to meet their corporate travel requirements. We offer these services on a stand-alone basis or as an end-to-end solution, whereby corporate travel departments subscribing to Travelport will be able to rely

solely upon the family of companies in our Travel Distribution segment to complete booking and ticketing. Our web-based corporate travel solutions include online, self-booking capabilities, ticketing and support that enable our corporate customers to manage their travel supplier agreements and corporate travel policies, while offering their employees unique web-based tools for making travel arrangements. We generate revenues from online booking fees paid by corporate customers on a per transaction basis. We also collect transaction fees from corporate customers for fulfillment and customer care services offered as part of our end-to-end corporate travel solution. Travelport was launched in October 2003 in the United Kingdom.

Growth. We remain focused on increasing the number of bookings made by our existing corporate clients and pursuing additional large corporate clients. We intend to integrate travel content available through other Travel Distribution companies to provide our clients with superior rates and products. We are focused on providing corporate travel solutions to existing and future clients both through our individual services in North America and Europe and through our end-to-end solutions in North America.

Competition. Our primary competition comes from companies offering a full package of services for corporate clients, such as Expedia Corporate Travel, Orbitz for Business, Travelocity for Business, American Express, and companies that sell online booking tools to corporate clients and travel agencies, which incorporate the tools as part of their offering to corporate clients, including: Outtask, Inc., through its Cliqbook product; Navitaire, Inc.; Sabre, Inc., through its corporate booking product, Travelocity for Business, TRX, Inc. through its Res-X product and Carlson Travel Group, Inc. through its Wagonlit Symphonie/Horizon product.

Hospitality and Leisure Services

Our Hospitality and Leisure Services group is comprised of Lodging.com, a leading online hotel booking site for consumers, and Neat Group, an online service that enables customers to design their own vacation packages. This group is responsible for obtaining hotel, tour, cruise and vacation rental inventory for

distribution to consumers through our travel distribution subsidiaries. We provide major hotel chains with distribution, packaging and connectivity through a single point of contact. Travel suppliers can take advantage of distribution through our Travel Distribution segment's online and off-line channels, as well as enhanced connectivity through Galileo, while providing Travel Distribution segment's channels with access to exclusive preferred rate content. We generate revenue from mark-ups on merchant travel inventory, as well as commissions on bookings from travel suppliers, including hotel, tour and cruise companies.

Lodging.com provides consumers access to specially negotiated rates at more than 10,600 economy, mid-level and luxury hotels in markets around the world. Lodging.com customers also have access to Galileo's entire published hotel rate inventory, and can book vacation packages through Neat Group's packaging engine on the Lodging.com site. With a network of nearly 4,300 distribution affiliates, Lodging.com also offers hoteliers access and control over their pricing and yield management.

Neat Group develops, markets and operates dynamic packaging technology that enables customers to choose among a broad collection of discounted air, car and hotel offerings to create customized travel packages, which can provide savings of up to 50% versus purchasing the travel items separately. Neat vacation packages are sold through approximately 3,000 travel agencies and approximately 34 affiliates. The acquisition of Neat Group, which took place in May 2003, was not material to us.

Growth. We intend to continue to add international hotels and form enterprise agreements with major hotel chains, while adding their content to our distribution channels. We intend to expand Neat dynamic packaging to international markets, add additional distributors and expand and enhance its content. We intend to continue to distribute our Lodging.com and Neat technology and content throughout other Travel Distribution segment's channels. The addition of Lodging.com content to the Neat packaging

engine is one of several strategies that are designed to sell more high-margin, Travel Distribution segment's content through affiliated channels.

Competition. Lodging.com and Neat compete with companies with Internet travel web sites, such as Orbitz, Inc., InterActiveCorp's Expedia, Inc., Hotels.com L.P. and Hotwire.com businesses, Travelocity.com L.P. and Priceline.com Incorporated, in addition to off-line consolidators and tour companies, such as The Mark Travel Corporation, National Leisure Group, Inc. and Classic Custom Vacations, a division of Expedia, Inc.

Supplier Services

Our Supplier Services Business focuses on enhancing our relationships with our travel suppliers to pursue and obtain the most competitive and comprehensive rates for our Travel Distribution segment's channels. We also provide our travel suppliers with reservation-related systems and marketing information processing services that make their operations more efficient and enhance their revenue generation. We generate revenue from transaction fees and service fees paid to us by travel suppliers for our products and services.

WizCom provides hotel and car rental suppliers with electronic distribution and e-commerce solutions for Internet, GDS and other travel reservation systems. Offering the industry's first switching service, WizCom provides hotel and car rental suppliers with direct connectivity to the Internet and to global distribution systems, as well as provides central GDS information management services.

TRUST International develops and implements central reservation systems (CRS) through its Voyager CRS, providing customized, real-time reservations and global distribution services to the hospitality industry. TRUST also provides a range of telecommunication services from its global communication call centers in Frankfurt (headquarters), Orlando, Florida and Singapore, which serve approximately 38 countries in 10 languages.

Shepherd Systems provides sales and marketing intelligence technologies and services to approximately 45 of the world's leading airlines and travel agencies to strengthen their ability to make strategic decisions and help drive better business results. Shepherd also distributes Marketing Information Data Tapes (MIDT) on behalf of Galileo.

Our GlobalFares system provides fare quotation services for approximately 20 airlines worldwide. In 2003, we upgraded the GlobalFares system to provide fully automated fare and rule processing for private fares filed by airlines.

Growth. We intend to increase our Internet distribution reach, allowing hotel and car rental companies to further optimize their sales mix and enhance our product and service portfolio aimed at the hospitality sector. We intend to promote new products to meet our clients' needs, such as Hotel Cache, which offers hotel companies a cost effective solution to the high volume of rate requests from Internet-based systems, and JumpStart, our newly developed cost-effective interface for Internet distribution systems. We are also focused on enhancing our data analysis capabilities and developing consulting services related to MIDT. We intend to expand Shepherd Systems' client reach beyond the airline industry to the entire travel sector.

Competition. In providing electronic distribution services to hotel customers, we compete with third party connectivity providers and also with supplier direct connection technology providers. WizCom and TRUST International compete with many companies that provide computerized reservation system services to hotel customers, including hotels that develop their own proprietary systems. Our competitors include Pegasus Solutions, Inc., Unirez Inc., Utell Limited and Lexington Services, owned by VIP International Corporation. Shepherd Systems' competitors include providers of market and business intelligence information, primarily in the airline industry such as Sabre, Inc. and Lufthansa Systems.

Travel Distribution Trademarks and Intellectual Property

The trademarks and service marks "Galileo," "Apollo," "Cheap Tickets," "WizCom," "Lodging.com," "THOR," "Travelport" and related trademarks and logos are material to the businesses in our Travel Distribution segment. Galileo and our other subsidiaries in the Travel Distribution segment and their licensees actively use these marks. All of the material marks used by these companies 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 material marks used in the Travel Distribution segment.

We also use a combination of patent, copyright, trade secret, confidentiality procedures and contractual provisions to protect the software, business processes and other proprietary information we use to conduct the businesses in our Travel Distribution segment. These assets and the related intellectual property rights are important assets of the businesses in our Travel Distribution segment. Unauthorized use of our intellectual property could have a material adverse effect on our Travel Distribution segment and there can be no assurance that our legal remedies would adequately compensate us for the damage caused by such use.

Travel Distribution Seasonality

We experience a seasonal pattern in our operating results, with the first and fourth quarters typically having lower total revenues and operating income compared to the second and third quarters due to decreased travel during the winter months.

Travel Distribution Employees

The businesses that make up our Travel Distribution segment employed approximately 4,700 people as of December 31, 2003.

VEHICLE SERVICES SEGMENT (32%, 30% and 39% of revenue for 2003, 2002 and 2001, respectively)

Our Vehicle Services segment consists of the vehicle rental operations business of Avis and Budget, the Avis and Budget franchise systems and our commercial fleet management business.

Vehicle Rental Operations and Franchise Businesses (24%, 20% and 25% of revenue for 2003, 2002 and 2001, respectively)

We are one of the largest vehicle rental operators in the world under two leading brands, Avis and Budget. We operate Avis and Budget as separate brands, with differentiated images, service and pricing. Avis targets customers who are willing to pay for premium service while Budget focuses on providing a value rental experience. Certain administrative functions such as fleet planning and treasury, as well as vehicle reservation and rental systems, are provided by Cendant for the benefit of both Avis and Budget.

Avis (14%, 19% and 25% of revenue for 2003, 2002 and 2001, respectively)

We operate and/or franchise portions of the Avis car rental system (the "Avis System"), which represents one of the largest car rental systems in the world, based on total revenue and number of locations. We operate and/or franchise approximately 1,800 of the approximately 4,800 rental locations that comprise the Avis System, including locations at most of the largest airports and cities in the United States and internationally. The Avis System in Europe, Africa, part of Asia and the Middle East is operated under a

franchise arrangement with Avis Europe Ltd., an independent third party, and is comprised of approximately 3,000 locations.

We own and operate approximately 982 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 2003, our Avis car rental operations had an average fleet of approximately 209,500 vehicles and generated total vehicle rental revenue of approximately $2.6 billion, of which 87% (or $2.26 billion) was derived from U.S. operations. In addition, we franchise the Avis System to independent business owners in approximately 820 locations including locations in the United States, Canada, Latin America and the Asia Pacific region. Approximately 95% of our Avis System rental revenue in the United States is generated by locations owned by us or operated for us under agency arrangements, and the remainder is generated by locations operated by independent franchisees. Independent franchisees pay fees based either on total time and mileage charges or total revenue.

In addition to fees from car rentals and franchisee royalties, we generate revenue through optional products and services such as supplemental equipment (child seats and ski racks), loss damage waivers, additional liability insurance, personal accident insurance, personal effects protection and fuel option and service charges.

We provide franchisees and our corporate locations access to the benefits of a variety of services, including: (i) a standardized system identity for rental location presentation and uniforms; (ii) a training program, business policies, quality of service standards and data designed to monitor service commitment levels; (iii) marketing/advertising/public relations support, which includes a national advertising campaign to generate awareness of the Avis System through our familiar "We Try Harder" tagline; (iv) one of the leading rental car web sites, avis.com; (v) "Avis Cares," a program which includes providing customers with area-specific driver safety information, the latest child safety seats (available for rent) and driving maps; (vi) a counter by-pass program, Avis Preferred Service, which is available at top airport locations; and (vii) Avis Access, a full range of special products and services for physically-challenged drivers and passengers. Avis System locations have access to the Wizard System, an online computer system which provides (i) global reservations processing, (ii) rental agreement generation and administration and (iii) fleet accounting and control. Franchisees pay a fee for the 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.

Marketing. In 2003, approximately 73% of vehicle rental transactions generated from our owned and operated car rental locations were generated in the United States by travelers who rented with Avis under contracts between Avis and the travelers' employers or through membership in an organization with whom Avis has an affiliation (such as AARP and USAA). Our franchisees also have the option to participate in these contracts. Unaffiliated business and leisure travelers are solicited by direct mail promotions and advertising campaigns.

Customers can make Avis reservations through the Avis toll-free reservation center at 1-888-777-AVIS, via our Avis web site at *www.avis.com*, through online portals or by contacting their travel agent. Travel agents can access Avis through all major global distribution systems, and can obtain information with respect to our rental locations, vehicle availability and applicable rate structures through these systems. An automated link between these systems and the Wizard System gives them the ability to reserve and confirm rentals directly. We also maintain strong links to the travel industry. Avis offers customers the ability to earn frequent traveler points with virtually all the major airlines including Delta Air Lines, Inc., American Airlines, Inc., Continental Airlines, Inc. and United Air Lines, Inc. Avis is also affiliated with TripRewards, our recently launched loyalty marketing program and with the frequent traveler programs of various hotels including the Hilton Hotels Corporation, Hyatt Corporation, and Starwood Hotels and Resorts Worldwide, Inc. 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 may be transferred to Avis if they desire to rent a vehicle. In addition, through partnerships with American Express, MBNA Corporation and Sears, Roebuck and Co., we are able to provide their customers with incentives to rent from Avis.

Internationally, we utilize a multi-faceted approach to sales and marketing throughout our global network by employing or contracting with teams of trained and qualified account executives to negotiate contracts with major corporate accounts and leisure and travel industry partners. In addition, we utilize a wide range of marketing 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 and Qantas as well as participation in Avis Europe programs with British Airways, Lufthansa and other carriers.

Budget (10% and 1% of revenue for 2003 and 2002, respectively)

We purchased substantially all of the domestic assets and selected international operations of the Budget vehicle rental system (the "Budget System") on November 22, 2002.

Budget Rent A Car System is one of the largest car and truck rental systems in the world, based on total revenue and number of locations. We operate and/or franchise 1,987 of the approximately 2,900 rental locations that comprise the Budget System, including locations at most of the largest airports and cities in the United States and internationally. The rental locations that we do not operate or franchise are located in Europe, Africa, and the Middle East and are operated under a royalty-free franchise by Zodiac Europe Limited, an independent third party. We operate approximately 625 Budget car rental locations in both airport and non-airport (downtown and suburban) locations in the United States, Canada, Puerto Rico, Australia and New Zealand and our Budget car rental operations generated total vehicle rental revenue of $1.24 billion, of which 93% (or $1.15 billion) was derived from U.S. operations. For 2003, our Budget car rental operations had an average fleet of approximately 103,000 vehicles. We also franchise the Budget System to independent business owners in approximately 1,362 locations including locations in the United States, Canada, Latin America, the Caribbean and the Asia Pacific region. Approximately 86.1% of our Budget System rental revenues in the United States are generated by locations owned by us or operated for us under agency arrangements, with the remainder generated by locations operated by independent franchisees. Independent franchisees generally pay fees based on gross rental revenue.

We also operate a combined truck rental fleet of approximately 30,000 trucks through a network of approximately 2,500 corporate-owned, dealer and franchised locations throughout the continental United States. Our truck rental business serves both the consumer and light commercial sectors. The consumer sector primarily serves individuals who rent trucks to move household goods on either a one-way or local basis. The light commercial sector serves a wide range of businesses that rent light- to medium-duty trucks, which we define as trucks having a gross vehicle weight of less than 26,000 pounds, for a variety of commercial applications.

In addition to fees from car and truck rentals and franchisee royalties, we generate revenue through optional products and services such as supplemental equipment (child seats and ski racks, with respect to car rentals, and hand trucks, packaging materials and furniture pads, with respect to truck rentals), loss damage waivers, supplemental liability insurance, personal accident and effects insurance, fuel option and service charges.

Marketing

Car Rental. In connection with its focus on leisure travelers, Budget primarily uses retail advertising and value pricing to drive improved results on its web site, in the reservation center, and in other leisure channels. In addition, proprietary marketing programs such as Fastbreak, a counter bypass program for frequent travelers, and Unlimited Budget, a travel agent rewards program, drive increased revenues.

Budget also launched a small business program, the "Budget Means Business" Program, in 2003. Understanding the constraints of small business customers, the Budget Means Business Program focuses primarily on offering a value proposition. In addition, Budget continued to build its affiliated base of customers through relationships with various entities like Costco and with travel partners like Southwest Airlines and TripRewards, our recently launched loyalty program.

Customers can make Budget reservations through the Budget toll-free reservation center at 1-800-BUDGET7, via our Budget web site at *www.budget.com*, through online travel portals, or through their travel agent. Travel agents can access Budget through all major global distribution systems and can obtain information with respect to our rental locations, vehicle availability and applicable rate structures through these systems. In addition, Budget offers Unlimited Budget, a loyalty incentive program for travel agents. Participating travel agents earn cash for every eligible U.S. business and leisure rental completed by their clients. As of December 31, 2003, approximately 80,000 travel agents were enrolled in this program.

Truck Rental. Budget primarily advertises in the yellow pages to promote its trucks to potential customers. Customers can make truck reservations through the Budget truck toll-free reservation center at 1-800-BUDGET2, via our Budget truck web site at *www.budgettruck.com* or by calling a location directly. In addition, Budget has established online affiliations with web sites like monstermoving.com to reach its targeted audience.

Vehicle Rental Growth. For 2003, we generated 83.9% and 75.7% of our Avis and Budget revenue, respectively, from our owned airport locations. We intend to increase business at existing off-airport locations through a combination of advertising, promotions, local sales calls and targeted marketing to members of various associations and corporations. We also intend to open new off-airport locations through relationships with major retailers. Avis formalized a partnership with Sears in October 2002 and since then has established 54 Avis locations at Sears stores. In connection with its nonexclusive arrangements with Wal-Mart Stores, Inc. and The Pep Boys—Manny, Moe & Jack, Budget intends to expand its off-airport reach and has begun to establish Budget locations at such stores. We also intend to increase our focus on Budget's truck business by upgrading the truck fleet and improving utilization.

Web Sites. Avis and Budget have strong brand presence on the Internet through their web sites, avis.com and budget.com. A steadily increasing number of Avis and Budget vehicle rental customers obtain rate, location and fleet information and then reserve their rentals directly on these web sites. In addition, both Avis and Budget have agreements to promote their car rental services with major Internet portals, and have a strong advertising presence on Yahoo! During 2003, reservations through Internet sources increased to 18.3% and 30.3% of total reservations from 14.7% and 25.9% in the prior year for Avis and Budget owned operations, respectively.

Vehicle Rental 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. Our featured supplier for the Avis brand is General Motors Corporation. Our featured supplier for the Budget brand is Ford Motor Company. Under the terms of our agreements with GM and Ford, which expire in 2006 and 2007, respectively, we are required to purchase a certain number of vehicles from these manufacturers. Our current operating strategy is to maintain an average fleet age of approximately five months. For model year 2003, 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 reducing our risk on the resale of the vehicles. In 2003, approximately 2.3% of repurchase program vehicles did not meet the conditions for repurchase.

Vehicle Rental Airport Concession Fees. In general, concession fees for airport locations are based on a percentage of total commissionable revenues (as determined by each airport authority), subject to minimum annual guaranteed amounts. Concessions are typically awarded by airport authorities every three to five years based upon competitive bids. Our concession agreements with the various airport authorities generally impose certain minimum operating requirements, provide for relocation in the event of future construction and provide for abatement of the minimum annual guarantee in the event of extended low passenger volume.

Vehicle Rental 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. Nationally, Avis' principal competitor is The Hertz Corporation and Budget's principal competitors are Alamo Rent-A-Car, LLC and Dollar Rent-A-Car System, Inc. However, both Avis and Budget also compete with each of these companies and with National Car Rental System, Inc., Thrifty Rent-A-Car System, Inc. and Enterprise Rent-A-Car Company. 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, national distribution, usability of booking systems, ease of rental and return and other elements of customer service. In addition, competition is influenced strongly by advertising and marketing.

Commercial Fleet Management Services Business (8%, 10% and 14% of revenue for 2003, 2002 and 2001, respectively)

PHH Arval, the second largest provider of outsourced commercial fleet management services in North America, and Wright Express, the largest proprietary fleet card service provider in the United States, compose 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 2003, we leased approximately 316,000 vehicles, primarily cars and light trucks. 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. For the remaining 3% where we retain some residual risk on the value of the vehicle at the end of the lease term, the net credit losses as a percentage of the average balance of vehicle leases serviced has been less than 0.05% in each of the last five years.

- *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 commercial fleet charge card supplier with approximately 144,000 fuel and service facilities in its network and approximately 3.5 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 fleet cards and related services to commercial fleet customers of major petroleum companies; and (iii) the co-branded card, under which Wright Express fleet 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. Wright Express issues commercial fleet cards through its wholly-owned subsidiary Wright Express Financial Services Corporation. Wright Express Financial Services is a Utah-chartered industrial loan corporation regulated, supervised and regularly examined by the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation.

- *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 of 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 upon 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 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.

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. Wright Express has also made a substantial investment in its technology to aggressively pursue new business opportunities both in the United States and internationally.

Competition. The principal factors for competition in vehicle management services are service, quality and price. We are 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. Our competitors in the United States include GE Capital Fleet Services, Wheels Inc., Automotive Resources International (ARI), Lease Plan International and hundreds of local and regional competitors, including numerous competitors who focus on one or two products. In the United States, it is estimated that only 59% of fleets are leased by third-party providers. The continued focus by corporations on cost efficiency and outsourcing is expected to provide growth opportunities in the future.

Vehicle Services Trademarks and Intellectual Property

The service marks "Avis" and "Budget", related marks incorporating the words "Avis" or "Budget", and related logos are material to our Vehicle Rental Operations and Franchise Businesses. Our subsidiaries and franchisees, actively use these marks. All of the material marks used in the Avis and Budget businesses are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as major countries worldwide where Avis and Budget franchises are in operation. We own the marks used in the Avis and Budget businesses. The service marks "Wright Express," "WEX," "PHH" and related trademarks and logos are material to our commercial fleet management 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 and Budget businesses, 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 greater adverse effect on Avis' and Budget's annual performance than in other periods. The fourth quarter is generally the weakest financial quarter for the Avis and Budget systems. In 2003 our average monthly Avis rental fleet, excluding franchisees, ranged from a low of approximately 195,000 vehicles in December to a high of approximately 234,000 vehicles in July. In 2003, our average monthly Budget car rental fleet, excluding franchisees, ranged from a low of approximately 84,000 vehicles in December to a high of approximately 124,000 vehicles in July. Rental utilization for Avis, 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 65.8% in December to 82% in August and averaged 73.4% for all of 2003. Rental utilization for Budget, which is based on the number of days vehicles are rented compared to the total number of days vehicles are available for rental, ranged from 84.8% in August to 74.0% in December and averaged 80.8% for all of 2003.

Our commercial fleet management services business is generally not seasonal.

Vehicle Services Employees

The businesses that make up our Vehicle Services segment employed approximately 32,700 people as of December 31, 2003.

FINANCIAL SERVICES SEGMENT (8%, 9% and 16% of our revenue for 2003, 2002 and 2001, respectively)

Loyalty/Insurance Marketing Business (2%, 3% and 5% of our revenue for 2003, 2002 and 2001, respectively)

Our Loyalty/Insurance Marketing Business provides enhancement packages for financial institutions and marketing for accidental death and dismemberment insurance and certain other insurance products through our Progeny Marketing Innovations Inc. subsidiary. With approximately 40.5 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 accidental death and dismemberment insurance and travel discounts. Other enhancements may include our shopping and credit card registration services, a travel newsletter or pharmacy, eyewear or entertainment discounts. The common carrier coverage is underwritten under group insurance policies with two third-party 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.

AD&D Insurance. Through our Progeny subsidiary, 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. Progeny's insurance products and other services are offered primarily to customers of banks, credit unions, credit card issuers and mortgage companies. These products are primarily marketed through direct mail solicitations and telemarketing

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 and we derive revenue primarily from commissions based on premiums received pursuant to agreements with the insurance carriers that issue the policies we market. Progeny also acts as an administrator for, and markets, term life and hospital accident insurance as well as a number of other insurance products Progeny is currently testing.

Long Term Care Insurance. In June 2003, our Long Term Preferred Care subsidiary discontinued the marketing and sale of long term care insurance policies. We continue to derive revenue from commissions based on premiums received pursuant to agreements with the insurance carriers that issued the policies we sold. Our decision to discontinue the marketing and sale of long term care insurance policies was driven by changes in the long term care insurance market and our initiative to concentrate on core businesses. Even prior to discontinuing the marketing and sale of long term care insurance, the revenues derived from this business were immaterial. Although LTPC discontinued such marketing and sales activities, LTPC continues to provide customer service and related services to the existing block of insurance policies and policyholders.

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 a greater number of financial institutions and targeted non-financial partners. In addition, we are expanding the array of insurance products and services sold through the direct marketing channels to existing clients.

Competition. Our checking account enhancement packages and services compete with similar services offered by other companies, including insurance companies and other third-party marketers such as Sisk Company, Generations Gold and Econ-O-Check Corporation. In larger financial institutions, we may also compete with a financial institution's internal 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.

Loyalty Solutions Business (1%, 1% and 2% of our revenue for 2003, 2002 and 2001, respectively)

Our Cims subsidiary operates our Loyalty Solutions Business and develops 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, 2003, Cims has expanded its membership base to approximately 18.9 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 uses its internal insurance competencies and strategic relationships to provide insurance benefits to consumers. Cims derives fees from its financial institution and other corporate clients for its loyalty packages.

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 and internal marketing groups of large financial institutions.

Tax Preparation Business (1%, 1% and 1% of our revenue for 2003, 2002 and 2001, respectively)

Our Jackson Hewitt subsidiary is the second largest tax preparation service system in the United States. In 2003, the Jackson Hewitt franchise system consisted of a 48-state network (and the District of Columbia) with over 4,200 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, Kmart Corporation, Simon Malls and General Growth Malls and other retail stores. Through the use of proprietary interactive tax preparation software, franchisees are engaged in the preparation and electronic filing of federal and state individual income tax returns. During 2003, the Jackson Hewitt system prepared over 2.8 million tax returns, which represented an increase of 13% from 2002. To complement tax preparation services, our franchisees also offer accelerated check refunds, assisted direct deposits, refund anticipation loans and related financial products to tax preparation customers through designated banks, as well as Gold Guarantee, our enhanced warranty product. In 2003, Jackson Hewitt launched a MasterCard branded stored-value card, the Jackson Hewitt CashCard which provides customers an additional payment option to conveniently receive their tax-related funds. Franchisees pay an initial franchise fee as well as royalty and marketing fees.

Through our Tax Services of America subsidiary we operated over 650 tax preparation offices in 2003 preparing over 350,000 tax returns through these offices.

Growth. We believe growth in the tax preparation industry will come primarily from organic growth in franchised and corporate-owned offices, selling new franchises, the application of proven management techniques, and continued growth in new product and service offerings. We also intend to continue to acquire independent tax preparation firms and convert them to the Jackson Hewitt system.

Competition. The tax preparation industry is highly competitive. There are a substantial number of tax preparation firms and accounting firms that offer tax preparation services. The industry is highly competitive with regard to price, service and quality. Our largest competitor, H&R Block, is a nationwide tax preparation service with more than 9,000 locations.

Individual Membership Business (4%, 4% and 8% of our revenue for 2003, 2002 and 2001, respectively)

Trilegiant Transaction. On January 30, 2004, we terminated Trilegiant's right to market membership programs that we had previously licensed to Trilegiant Corporation in July 2001, terminated our license of the Trilegiant trademark and terminated our outsourcing arrangement whereby Trilegiant provided

membership fulfillment services to our members. We will therefore be responsible for providing fulfillment services to our members. In connection with this transaction, we have hired substantially all Trilegiant

employees, agreed to service Trilegiant's members and made a $13 million cash payment to Trilegiant as consideration for the early termination of the rights referred to above. Trilegiant has now changed its name to TRL Group, Inc. and we have renamed one of our subsidiaries Trilegiant Corporation. In connection with such transaction, we also acquired Trilegiant Loyalty Solutions, Inc., a wholly-owned subsidiary of TRL Group, for $20 million in cash. Trilegiant Loyalty Solutions offers wholesale loyalty enhancement services primarily to credit card issuers who make such services available to their credit card holders to foster increased product usage and loyalty and will serve as the administrator of our points database for our TripRewards Loyalty Program. We continue to own preferred stock of TRL Group, which is currently convertible, at any time at our option, into approximately 43% of TRL Group common stock (taken together with the shares of common stock currently held by us). As a result of this transaction, we now have managerial control of TRL Group through our majority representation on the TRL Group Board of Directors.

Our Individual Membership Business markets various clubs and services to individuals through joint marketing arrangements with various institutions such as banks, financial institutions, retailers, oil companies and Internet service providers. For a membership fee, we provide members with access to a variety of discounted products and services. Our programs offer consumers discounts on many brand categories along with shop-at-home convenience in such areas as retail merchandise, travel, automotive and home improvement. Participating institutions generally receive commissions on initial and renewal memberships, based on a percentage of the net membership fees. We also provide our products to such institutions on a wholesale or resale basis upon request. As of January 31, 2004, we serviced approximately 18.5 million memberships, approximately 8.3 million of which consist of our memberships and 10.2 million consist of members that we service on behalf of TRL Group.

We offer a variety of membership programs, including Shoppers Advantage, a discount shopping program; Travelers Advantage, a discount travel service program; AutoVantage, 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; PrivacyGuard and Credentials, services which provide monitoring of a member's credit history and access to driving records and medical files; 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; Family FunSaver Club, a program which provides the opportunity to purchase family travel services and other family related products at a discount; and HealthSaver, a program which provides discounts on prescription drugs, eyewear, eye care, dental care, selected health-related services and fitness equipment.

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

Competition. The membership services industry is highly competitive. Competitors include membership services companies, such as MemberWorks Incorporated, 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 together with 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 service mark "Progeny Marketing Innovations" and its associated logo is material to Progeny's business. Progeny

actively uses this mark which is registered in the United States Patent and Trademark Office. The Individual Membership Business trademarks and service marks listed above and related logos, together with the "Trilegiant" trademark, are material to the Individual Membership Business. The "Trilegiant" trademark and Individual Membership Business trademarks and logos are registered (or have applications pending for registration) with the United States Patent and Trademark Office. We own the material marks used in the Individual Membership Business.

Financial Services Seasonality

Substantially all of Jackson Hewitt franchisees' customers file their tax returns during the period from January through April of each year. As a result, nearly all franchise royalties are received during the first and second quarters, and Jackson Hewitt operates at a loss for the remainder of the year. These losses primarily reflect payroll of year-round personnel, the update of tax software and other costs relating to preparation for the subsequent tax season. The other businesses in our Financial Services segment generally are not seasonal.

Financial Services Employees

The businesses that make up our Financial Services segment employed approximately 5,500 people as of December 31, 2003. In connection with the Trilegiant transaction, we hired approximately 1,930 employees on January 30, 2004.

GEOGRAPHIC SEGMENTS

Financial data for geographic segments are reported in Note 27—Segment Information to our Consolidated Financial Statements included in Item 8 of this Form 10-K.

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. Our franchisors may engage in certain lending transactions common in their respective industries that provide loans to franchisees as part of the sale of the franchise. Such transactions may require the franchisor to register under state laws governing business lenders. We cannot predict the effect of the impact of those laws or any decision not to register under such laws and cease offering such loans.

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 and other arrangements involving our Real Estate Brokerage Franchise, Real Estate Brokerage, Settlement Services, Mortgage and Relocation Businesses. Our title insurance operations are subject to numerous state laws and regulations. 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. Our Settlement Services businesses are subject to various federal and state regulations including those promulgated by state

departments of insurance and departments of corporations. Currently, there are local efforts in certain states, which could limit referral fees to our Relocation Business.

In addition, with respect to our Real Estate Brokerage Business, RESPA and similar state laws require timely disclosure of the relationships or financial interests between providers of real estate settlement services. Our Real Estate Brokerage Business is also subject to numerous federal, state and local laws and regulations that contain general standards for and prohibitions on the conduct of real estate brokers and sales associates, including those relating to licensing of brokers and sales associates, fiduciary and agency duties, administration of trust funds, collection of commissions, advertising and consumer disclosures. Under state law, our real estate brokers have the duty to supervise and are responsible for the conduct of their brokerage business.

Timeshare Exchange Regulation. Our Timeshare Exchange Business, which includes RCI exchange programs and other exchange programs operated by our timeshare sales and marketing 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 properties 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 and other exchange programs operated by our Timeshare Sales and Marketing Business. Therefore, the statutes indirectly impact our Timeshare Exchange Business.

Timeshare Sales and Marketing Regulation. Our Timeshare Sales and Marketing Business, which includes our resort management business, is subject to extensive regulation by the states and countries 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 and rules promulgated by the Federal Trade Commission thereunder, including the federal Telemarketing Sales Rule with its Do Not Call provisions; 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; the Gramm-Leach-Bliley Act and the Fair Credit Reporting Act, which address privacy of consumer financial information; and the Civil Rights Acts of 1964, 1968 and 1991. In Australia, we are regulated by the Australian Securities and Investments Commission.

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, telephone solicitation laws including Do Not Call legislation and restrictions on the use of predictive dialers, 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 466 Avis and Budget locations at which petroleum products are stored in underground or above ground 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 our 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 5% of our vehicle operations revenue during 2003 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. Pursuant to new legislation effective in 2003, New York permits the sale of loss damage waivers at a capped rate per day based on the vehicle's manufacturer's suggested retail price. Nevada and California have similar rules regarding fees for loss damage waivers.

We are also subject to regulation under the insurance statutes, including insurance holding company statutes, of the jurisdictions in which our 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.

Our vehicle rental and fleet leasing businesses could be liable for damages in connection with motor vehicle accidents under the theory of vicarious liability. Under this theory, companies that lease or rent motor vehicles may be subject to liability for the tortuous acts of their lessees/renters, even in situations where the leasing/rental company has not been negligent and there is no product defect involved.

Wright Express Financial Services Corporation is subject to a variety of state and federal laws and regulations applicable to FDIC-insured, state-chartered financial institutions.

Marketing Regulation. The products and services offered by our various businesses, including our Real Estate Brokerage, Timeshare Exchange, Timeshare Sales and Marketing, Loyalty/Insurance Marketing and Individual Membership Businesses, are marketed 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, including anti-fraud laws, consumer protection laws, privacy laws, telemarketing laws and telephone solicitation laws, may limit our ability to solicit new customers or to offer one or more products or services to existing customers. In addition to direct marketing, our Loyalty/Insurance Marketing Business is subject to various state and local regulations including, as applicable, those of state insurance departments. While we have not been materially adversely affected by existing regulations, we cannot predict the effect of any future foreign, federal, state or local legislation or regulation.

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. A number of our businesses are significant users of email marketing to existing and prospective customers. It is unclear what effect, if any, legislation restricting such marketing practices would have on those businesses.

Some of our business units use sweepstakes and contests as part of their marketing and promotional programs. These activities are regulated primarily by state laws that require certain disclosures and providing certain assurances that the prizes will be available to the winners.

Global Distribution Services Regulation. Our GDS business is subject to regulation primarily in the United States, the European Union ("EU") and Canada. However, each jurisdiction has announced plans to significantly reduce or eliminate the existing regulations as more fully discussed below.

Throughout 2003, each jurisdiction's rules were 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. The U.S. and EU rules have the greatest impact on us because of the volume of business transacted by us in those jurisdictions. Neither jurisdiction currently seeks to regulate computerized reservation system relationships with non-airline participants, such as hotel and car rental companies, although the EU rules allow computerized reservation systems to incorporate rail services into their displays and such rail services are therefore subject to certain sections of the EU rules.

Regulators in the United States, the European Union, and Canada have announced proposed changes to the existing rules. On December 31, 2003, the United States Department of Transportation approved a new set of abbreviated rules effective January 31 through July 31, 2004. After July 31, 2004, all GDS rules in the U.S. are scheduled to terminate unless otherwise extended. The new rules in effect in the United States until July 31, 2004 primarily 1) continue the existing ban upon display bias of flights made available to

travel agents by GDSs; 2) continue the existing ban on certain contract clauses in contracts between GDSs and airlines; and 3) continue the existing ban on discriminatory loading of data into the GDS system.

The proposed EU rules have not yet been issued in draft form but are expected in 2004. The EU has advised that it is considering the elimination of many rules including the rules that require GDSs to treat all airlines and travel agents equally not only in terms of services offered but also with regard to fees charged. In addition, the EU has proposed the elimination of many rules relating to subscribers as well as the rule that requires an airline that owns a GDS to treat all GDSs equally. The Company has actively provided its views to the EU commission and plans to comment on the draft rules when issued.

On October 24, 2003, the Canadian government published a proposed revision of its GDS rules. The proposed revision eliminated several rules and modified several others. However, on February 9, 2004, Canada hosted an industry meeting to discuss whether GDS regulations were required any longer in view of the deregulation of the GDS industry in the United States. The new rules, if any, will not become effective until sometime in 2004.

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 are heavily regulated by the United States and other governments and we are indirectly affected by such regulation.

EMPLOYEES

As of December 31, 2003, we employed approximately 87,000 people. We have approximately 6,500 U.S. employees and 700 international employees covered under collective bargaining arrangements. Management considers our employee relations to be satisfactory and does not anticipate any material interruptions to operations from labor disputes.

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, 7 Sylvan Way, 6 Sylvan Way, 1 Sylvan Way and 10 Sylvan Way, Parsippany, New Jersey 07054. Executive offices are also located at Landmark House, Hammersmith Bridge Road, London, England W69EJ.

Real Estate Franchise Business. Our Real Estate Franchise Business conducts its main operations at our leased offices at One Campus Drive in Parsippany, New Jersey. There are also leased facilities at regional offices located in Atlanta, Georgia, Mission Viejo, CA; Chicago, IL and Scottsdale, AZ.

Real Estate Brokerage Business. Our Real Estate Brokerage Business leases over 6.7 million square feet of domestic office space under 1,293 leases. Its corporate headquarters are located at 339 Jefferson Road, Parsippany, New Jersey pursuant to leases expiring in 2005 and 2007. NRT leases approximately 22 facilities under 33 leases serving as regional headquarters; 71 facilities serving as location administration, training facilities or storage, and approximately 955 offices under approximately 1,118 leases serving as brokerage sales offices. These offices are generally located in shopping centers and small office parks, generally with lease terms of five years. In addition, there are 71 leases representing vacant office space, principally as a result of acquisition-related brokerage sales office consolidations.

Settlement Services Business. Our Settlement Services Business conducts its main operations at a leased facility in Moorestown, New Jersey under a lease expiring in 2004 and has leased regional and branch offices in fourteen states.

Mortgage Business. 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 900,000 square feet. The lease terms expire in 2004, 2006, 2008, 2013 and 2022. Our Mortgage Business has recently entered into a lease for a new building, also in the Mt. Laurel area, which is anticipated to be completed and occupied in 2004. The new lease expires in 2014. There is a second area of centralized offices in Jacksonville, Florida, where space is occupied pursuant to two leases expiring in 2005 and 2008. In addition, there are approximately 24 smaller regional offices located throughout the United States.

Relocation Business. Our Relocation Business has its main corporate operations in two leased buildings in Danbury, Connecticut with lease terms expiring in 2004 and 2008. There are also five leased regional offices located in Mission Viejo and Walnut Creek, California; Chicago, Illinois; Irving, Texas and Bethesda, Maryland, which provide operation support services. Facilities referred to in the preceding sentence are pursuant to leases that expire in 2013, 2005, 2004, 2008 and 2005, respectively. International offices are located in Swindon and Hammersmith, United Kingdom; Melbourne and Sydney, Australia; Hong Kong and Singapore pursuant to leases that expire in 2012, 2017, 2005, 2005, 2004 and 2004, respectively.

Lodging Franchise Business. Our Lodging Franchise Business leases space for its reservations centers and data warehouse in Aberdeen, South Dakota; Knoxville, Tennessee and St. John, New Brunswick, Canada pursuant to leases that expire in 2004, 2007, and 2013 respectively. In addition, our lodging and real estate businesses share approximately four leased office spaces within the United States and have one vacant property in Phoenix, Arizona with a lease expiring in 2007.

Timeshare Exchange Business. Our Timeshare Exchange Business has six properties which we own. The most significant owned properties for this business are call centers in Carmel, Indiana; Cork, Ireland and Kettering, UK. Our Timeshare Exchange Business also has approximately seven leased offices located within the United States and approximately 43 additional leased spaces in various countries outside the United States.

Timeshare Sales and Marketing Business. Our Timeshare Sales and Marketing Business owns a facility in Redmond, Washington and leases space for call center and administrative functions in Syracuse, New York; Bellevue, Washington; Las Vegas, Nevada; Margate, Florida and Orlando, Florida, pursuant to leases expiring in 2005, 2006, 2007, 2010 and 2012, respectively. In addition, approximately 113 marketing and sales offices are leased throughout the United States and nine offices are leased internationally.

Vacation Home Rental Business. Our Vacation Home Rental Business operations are managed in two owned locations (Earby, England and Monterrigioni, Italy) and three leased locations (Leeds, England; Copenhagen, Denmark and Hamburg, Germany). Our leased locations operate pursuant to leases that expire in 2004, 2005 and 2006, respectively. We intend to vacate the leased location expiring in 2004.

Travel Distribution Business. Our travel distribution business has three properties, which we own: a data center in Greenwood, Colorado; a facility in Atlanta, Georgia and a call center in Lakeport, California, which is currently vacant. Our travel distribution business also leases 16 additional facilities within the United States that function as call centers or fulfillment or sales offices, and 46 additional properties in various countries outside the United States, which function as administration, sales, call center and fulfillment offices. Our travel distribution businesses leases have various expiration dates.

Vehicle Rental Operations and Franchise Businesses. Our Vehicle Services segment owns a facility in Virginia Beach, Virginia, which serves as a satellite administrative facility for our car rental operations. Office space is also leased in Orlando, Florida; Redding, California; Denver, Colorado; Wichita Falls, Texas; Tulsa, Oklahoma; and Federicton, Canada pursuant to leases expiring in 2005, 2011, 2007, 2010, 2006, and 2009, respectively. Budget offices at Carrollton, Texas and LeMoore, California have been recently closed and are therefore vacant. These spaces are subject to leases expiring in 2016 and 2010, respectively. In addition, there are approximately 19 leased office locations in the United States.

We lease or have vehicle rental concessions for both the Avis and Budget brands at multiple locations throughout the world. Avis operates 738 locations in the United States and 244 locations outside the United States. Of those locations, 233 in the United States and 78 outside the United States are at airports. Budget operates at 550 locations in the United States of which 127 are at airports. Budget also operates at 75 locations outside the United States. 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.

Commercial Fleet Management Services Business. PHH Arval leases office space and marketing centers in six locations in Canada. PHH Arval maintains a headquarters office in Hunt Valley, Maryland pursuant to a lease expiring in the first quarter of 2004. At that time, these functions will be relocated to a new 210,000 square foot office in Sparks, Maryland, which has a lease expiring in 2014. In addition, Wright Express leases office space in Portland, Maine and Salt Lake City, Utah, under leases expiring in 2006, 2007, 2008, 2012 and 2004.

Loyalty/Insurance Marketing Business. Our Loyalty/Insurance Marketing Business leases three domestic office spaces in Franklin, Tennessee with lease terms ending in 2006 and 2009.

Loyalty Solutions. Our Loyalty Solutions Business leases 11 locations internationally that function as sales and administrative offices for Cims with the main office shared with our travel distribution business in Langley, England.

Tax Preparation Business. Our Tax Preparation Business leases a facility in Sarasota, Florida.

Individual Membership Business. Our Individual Membership Services Business leases 115,000 square feet in Norwalk, Connecticut under a lease expiring in 2014. Administrative offices are located in Dublin, Ohio pursuant to a lease expiring in 2008 and call center functions are located in an owned facility in Cheyenne, WY and a leased facility in Westerville, OH with a lease expiring in 2005. In addition, two offices are located in Trumbull, CT with leases expiring in 2005 housing data center and production center functions.

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

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 and other proceedings were commenced 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 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.

On December 7, 1999, we announced that we had reached an agreement to settle claims made by class members in the Securities Action for approximately $2.85 billion in cash. This settlement received all necessary court approvals and was fully funded by us on May 24, 2002.

On January 25, 1999, the Company 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.

Welch & Forbes, Inc. v. Cendant Corp., et al., No. 98-2819 (WHW) (the "PRIDES Action"), is a consolidated class action filed 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.

On March 17, 1999, we entered into an agreement to settle the claims of class members in the PRIDES Action who purchased PRIDES 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 PRIDES securities after April 16, 1998 have instituted proceedings against us.

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.

The settlements described herein do not encompass all litigation asserting claims against us associated with the accounting irregularities. We cannot give any assurance as to the final outcome or resolution of these unresolved proceedings. An adverse outcome from certain 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.

In Re Homestore.com Securities Litigation, No. 10-CV-11115 (MJP) (U.S.D.C., C.D. Cal.). On November 15, 2002, Cendant and Richard A. Smith, one of our officers, were added as defendants in a purported class action. The 26 other defendants in such action include Homestore.com, Inc., certain of its officers and directors and its auditors. Such action was filed on behalf of persons who purchased stock of Homestore.com (an Internet-based provider of residential real estate listings) between January 1, 2000 and December 31, 2001. The complaint in this action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act based on purported misconduct in connection with the accounting of certain revenues in financial statements published by Homestore during the class period. On January 10, 2003, we, together with Mr. Smith, filed a motion to dismiss plaintiffs' claims for failure to state a claim upon which relief could be granted. On March 7, 2003, the court granted our motion and dismissed the complaint, as against us and Mr. Smith, with prejudice. On April 14, 2003, plaintiffs filed a motion for an order certifying an issue for interlocutory appeal, which the court denied on July 11, 2003.

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

None.

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 February 23, 2004, the number of stockholders of record was approximately 8,732. The following table sets forth the quarterly high and low sales prices per share of CD common stock as reported by the NYSE for 2003 and 2002.

2003	High	Low
First Quarter	$ 13.95	$ 10.56
Second Quarter	18.39	12.67
Third Quarter	19.30	16.94
Fourth Quarter	22.30	18.37

2002	High	Low
First Quarter	$ 19.99	$ 15.35
Second Quarter	19.03	15.15
Third Quarter	15.66	10.75

Fourth Quarter	12.88	9.04

On February 27, 2004, the last sale price of our CD common stock on the NYSE was $22.70 per share.

Dividend Policy

We will pay a cash dividend on our common stock beginning on March 16, 2004 to holders of record as of February 23, 2004. The initial quarterly dividend of $0.07 per share was approved by our Board of Directors on February 11, 2004. Future dividends will depend upon our earnings, financial condition and other factors. We did not pay cash dividends on our common stock in fiscal years 2002 and 2003.

ITEM 6. SELECTED FINANCIAL DATA

	At or For the Year Ended December 31,				
	2003	2002	2001	2000	1999
	(In millions, except per share data)				
Results of Operations					
Net revenues	$ 18,192	$ 14,187	$ 8,693	$ 4,320	$ 5,755
Income (loss) from continuing operations	$ 1,465	$ 1,051	$ 342	$ 567	$ (307)
Income (loss) from discontinued operations, net of tax	—	(205)	81	91	252
Cumulative effect of accounting changes, net of tax	(293)	—	(38)	(56)	—
Net income (loss)	$ 1,172	$ 846	$ 385	$ 602	$ (55)
Per Share Data					
CD Common Stock					
Income (loss) from continuing operations:					
Basic	$ 1.44	$ 1.03	$ 0.37	$ 0.79	$ (0.41)
Diluted	1.41	1.01	0.36	0.77	(0.41)
Income (loss) from discontinued operations:					
Basic	$ —	$ (0.20)	$ 0.10	$ 0.13	$ 0.34
Diluted	—	(0.20)	0.09	0.12	0.34
Cumulative effect of accounting changes:					
Basic	$ (0.29)	$ —	$ (0.05)	$ (0.08)	$ —
Diluted	(0.28)	—	(0.04)	(0.08)	—
Net income (loss):					
Basic	$ 1.15	$ 0.83	$ 0.42	$ 0.84	$ (0.07)
Diluted	1.13	0.81	0.41	0.81	(0.07)
Financial Position					
Total assets	$ 39,037	$ 35,897	$ 33,544	$ 15,153	$ 15,412
Assets under management and mortgage programs	17,593	15,180	12,054	2,999	2,805
Total long-term debt, excluding Upper DECS	5,139	5,601	6,132	1,948	2,845
Upper DECS	863	863	863	—	—
Debt under management and mortgage programs (*)	14,785	12,747	9,844	2,040	2,314
Mandatorily redeemable preferred interest in a subsidiary	—	375	375	375	—
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company	—	—	—	1,683	1,478
Stockholders' equity	10,186	9,315	7,068	2,774	2,206

(*) Includes related-party debt due to AESOP Funding II, LLC. See Note 16 to our Consolidated Financial Statements.

In presenting the financial data above in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported. See "Critical Accounting Policies" under Item 7 included elsewhere herein for a detailed discussion of the accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

During 2003, we consolidated a number of entities pursuant to Financial Accounting Standards Board Interpretation No. 46R, "Consolidation of Variable Interest Entities," and/or as a result of amendments to the underlying structures of certain of the facilities we use to securitize assets. See Notes 2, 16 and 17 to the Consolidated Financial Statements for more information.

See Note 10 to the Consolidated Financial Statements for a detailed discussion of restructuring and other unusual charges recorded for the years ended December 31, 2003, 2002 and 2001. During 2000 and 1999, we recorded restructuring and other unusual charges of $109 million and $117 million, respectively. Additionally, in 1999 we recorded a charge of approximately $2.9 billion in connection with the settlement of our class action securities litigation. We also recorded net gains on the dispositions of businesses of approximately $1.1 billion during 1999 primarily related to the disposition of our former fleet businesses.

During 2002 and 2001, we completed a number of acquisitions, which materially impacted our results of operations and financial position. See Note 4 to our Consolidated Financial Statements for a detailed discussion of such acquisitions and the pro forma impact thereof on our results of operations. Additionally, during 2002 we adopted the non-amortization provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Accordingly, our results of operations for 2001, 2000 and 1999 reflect the amortization of goodwill and indefinite-lived intangible assets, while our results of operations for 2003 and 2002 do not reflect such amortization. See Note 5—Intangible Assets to our Consolidated Financial Statements for a pro forma disclosure depicting our results of operations during 2001 after applying the non-amortization provisions of SFAS No. 142.

Income (loss) from discontinued operations, net of tax includes the after tax results of discontinued operations and the gain (loss) on disposal of discontinued operations. See Notes 1 and 3 to our Consolidated Financial Statements for detailed information regarding 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 Business Section and 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 consumer and business services primarily in the travel and real estate services industries, which are intended to complement one another and create cross-marketing opportunities both within and among our following five business segments.

- **Real Estate Services**—franchises the real estate brokerage businesses of our three residential and one commercial brands, provides real estate brokerage services under our real estate brands, provides home buyers with mortgages and title insurance, appraisal review and closing services and facilitates employee relocations;
- **Hospitality Services**—facilitates the sale and development of vacation ownership interests, provides consumer financing to individuals purchasing these interests, facilitates the exchange of vacation ownership interests, franchises our nine lodging brands and markets vacation rental properties in Europe;
- **Travel Distribution Services**—provides primarily global distribution services for the travel industries and travel agency services;
- **Vehicle Services**—operates and franchises our vehicle rental brands and provides commercial fleet management and fuel card services;
- **Financial Services**—provides financial institution enhancement products and insurance-based and loyalty solutions, operates and franchises tax preparation offices and provides a variety of membership programs.

Our management team is committed to building long-term value through operational excellence. Historically, a significant portion of our growth had been generated through strategic acquisitions of businesses that have strengthened our position in the travel and real estate services industries and furthered our strategy of building a hedged and diversified portfolio of businesses. Now that we have assembled our vertically integrated portfolio of businesses, we have sharply curtailed the pace of acquisitions and have emphasized organic growth and cash flow generation as principal objectives in achieving operational excellence and building long-term value. In 2003, our spending on new acquisitions aggregated only $149 million in cash. Although we remain highly disciplined in our acquisition activity, we may augment organic growth through the select acquisition of (or possible joint venture with) complementary businesses primarily in the real estate and travel services industries. We expect to fund the purchase price of any such acquisition with cash generated by our core operations and/or available lines of credit. We also routinely review and evaluate our portfolio of existing businesses to determine if they continue to meet our growth objectives and, from time to time, engage in discussions concerning possible divestitures, joint ventures and related corporate transactions to redirect our portfolio of businesses to achieve company-wide objectives.

We are steadfast in our commitment to deploy our cash to increase shareholder value. To this end, in late 2002, we initiated a corporate debt reduction program with the goal of decreasing our outstanding corporate indebtedness by $2 billion. We completed the first phase of this program during first quarter 2003, which was to replace current maturities of corporate indebtedness with longer-term debt, and we are well into the second phase of the program where as of December 31, 2003 we have already reduced our outstanding corporate indebtedness by over $800 million. We further reduced our outstanding indebtedness by $430 million in February 2004 as a result of the conversion of our zero coupon senior convertible notes. We intend to use the cash that otherwise would have been used to redeem these notes to repurchase a corresponding number of shares of our CD common stock in the open market. We also plan to use call provisions and maturities wherever possible rather than paying a significant premium to repurchase our

debt in the open market. See "Liquidity and Capital Resources—Financial Obligations" for more information regarding our corporate indebtedness. During 2003, we repurchased approximately 64.5 million shares of our common stock at an average price of $17.04 and through February 27, 2004, we repurchased another 20.7 million shares of our common stock at an average price of $22.79. Beginning in first quarter 2004, we will return additional value to our shareholders through the payment of a quarterly cash dividend of seven cents per share (28 cents per share annually) and, while no assurances can be given, we expect to increase this dividend over time as our earnings and cash flow grow.

While the war in Iraq, SARS and other factors dampened organic growth in our travel-related businesses in 2003, we have demonstrated our ability to achieve organic earnings and cash flow growth for the company as a whole, particularly due to the strong operating results within our real estate services businesses, which benefited from greater mortgage loan refinancing activity and increased home sales volume across both our franchised and owned brokerage operations. Although no assurances can be given, we currently believe that a decrease in mortgage refinancing activity resulting from an expected rise in interest rates during 2004 should be more than offset by organic growth in our other businesses. We also expect that organic growth will benefit in the future from our ongoing investment in technology and from cross-selling opportunities across the company.

RESULTS OF OPERATIONS—2003 vs. 2002

Our consolidated results from continuing operations comprised the following:

	2003	2002	Change

Net revenues	$ 18,192	$ 14,187	$ 4,005
Total expenses	15,961	12,570	3,391
Income before income taxes, minority interest and equity in Homestore	2,231	1,617	614
Provision for income taxes	745	544	201
Minority interest, net of tax	21	22	(1)
Income from continuing operations	$ 1,465	$ 1,051	$ 414

Net revenues and total expenses increased approximately $4.0 billion (28%) and $3.4 billion (27%), respectively, during 2003 principally due to the acquisitions of the following businesses, which contributed revenues and expenses (including depreciation and amortization expense) for the period January 1, 2003 through the anniversary date of the acquisition (the "Pre-Anniversary" period), as follows:

Acquired Business	Date of Acquisition	Pre-Anniversary Net Revenues	Pre-Anniversary Total Expenses
NRT Incorporated [(a)]	April 2002	$ 1,023	$ 1,072
Trendwest Resorts, Inc. [(b)]	April 2002	169	150
Net assets of Budget Group, Inc. [(c)]	November 2002	1,585	1,610
Total Contributions		$ 2,777	$ 2,832

(a) Represents NRT and NRT's significant brokerage acquisitions subsequent to our ownership. Principally reflects the results of operations from January 1 through April 16, 2003 (the corresponding period during which these businesses were not included during 2002).
(b) Reflects the results of operations from January 1 through April 30, 2003 (the corresponding period during which this business was not included during 2002).
(c) Principally reflects the results of operations from January 1 through November 22, 2003 (the corresponding period during which this business was not included during 2002).

The above table reflects the net revenues and total expenses of the NRT, Trendwest and Budget businesses from January 1, 2003 to the anniversary date of our acquisitions thereof and, for NRT and Trendwest, are not indicative of the full year operating results contributed by these businesses. The amounts for NRT reflect the seasonality of the real estate brokerage business whereby the operating results are typically weakest in the early part of the calendar year and strengthen in the second and third quarters (which are not reflected in the above amounts, as NRT was acquired on April 17, 2002). The amounts for Budget include acquisition and integration-related costs, which were substantially incurred in the first year following the acquisition date; however, the benefits resulting from such costs are not realized until future periods. The integration of Budget represents a significant growth opportunity in future periods and is proceeding according to plan.

In addition to the contributions made by the aforementioned acquired businesses, revenues and expenses also increased during 2003 from (i) organic growth in our real estate services businesses, especially our real estate brokerage and mortgage businesses (even after adjusting for the $275 million non-cash provision for impairment of our mortgage servicing rights asset, which we recorded in 2002 and discuss in greater detail below under "Real Estate Services") and (ii) the consolidation of Trilegiant Corporation, which contributed incremental revenues and expenses (after elimination entries) of $200 million and $205 million, respectively. The growth in our mortgage and real estate brokerage businesses also contributed to the increase in total expenses as we incurred additional expenses to support the continued high level of mortgage loan production, related servicing activities and home sale transactions. The increases in total expenses were partially offset by a reduction of $231 million in acquisition and integration related costs primarily due to the amortization in 2002 of the pendings and listings intangible asset acquired as part of the acquisition of NRT, which was amortized over the closing period of the underlying contracts (approximately five months). In addition, total expenses benefited by a $92 million reduction in litigation and related charges. Our overall effective tax rate decreased to 33.4% for 2003 from 33.6% for 2002 primarily due to the utilization of capital loss carryforwards and lower taxes on foreign earnings, partially offset by an increase in state taxes, taxes on the redemption of our $375 million mandatorily redeemable preferred interest and other non-deductible items. As a result of the above-mentioned items, income from continuing operations increased $414 million (39%).

Discussed below are the results of operations for each of our reportable segments. Management evaluates the operating results of each of our reportable segments based upon revenue and "EBITDA," which is defined as income from continuing operations before non-program related depreciation and amortization, non-program related interest, amortization of pendings and listings, income taxes, minority interest and, in 2001, losses related to equity in Homestore. On January 1, 2003, we changed the performance measure we use to evaluate the operating results of our reportable segments and, as such, the information presented

below for 2002 has been revised to reflect this change. Our presentation of EBITDA may not be comparable to similar measures used by other companies.

	Revenues			EBITDA		
	2003	2002	% Change	2003	2002	% Change
Real Estate Services	$ 6,720	$ 4,687	43%	$ 1,272	$ 832	53%
Hospitality Services	2,523	2,180	16	633	625	1
Travel Distribution Services	1,659	1,695	(2)	459	526	(13)
Vehicle Services	5,851	4,274	37	442	408	8
Financial Services	1,401	1,325	6	363	450	(19)
Total Reportable Segments	18,154	14,161	28	3,169	2,841	12

Corporate and Other [(a)]	38	26	*	(35)	(198)	*
Total Company	$ 18,192	$ 14,187	28%	3,134	2,643	
Less: Non-program related depreciation and amortization				518	466	
Non-program related interest expense, net				307	262	
Early extinguishment of debt				58	42	
Amortization of pendings and listings				20	256	
Income before income taxes, minority interest and equity in Homestore				$ 2,231	$ 1,617	

* Not meaningful.
(a) Includes the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

Real Estate Services

Revenues and EBITDA increased $2,033 million (43%) and $440 million (53%), respectively, in 2003 compared with 2002, reflecting growth across all of our real estate businesses.

Revenues and EBITDA were primarily impacted by increased production volume and servicing revenues at our mortgage business and by the April 17, 2002 acquisition of NRT, our real estate brokerage subsidiary, and subsequent acquisitions by NRT of other real estate brokerages.

Revenues from mortgage-related activities grew $545 million (113%) in 2003 compared with 2002 due to a significant increase in mortgage loan production, partially offset by an increase in amortization of the mortgage servicing rights ("MSR") asset, as comparatively lower interest rates during 2003 resulted in record levels of mortgage refinancing activity. Revenues and EBITDA in 2002 were adversely impacted by a $275 million non-cash provision for impairment of our MSR asset. Declines in interest rates at such time resulted in increases to our current and estimated future loan prepayment rates and a corresponding provision for impairment against the value of our MSR asset. Excluding the $275 million non-cash MSR impairment provision in 2002, revenues from mortgage-related activities increased $270 million (56%) in 2003.

Revenues from mortgage loan production increased $433 million (49%) in 2003 compared with the prior year and were derived from growth in our fee-based mortgage origination operations (in which we broker or are outsourced mortgage origination activity for a fee) and a 56% increase in the volume of loans that we sold. We sold $59.5 billion of mortgage loans in 2003 compared with $38.1 billion in 2002, generating incremental production revenues of $330 million. In addition, production revenues generated from our fee-based mortgage-origination activity increased $103 million (41%) as compared with 2002. Production fee income on fee-based loans is generated at the time of closing, whereas originated mortgage loans held for sale generate revenues at the time of sale (within 60 days after closing). Accordingly, our production revenue in any given period is driven

by a mix of mortgage loans closed and mortgage loans sold. Total mortgage loans closed increased $24.4 billion (41%) to $83.7 billion in 2003, comprised of a $21.9 billion (57%) increase in closed loans to be securitized (sold by us) and a $2.5 billion (12%) increase in closed loans that were fee-based. Refinancings increased $18.1 billion (59%) to $48.7 billion and purchase mortgage closings grew $6.3 billion (22%) to $35.0 billion.

Net revenues from servicing mortgage loans increased $112 million primarily due to the $275 million non-cash provision for impairment of our MSR asset recorded in 2002, as discussed above. Apart from this impairment charge, net servicing revenues declined $163 million primarily due to a period-over-period increase in MSR amortization and provision for impairment (recorded as a contra revenue) of $246 million, partially offset by $48 million of incremental gains from hedging and other derivative activities. The increase in MSR amortization and provision for impairment is a result of the high levels of refinancings and related mortgage loan prepayments that occurred in 2003 due to low mortgage interest rates during 2003. The incremental gains from hedging and other derivative activities resulted from our strategies to protect earnings in the event that there was a decline in the value of our MSR asset, which can be caused by, among other factors, reductions in interest rates, as such reductions tend to increase borrower prepayment activity. In addition, recurring servicing fees (fees received for servicing existing loans in the portfolio), increased $33 million (8%) driven by a 16% period-over-period increase in the average servicing portfolio, which rose to $122.9 billion in 2003.

Interest rates have risen from their lows in the earlier part of 2003 and, as a result, in fourth quarter 2003 mortgage refinancing volume and resulting net production revenues comparatively declined. This decline in mortgage production revenues has been partially offset by an increase in revenues from mortgage servicing activities. Assuming interest rates remain constant or continue to rise, although no assurances can be given, we expect this trend (lower production revenue, partially offset by increased servicing revenue, net of hedging and other derivative activity) to continue during 2004. Historically, mortgage production and mortgage servicing operations have been counter-cyclical in nature and represented a naturally offsetting relationship. Additionally, to supplement this relationship, we have maintained a comprehensive, non-speculative mortgage risk management program to further mitigate the impact of fluctuations in interest rates on our operating results.

We acquired NRT (inclusive of its title and closing business, which are now included in our settlement services business) on April 17, 2002 and, in addition, NRT acquired real estate brokerage businesses subsequent to our ownership. The operating results of NRT and its significant acquisitions were included from their acquisition dates forward and, therefore, contributed $1,023 million of revenues and an EBITDA decline of $21 million during the Pre-Anniversary period in 2003. The EBITDA decline is reflective of the seasonality of the real estate brokerage business, whereby the operating results are typically weakest in the early part of the calendar year and strengthen in the second and third quarters. Excluding the impact of NRT's brokerage acquisitions, NRT generated incremental net revenues of $280 million, a 10% increase in the comparable post-acquisition periods in 2003 versus 2002. The increase in NRT's revenues was substantially comprised of incremental commission income on home sale transactions, primarily due to a 10% increase in the average price of homes sold. Real estate agent commission expenses also increased $180 million as a result of the incremental revenues earned on home sale transactions. During 2002, prior to our acquisition of NRT, we received royalty and marketing fees from NRT of $66 million, real estate referral fees of $9 million, and a $16 million termination fee related to a

franchise agreement under which NRT operated brokerage offices under our ERA real estate brand. We also had a preferred stock investment in NRT, which generated dividend income of $10 million prior to our acquisition in 2002. In addition, revenues in 2003 benefited from $82 million (with no impact on EBITDA) relating to certain accounting reclassifications made in 2003 primarily in connection with the merger of our pre-existing title and closing businesses with and into the larger-scale title and appraisal business of NRT. Upon combining such businesses, we changed certain accounting presentations used by our pre-existing businesses to conform to the presentations used by NRT. Excluding such reclassifications, our settlement services business generated incremental revenues of $65 million compared with 2002. Title, appraisal and other closing fees all increased due to higher volumes, consistent with the growth in the mortgage origination markets through the first nine months of 2003, as well as cross-selling initiatives.

On a comparable basis, including royalties paid by NRT to our real estate franchise business, our real estate franchise business generated year-over-year incremental royalties and marketing fund revenues of $77 million in 2003, an increase of 12% over 2002. NRT contributed $303 million of royalties to our real estate franchise business in 2003 and $274 million of royalties in 2002, of which $208 million was contributed after our acquisition of NRT. The increase in royalties and marketing fund revenues within our real estate franchise business was principally driven by a 7% increase in volume of home sale transactions and a 9% increase in the average price of homes sold. Royalty increases in the real estate franchise business are recognized with little or no corresponding increase in expenses due to the significant operating leverage within our franchise operations.

Excluding the impact from our acquisition of NRT, NRT's significant acquisitions and NRT's real estate agent commission expenses (discussed above), operating and administrative expenses within this segment increased approximately $295 million compared to 2002 primarily due to the direct costs incurred in connection with increased mortgage loan production and related servicing activities.

Hospitality Services

Revenues and EBITDA increased $343 million (16%) and $8 million (1%), respectively, in 2003 compared with 2002. We completed the acquisitions of Trendwest, a leading vacation ownership company, in June 2002 (90% was acquired in April 2002); Equivest Finance, Inc. in February 2002; and several European vacation rental companies during 2002. The operating results of the acquired companies were included from the acquisition dates forward and therefore were incremental for the portions of 2003 that were pre-acquisition periods in 2002. Accordingly, Trendwest, Equivest, and the acquired vacation rental companies contributed incremental revenues of $169 million, $8 million and $53 million, respectively, and EBITDA of $23 million, $2 million and $15 million, respectively, in 2003 compared with 2002. In February 2003, we acquired the common interests of FFD Development Company, LLC ("FFD"), the primary developer of timeshare inventory for our Fairfield Resorts subsidiary. The operating results of FFD were included from the acquisition date forward and were not significant to our segment results subsequent to our acquisition. Prior to our acquisition, we owned a preferred stock investment in FFD, which accrued a dividend, and we also received additional fees from FFD for providing various support services. Accordingly, prior to our acquisition, FFD contributed revenues and EBITDA of $16 million and $4 million, respectively, to 2002 results.

Excluding the impact from acquisitions described above, revenues in 2003 increased $129 million (6%) while EBITDA declined $28 million (5%) and the EBITDA margin (EBITDA as a percentage of revenues) dropped from 29% in 2002 to 25% in 2003. The reduction in EBITDA margin was driven principally by a shift in the mix of business operations comprising segment results in 2003 compared with 2002 and a reduction in travel demand during 2003 due to the military conflict in Iraq as well as economic pressures, which contributed to suppressing volumes within certain of our hospitality businesses.

Despite a challenging travel environment, revenues from sales of vacation ownership interests ("VOIs") in our timeshare sales and marketing business increased $103 million in 2003, an 11% increase over 2002. This increase was driven primarily by a 4% increase in tour flow and a 3% increase in the average revenue generated per tour at our timeshare resort sites. The growth in our timeshare sales and marketing businesses positively impacted the segment results and also contributed to a lower year-over-year segment EBITDA margin, as this business typically operates with lower margins than our lodging franchise and timeshare exchange businesses, which have greater operating leverage. Net interest income generated from the financing extended to VOI buyers decreased $8 million as the effects of growth in the loan portfolio were more than offset by the impact of consolidating our principal timeshare securitization structure in September 2003 and, at such time, no longer recording gains on the sale of receivables to such entity (see Note 16 to our Consolidated Financial Statements). Timeshare subscription and exchange fee revenues within our timeshare exchange business increased $36 million (8%), primarily due to a 13% increase in the average fee per exchange, which was partially offset by a 3% reduction in the volume of exchange transactions. The increase in the average exchange fee includes a favorable yield on increased rentals of excess RCI vacation interval inventory to RCI members in 2003 compared with 2002.

Royalties and marketing and reservation fund revenues within our lodging franchise operations declined $8 million (2%) in 2003 due to a 5% decline in the number of weighted average rooms available following our decision to terminate from our franchise system certain properties that were not meeting required standards. However, such quality control initiatives also contributed to an increase in the occupancy levels and average daily room rates at our lodging brands, and, as a result, revenue per available room increased 2% period-over-period and partially offset the impact on royalties from the reduction in available rooms. Our lodging franchise business and our franchisees were unfavorably impacted by the weaker travel environment, as previously discussed, and as a result, during 2003, we recorded an incremental $6 million of non-cash expenses related to the doubtful collectability of certain franchisee receivables. In addition, although revenues and EBITDA were nominally impacted on a consolidated basis, preferred alliance revenues within this segment declined $19 million in 2003 due to a change in the allocation of such revenues. Revenues received from preferred vendors in 2002 substantially benefited the Hospitality Services segment whereas in 2003, the benefits of such revenues extended to business units within other reportable segments. Excluding acquisitions, operating and administrative expenses within this segment increased approximately $130 million in 2003 principally due to increased timeshare sales-related expenses, including marginal expense increases on higher sales volumes, higher product costs on developed timeshare inventory and an increased investment in marketing spending to enhance tour flow.

Travel Distribution Services

Revenues and EBITDA declined $36 million (2%) and $67 million (13%), respectively, in 2003 compared with 2002. Our Travel Distribution Services segment derives revenue from (i) Galileo booking fees paid by travel suppliers for electronic global distribution and computer reservation services ("GDS"), (ii) fees and commissions for retail travel services provided by Cendant Travel, Cheap Tickets and Lodging.com and (iii) transaction and other fees from providing travel distribution services. Like other industry participants, this segment was unfavorably impacted by weak global travel demand during 2003. Travel demand in 2003

was negatively affected by various factors, including the military conflict in Iraq and terrorist threat alerts, continuing economic pressures and SARS concerns in the Asia-Pacific region and other parts of the world. Such factors suppressed bookings and revenues across our travel distribution businesses, but primarily impacted international travel volumes.

Galileo worldwide air booking fees decreased $71 million (6%) primarily due to a 10% decline in international GDS booking volumes, partially offset by domestic GDS booking volumes, which stabilized in 2003 compared with 2002. Galileo acquired certain European national distribution companies ("NDCs") during 2002. NDCs are independent organizations that market and sell Galileo global distribution and computer reservation services to travel agents and other subscribers. The NDC acquisitions contributed incremental subscriber fee revenues and EBITDA of $29 million and $12 million, respectively, in 2003. During the summer of 2002, we also acquired two other companies that supply reservation and distribution services to the hospitality industry. The operating results of such companies were included from the acquisition dates forward and collectively contributed revenue of $24 million with a nominal EBITDA impact during 2003.

In April 2003, we completed the acquisition of Trip Network Inc., an online travel agent that operated the online travel services business of Cheap Tickets. From the acquisition date forward, Trip Network generated $30 million of revenues and had an EBITDA loss of $23 million in 2003. In addition, principally as a result of our ownership of Trip Network, an incremental $15 million of intercompany segment revenues were eliminated in 2003, most of which were Trip Network revenues earned from Galileo for airline bookings made by Trip Network using Galileo's GDS System. Our online booking volumes grew 58% in 2003 compared with 2002, primarily due to (i) a shift in travel bookings from the traditional off-line channels to online channels, (ii) an increase in online travel bookings; and (iii) increased merchant model hotel bookings where we, as a travel distributor, obtain access to content from travel suppliers at a pre-determined price and sell the content, either individually or in a package, to travelers at retail prices that we determine with little or no risk of inventory loss. Additionally, revenues from our off-line travel agency business declined $24 million in 2003, as we accelerated our shift to the online channel. The results of our online and off-line travel agency operations are reflective of

the general industry decline in travel demand during 2003, as previously discussed, reductions in commission rates paid by airlines, the lack of reduced-rate air inventory availability and a decline in travel-related clubs (which we service). Such results also reflect our investment in the marketing and administration of our online travel services business, which we believe represents a significant opportunity for future growth.

The EBITDA impact of lower GDS and travel agency revenues was partially offset by a corresponding decline in variable expenses, reductions in retiree medical costs as a result of post-retirement plan amendments and other net reductions in operating expenses from segment-wide re-engineering and cost containment initiatives implemented in 2002 and 2003. These operating expense reductions helped mitigate the negative impact of the weak travel environment that existed during 2003. Additionally, EBITDA in 2003 was favorably impacted by $8 million in connection with a contract termination settlement during first quarter 2003.

Vehicle Services

Revenues and EBITDA increased $1,577 million (37%) and $34 million (8%), respectively, in 2003 compared with 2002 primarily due to our November 2002 acquisition of substantially all of the domestic assets, as well as selected international operations, of the vehicle rental business of Budget Group, Inc. Budget's operating results, including integration costs, were included from the acquisition date forward and contributed incremental revenues of $1,585 million with an EBITDA decline of $2 million in 2003. Excluding the impact of Budget, segment revenues declined $8 million (less than 1%), while EBITDA increased $36 million (9%) in 2003, which is primarily attributable to reduced car rental demand, offset by increased pricing, at Avis and favorable results at our Wright Express fuel card services subsidiary.

Avis domestic car rental revenues declined $91 million (4%) in 2003 compared with 2002. The net reduction in domestic car rental revenues at Avis was primarily due to a 7% period-over-period reduction in the total number of car rental days. This was partially offset by a 2% increase in time and mileage revenue per rental day reflecting an increase in pricing, which has minimal associated incremental costs. In addition, EBITDA, period-over-period, includes favorable program-related interest costs of $33 million on the financing of vehicles due to lower interest rates and $35 million of lower program-related depreciation expense on vehicles due to a different mix of vehicles in Avis' fleet bearing a lower cost in 2003 compared with 2002. This favorable impact on EBITDA was substantially offset by incremental vehicle-related net expenses and other operating costs. The increase in net expenses includes incremental maintenance and damage costs, higher vehicle license and registration fees and unfavorable conditions in the used car market in 2003 compared with 2002 for vehicles that did not meet the eligibility criteria under our manufacturers repurchase program. However, the percentage of Avis' fleet that was determined ineligible for manufacturer repurchase decreased to 1.7% in 2003 from 2.7% in 2002. Revenues from Avis' international operations increased $60 million due to increased transaction volume and the favorable impact to revenues of exchange rates in Canada, Australia and New Zealand, which was principally offset in EBITDA by the unfavorable impact on expenses.

Wright Express, our fuel card services subsidiary, recognized incremental revenues of $30 million (24%) in 2003 compared with the prior year. The organic growth was driven by a combination of the addition of new customers and an increase in usage of Wright Express' proprietary fleet fuel card product. Higher gasoline prices also contributed to the revenue growth, since Wright Express earns a percentage of total gasoline purchases by its clients.

Financial Services

Revenues increased $76 million (6%) and EBITDA declined $87 million (19%), respectively, in 2003 compared with 2002. Effective July 1, 2003, pursuant to the provisions of FASB Interpretation No. 46 ("FIN 46"), we consolidated Trilegiant. Trilegiant (on a stand-alone basis before elimination of intercompany transactions with our retained membership business) contributed revenues of $241 million and an EBITDA loss of $8 million subsequent to consolidation in 2003. Apart from the consolidation of Trilegiant, revenues and EBITDA declined $165 million and $79 million, respectively, reflecting, as expected, the continued attrition of the membership base retained by us in connection with the outsourcing of our individual membership business to Trilegiant. However, the unfavorable impact of reduced revenues on EBITDA was mitigated by a net reduction

in expenses from servicing fewer members. A smaller membership base resulted in a net revenue reduction of $194 million (net of $26 million of increased royalty income from Trilegiant), which was partially offset in EBITDA by net favorable membership operating and marketing expenses of $111 million. As a result of the consolidation of Trilegiant, we eliminated $34 million of intercompany revenues within this segment in 2003, which was substantially comprised of

royalty and lease payments made from Trilegiant to our pre-existing membership business subsequent to the consolidation of Trilegiant on July 1, 2003. For a more detailed discussion of our relationship with Trilegiant and the consolidation thereof as a result of FIN 46, see Note 23 to our Consolidated Financial Statements. Additionally, in January 2004, we made modifications to the existing relationship with Trilegiant. See Note 30 to our Consolidated Financial Statements for a detailed account of such modifications.

Partially offsetting the impact of the attrition in our retained membership business, was revenue growth in our Jackson Hewitt Tax Service operations, favorable results of our insurance-wholesale-related operations and the favorable impact of foreign currency exchange rates on the revenues of our international membership business (which was principally offset in EBITDA by the unfavorable impact of foreign exchange rates on expenses). In 2003, Jackson Hewitt generated incremental franchise royalty and tax preparation revenues of $12 million and $7 million, respectively, which was partially offset by a $6 million reduction in revenues generated from financial product programs and other tax-related services. The increase in royalties and tax preparation fees was principally driven by a 13% increase in total system tax return volume and a 7% increase in the average price per return. Royalties generated in our franchise operations are typically recognized with nominal increases in expenses due to significant operating leverage within this business, however, during 2003, we invested an incremental $6 million in marketing for the Jackson Hewitt business and were negatively impacted by a $9 million expense incurred in connection with a litigation settlement. Revenues from insurance-wholesale-related operations increased $13 million as a result of favorable claims experience period-over-period and increased insurance premium collections. Additionally, in second quarter 2003, we ceased marketing and selling new long-term care policies within our long-term preferred care business, but will continue servicing the existing in-force block of policy holders. This resulted in a reduction in revenue of $9 million with a nominal impact to EBITDA. In 2003, EBITDA was also impacted by a $7 million charge for actions taken in third quarter 2003 at our international membership business, which included the closure and consolidation of certain facilities and a reduction in staff in the United Kingdom.

Corporate and Other

Revenues and EBITDA increased $12 million and $163 million, respectively, in 2003 compared with 2002. Revenues and EBITDA include a $30 million gain in connection with the sale of our equity investment in Entertainment Publication, Inc. recorded during first quarter 2003. Also, we earned revenues in both 2003 and 2002 in connection with credit card marketing programs whereby we earn revenues based on a percentage of credit card spending. Additionally, we recognized expenses as cardholders earned points based on credit card usage. We generated $20 million of incremental revenues and incurred $19 million of additional point-related liabilities during 2003 in connection with these programs. Partially offsetting the revenue increases were $33 million of incremental intersegment revenue eliminations in 2003 due to increased intercompany business activities.

EBITDA was favorable year-over-year principally due to a $92 million net reduction in securities-related litigation charges (litigation charges less insurance recoveries) in 2003 compared with 2002 principally as a result of the absence in 2003 of litigation settlements and accruals established in 2002 in connection with all remaining CUC-related securities litigation. Also contributing to the favorable EBITDA change was a $33 million reduction in bonus expenses and other incentive-based compensation. In addition, EBITDA was favorably impacted by a greater absorption of overhead expenses by our reportable operating segments during 2003 compared with 2002 principally due to revenue growth at our business units (expenses are allocated on a percentage of revenue basis) and expense allocations in 2003 to companies acquired during 2002. Partially offsetting favorable EBITDA was a $10 million accrual recorded in 2003 to revise our original estimate of costs to exit a facility in connection with the previous outsourcing of our data center operations.

RESULTS OF OPERATIONS—2002 vs. 2001

Our consolidated results from continuing operations comprised the following:

	2002	2001	Change
Net revenues	$ 14,187	$ 8,693	$ 5,494
Total expenses	12,570	8,006	4,564
Gains on dispositions of businesses	—	443	(443)
Losses on dispositions of businesses	—	(26)	26
Impairment of investments	—	(441)	441
Income before income taxes, minority interest and equity in Homestore	1,617	663	954
Provision for income taxes	544	220	324
Minority interest, net of tax	22	24	(2)
Losses related to equity in Homestore, net of tax	—	77	(77)
Income from continuing operations	$ 1,051	$ 342	$ 709

Net revenues and total expenses increased approximately $5.5 billion and approximately $4.6 billion, respectively, during 2002 primarily due to the acquisitions of the following businesses, which contributed revenues and expenses (including depreciation and amortization expense) for the relative Pre-Anniversary periods as follows:

Acquired Business	Date of Acquisition	Pre-Anniversary Net Revenues	Pre-Anniversary Total Expenses
Avis Group Holdings, Inc.	March 2001	$ 575	$ 582
Fairfield Resorts, Inc.	April 2001	137	123
Galileo International, Inc.	October 2001	1,199	852
NRT	April 2002	3,034	2,881(a)
Trendwest	April 2002	348	289(b)
Net asset of Budget Group, Inc.	November 2002	164	162
Total Contributions		$ 5,457	$ 4,889

(a) Excludes $235 million of non-cash amortization of the pendings and listings intangible asset and $27 million of acquisition and integration related costs, which are discussed below.
(b) Excludes $21 million of non-cash amortization of the pendings and listings intangible asset and $1 million of acquisition and integration related costs, which are discussed below.

In addition to the contributions made by acquired businesses, net revenues were favorably impacted by growth in our Real Estate Services and Vehicle Services segments (exclusive of acquisitions), which also contributed to the increase in total expenses as we incurred additional expenses to support this growth. Further contributing to the increase in total expenses is $173 million of additional acquisition and integration related charges recorded during 2002—see Note 4 to our Consolidated Financial Statements for a detailed discussion of acquisition and integration related charges recorded in 2002 and 2001. Partially offsetting the increase in total expenses recorded during 2002 was a $393 million reduction in restructuring and other unusual charges—see Note 10 to our Consolidated Financial Statements for a detailed discussion of restructuring and other unusual charges recorded during 2002 and 2001.

Additionally, our 2001 operating results were impacted by gains and losses related to the dispositions of businesses, as well as by losses related to the impairment of investments, while our 2002 results were not impacted by such events. During 2001, these events resulted in (i) $443 million of gains primarily related to the sale of our real estate Internet portal ($436 million), (ii) $26 million of losses related to the dispositions of non-strategic businesses and (iii) $441 million of losses related to the impairment of our investments in Homestore, Inc. ($407 million) and lodging and Internet-related businesses ($34 million).

Our overall effective tax rate was 33.6% and 33.2% for 2002 and 2001, respectively. The effective rate for 2002 was higher due to the negative impact of a reduction in the amount of foreign tax credits and state net operating losses that were utilized, which were only partially offset by the benefit from the impact on the tax provision from the elimination of goodwill amortization.

Our 2001 operating results were also negatively impacted by after-tax losses of $77 million related to our equity ownership in Homestore, which was received in connection with the sale of our Internet real estate portal to Homestore in February 2001. For a detailed discussion regarding the sale of our real estate Internet portal and our investment in Homestore, refer to Notes 2 and 26 to our Consolidated Financial Statements.

As a result of the above-mentioned items, income from continuing operations increased $709 million during 2002.

Discussed below are the results of operations for each of our reportable segments, which has been revised to reflect the previously described change in the performance measure that we use to evaluate the operating results of our reportable segments.

	Revenues			EBITDA		
	2002	2001	% Change	2002	2001	% Change
Real Estate Services	$ 4,687	$ 1,859	152%	$ 832	$ 719	16%
Hospitality Services	2,180	1,522	43	625	450	39
Travel Distribution Services	1,695	437	288	526	78	574
Vehicle Services	4,274	3,402	26	408	226	81
Financial Services	1,325	1,402	(5)	450	299	51
Total Reportable Segments	14,161	8,622	64	2,841	1,772	60
Corporate and Other [a]	26	71	*	(198)	(380)	*
Total Company	$ 14,187	$ 8,693	63	2,643	1,392	
Less: Non-program related depreciation and amortization				466	477	
Non-program related interest expense, net				262	252	
Early extinguishment of debt				42	—	
Amortization of pendings and listings				256	—	
Income before income taxes, minority interest and equity in Homestore				$ 1,617	$ 663	

* Not meaningful.
(a) Includes the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

Real Estate Services

Revenues and EBITDA increased $2.8 billion (152%) and $113 million (16%), respectively, during 2002 principally driven by the acquisition of NRT (the operating results of which have been included in our consolidated results since April 17, 2002) NRT contributed revenue and EBITDA of $3.0 billion and $167 million, respectively. Prior to our acquisition of NRT, we received royalty and marketing fees of $220 million, real estate referral fees of $37 million and termination fees of $16 million from NRT during 2001. For the period from January 1, 2002 through April 17, 2002, NRT paid us royalty and marketing fees of $66 million, real estate referral fees of $9 million and a termination fee of $16 million. We also had a preferred stock investment in NRT prior to our acquisition that generated dividend income of $10 million and $27 million during 2002 and 2001, respectively.

On a comparable basis, including post-acquisition intercompany royalties paid by NRT, our real estate franchise brands generated year-over-year incremental royalties of $92 million in 2002, an increase of 18% over 2001. The increase in royalties from our real estate franchise brands primarily resulted from a 10% increase in home sale transactions by franchisees and NRT, and a 10% increase in the average price of

homes sold. Royalty increases in the real estate franchise business are recognized with little or no corresponding increase in expenses due to the significant operating leverage within our franchise operations. Industry statistics provided by the National Association of Realtors for the twelve months ended December 31, 2002 indicate that the number of single-family homes sold increased 5% versus the prior year, while the average price of those homes sold increased approximately 9%. Through our continued franchise sales efforts, we have grown our franchised operations and in conjunction with NRT acquisitions of real estate brokerages, we have increased market share as our transaction volume has significantly outperformed the industry.

Revenues and EBITDA in 2002 were negatively impacted by a $275 million non-cash provision for impairment of our MSR asset. As noted elsewhere herein under "Critical Accounting Policies," the valuation of our MSR asset is generated by numerous estimates and assumptions, the most noteworthy being future prepayment rates, which represent the borrowers' propensity to refinance their mortgages. Today's mortgage industry enables homeowners to more easily refinance than they could in the past producing a change in consumer behavior that results in a greater likelihood to refinance in periods of declining interest rates, as experienced in the third quarter of 2002. During such period, interest rates on ten-year Treasury notes and 30-year mortgages declined by 120 basis points and 80 basis points, respectively, which at such time, resulted in the lowest interest rate levels in 41 years. As a result, we recognized that steep declines in interest rates experienced throughout the quarter and the related impact on current borrower prepayment behavior necessitated an increase to our estimate of future prepayment rates. Therefore, we updated the third party model we use to value our MSR asset to one that had recently become available in the marketplace, and revised our assumptions in order to better reflect more current borrower prepayment behavior. The combination of these factors resulted in increases to our estimated future loan prepayment rates, which negatively impacted the value of our MSR asset, hence requiring the provision for impairment of our MSR asset. Further declines in interest rates due to a weakening economy and geopolitical risks, which result in an increase in refinancing activity or changes in the methodology of valuing our MSR asset, could adversely impact the valuation.

Excluding the $275 million non-cash provision for impairment of our MSR asset, revenues from mortgage-related activities increased $28 million in 2002 compared with 2001 as revenue growth from mortgage production was principally offset by a decline in net revenues from mortgage servicing activities. Revenues from mortgage loan production increased $228 million (35%) in 2002 compared with the prior year due to substantial growth in our fee-based mortgage origination operations (explained below) and a 6% increase in the volume of loans that we packaged and securitized (sold by us). In 2002, revenues generated from our fee-based outsourcing and broker origination business grew at a faster rate than revenues generated from packaging and selling mortgage loans to the secondary market ourselves. Production fee income on fee-based loans is generated at the time of closing, whereas originated mortgage loans held for sale generate revenues at the time of sale (within 60 days after closing). Accordingly, our production revenue is driven by more of a mix in both mortgage loans closed and mortgage loans sold (as opposed to just loans sold). Production loans sold increased $2.1 billion (6%), generating incremental production revenues of $83 million. Mortgage loans closed increased $14.8 billion (33%) to $59.3 billion, comprised of a $14.0 billion (206%) increase in closed loans that were fee-based and a $750 million (2%) increase in closed loans to be securitized. The increase in fee-based loan volume contributed incremental production revenues of $145 million in 2002 compared with 2001. Purchase mortgage closings grew 14% to $28.7 billion, and refinancings increased 58% to $30.6 billion. Additionally, in connection with our securitized loans we realized an increase in margin which is consistent with the mortgage industry operating at a higher percentage of loan production capacity.

Net revenues from servicing mortgage loans declined $199 million, excluding the $275 million non-cash provision for impairment of our MSR asset. However, recurring servicing fees (fees received for servicing existing loans in the portfolio) increased $59 million (17%) primarily due to a 20% year-over-year increase in the average servicing portfolio. Such recurring activity was more than offset by $361 million of increased

mortgage servicing rights amortization and valuation adjustments due to the high levels of refinancings and related loan prepayments, resulting from the lower interest rate environment, partially offset by $112 million of incremental net gains from hedging and other derivative activities to protect against changes in the fair value of our MSR asset due to fluctuations in interest rates.

Revenues and EBITDA of this segment were also negatively impacted by a reduction of $44 million in revenue generated from relocation activities as a result of a decline in relocation-related homesale activity and lower interest rates charged to our clients. Also contributing to the increase in EBITDA is the absence in 2002 of the following charges recorded during 2001: (i) $95 million related to the funding of an irrevocable contribution to the Real Estate Technology Trust and (ii) $94 million related to the impairment of our mortgage servicing rights. This $94 million charge did not impact revenue as it was separately presented as an expense on our Consolidated Statement of Income for 2001 (see Note 6 to our Consolidated Financial Statements for more information concerning this presentation). Excluding the acquisition of NRT, operating and administrative expenses within this segment increased $74 million. Higher expenses incurred to operate the mortgage business to support the continued high levels of mortgage loan production and related servicing activities were partially offset by a reduction in relocation-related costs, adjusting to a weaker corporate spending environment.

Hospitality Services

Revenues and EBITDA increased $658 million (43%) and $175 million (39%), respectively, primarily due to the acquisitions of Fairfield Resorts, Inc. in April 2001, Trendwest in April 2002 and Equivest in February 2002 and certain other vacation rental companies abroad in 2002 and 2001. Fairfield, for the first quarter of 2002 (the period in which no comparable results were included in 2001), Trendwest, Equivest and the other acquired vacation rental companies, contributed incremental revenues of $137 million, $348 million, $107 million, and $41 million, respectively, and incremental EBITDA of $18 million, $62 million, $24 million and $5 million, respectively, in 2002 compared with 2001.

Excluding the impact from these acquisitions, revenues and EBITDA increased $18 million and $66 million, respectively, year-over-year. Growth within our Vacation Rental Group (exclusive of acquisitions) contributed incremental revenues of $13 million in 2002 due to an increase in vacation weeks sold, primarily attributable to improved marketing efforts. Timeshare subscription and transaction revenues within our timeshare exchange business increased $29 million (7%) primarily due to increases in exchange transactions and the average exchange fee. During 2002, we recognized an incremental $14 million of income from providing the financing on timeshare unit sales at our Fairfield subsidiary. The additional financing income was generated as a result of a 9% increase in the volume of contracts sold and a greater margin realized on contract sales as we benefited from a lower interest rate environment in 2002 compared with 2001. Results within our lodging franchise operation continued to be suppressed during 2002, subsequent to the September 11, 2001 terrorist attacks and their impact on an already weakening travel industry. Accordingly, royalties, marketing fund and reservations revenues within our lodging franchise operations were down $10 million (3%) in 2002 compared with 2001 and initial franchise fees were down $7 million over the same periods. However, comparable year-over-year occupancy levels in our franchised lodging brands have shown improvement during 2002. In addition, Preferred Alliance revenues and EBITDA declined $9 million in 2002 compared with 2001, primarily from contract expirations and a contract termination payment received in the prior year.

Further contributing to the increase in EBITDA is a benefit of $20 million from a venture master license agreement with Marriott International, Inc. entered into during 2002, which converted the ownership of a third party license agreement. Upon the change in ownership, the license fee, formerly included within operating expenses, is now recorded as a minority interest expense (below EBITDA). EBITDA in this segment also benefited in 2002 from the absence of $62 million of charges incurred during 2002 primarily in connection with the September 11, 2001 terrorist attacks ($51 million principally related to restructuring and other initiatives and $11 million related to the impairment of a lodging investment). Excluding

acquisitions, operating and administrative expenses within this segment increased approximately $47 million in 2002 principally to support continued volume-related growth in our timeshare exchange business throughout 2002 compared to 2001.

Travel Distribution Services

Revenues and EBITDA increased $1.3 billion and $448 million, respectively, in 2002 compared with 2001, due to the October 2001 acquisitions of Galileo and Cheap Tickets. The Galileo acquisition for the nine months ended September 30, 2002 (the period in which no comparable results were included in 2001) contributed incremental revenues and EBITDA of $1.2 billion and $410 million, respectively, while Cheap Tickets contributed incremental revenues of $36 million and EBITDA losses of $7 million over the same period. In addition, during the summer of 2002, we acquired Lodging.com and Trust International, two companies that supply reservation and distribution solution services to the hospitality industry. Lodging.com and Trust International's operating results were included from the acquisition dates forward and collectively contributed revenue of $16 million with no contribution to EBITDA during 2002. Excluding the incremental contributions from the above-mentioned acquisitions, revenues and EBITDA of this segment increased $7 million and $45 million, respectively, in 2002 compared with 2001.

Galileo subscriber fees and EBITDA increased $26 million and $3 million, respectively, during 2002 due to the acquisition of national distribution companies ("NDCs") in Europe. NDCs are independent organizations that market and sell Galileo global distribution and computer reservation services to travel agents and other subscribers. Partially offsetting this increase was a decline of $15 million in revenues generated from our travel agency business due to reductions in commission rates paid by the airlines, available net rate air inventory and members of travel-related clubs which are serviced by us.

EBITDA in this segment also benefited in 2002 from the absence of $23 million of charges incurred during 2001 in connection with the acquisitions of Galileo and Cheap Tickets.

Beginning with the fourth quarter 2002, all quarterly periods became comparable in terms of being subsequent to the acquisitions of Galileo and Cheap Tickets and the September 2001 terrorist attacks. In fourth quarter 2002, Galileo air travel booking fees were relatively constant, compared with fourth quarter 2001, as a 5% increase in booking volumes was substantially offset by a 4% decline in the effective yield per booking. The decline in effective yield was heavily influenced by unusually high cancellation and re-booking activity in the fourth quarter of 2001 due to the September 11, 2001 terrorist attacks. EBITDA in fourth quarter 2002 (the period comparable with 2001) includes cost savings of approximately $10 million that were realized in connection with the integration of the Galileo and Cheap Tickets businesses, including cost reduction efforts that were initiated during fourth quarter 2001 to reflect expected business volumes subsequent to the September 11, 2001 terrorist attacks.

Vehicle Services

Revenues and EBITDA increased $872 million (26%) and $182 million (81%), respectively, in 2002 versus the comparable prior year. Principally driving these increases were the incremental contributions made by Avis Group Holdings, Inc. (comprised of the Avis rental car business and our fleet management operations), which we acquired on March 1, 2001. Prior to the acquisition of Avis, revenues and EBITDA of this segment consisted of franchise royalties received from Avis and earnings (losses) from our equity investment in Avis. Avis' operating results were included from the acquisition date forward and therefore included ten months of results in 2001 (March through December). Accordingly, the Avis acquisition for January and February of 2002 (the period for which no comparable results were included in 2001) contributed incremental revenues and EBITDA of $575 million and $6 million, respectively. Additionally, the operating results of Budget were also included from the acquisition date of November 22, 2002 forward and contributed revenues and EBITDA of $164 million and $6 million, respectively, in 2002.

On a comparable basis, excluding the acquisition of Budget (ten months ended December 31, 2002 versus the comparable prior year period), revenues and EBITDA increased $133 million and $162 million, respectively.

For the ten months ended December 31, 2002, Avis car rental revenues increased $157 million (7%) over the comparable period in 2001, primarily due to a 7% increase in time and mileage revenue per rental day. A majority of the increase in time and mileage revenue per rental day was supported by an increase in pricing, the impact of which flows to EBITDA, and an increased share of domestic airport revenue generated by car rental companies. The increase in EBITDA was principally supported by the gross margin on the revenue growth. Avis' revenues are primarily derived from car rentals at airport locations. Through November 2002 (the last period for which information is available), approximately 84% of Avis' revenues were generated from car rental locations at airports. Avis increased its share of total car rental revenues generated at domestic airports through November 2002 to 23.7% compared with a 22.5% share over the same eleven month period last year and has recognized airport revenue share gains in consecutive months since February 2002. For the eleven months ended November 30, 2002, Avis realized a 3.5% increase in its comparable year-over-year domestic airport revenues versus a total market segment decline of 1.6% over the same periods.

In our vehicle leasing and fleet management program businesses, revenues collectively declined $25 million (2%) during the comparable ten months ended December 31, 2002 compared with 2001, principally due to lower interest expense on vehicle funding, which is substantially passed through to clients and therefore results in lower revenues but has minimal EBITDA impact. This was partially offset by an increase in depreciation on leased vehicles which is also passed through to clients. EBITDA for this segment also benefited in 2002 from the absence of $58 million of charges recorded in 2001 primarily in connection with restructuring and other initiatives undertaken as a result of the September 11, 2001 terrorist attacks.

Financial Services

EBITDA increased $151 million (51%) in 2002 compared with 2001, despite a $77 million (5%) decrease in revenue. EBITDA was favorably impacted by the outsourcing of our individual membership business, in which a net decline of $143 million in membership-related revenues (net of $6 million of royalty income from Trilegiant) due to a lower membership base was more than offset by a net reduction in expenses from servicing fewer members and not directly incurring the cost of marketing to solicit new members. Marketing expenses decreased by $122 million in 2002 compared with 2001 due to a reduction in new member marketing costs in 2002. In addition, during fourth quarter 2001, Trilegiant increased its solicitation efforts and incurred $56 million of marketing costs that we were contractually required to fund and, as such, expense. In addition, membership operating expenses decreased by approximately $110 million due to cost savings from servicing fewer members. During third quarter 2001, we incurred $41 million of transaction-related expenses in connection with the outsourcing of our membership business to Trilegiant, the absence of which in 2002 also contributed to the increase in EBITDA.

Jackson Hewitt generated incremental revenues of $81 million in 2002. In January 2002, we acquired our largest tax preparation franchisee, Tax Services of America ("TSA"). TSA contributed incremental revenues of $42 million and EBITDA of approximately $4 million (net of intercompany royalties) to Jackson Hewitt's 2002 results. Jackson Hewitt also generated incremental revenues of $33 million in 2002 from various financial products. Additionally, on a comparable basis, including post-acquisition intercompany royalties paid by TSA, Jackson Hewitt franchise royalties increased $14 million (30%). The increase in Jackson Hewitt royalties was driven by a 13% increase in tax return volume, and a 15% increase in the average price per return. Additional operating and overhead costs were incurred in 2002 due to an expansion of Jackson Hewitt's infrastructure to support increased business activity and a reorganization and relocation of the Jackson Hewitt technology group.

Our domestic insurance/wholesale businesses generated $14 million less revenue in 2002 compared with 2001 from a lower profit share from insurance companies as a result of higher than expected claims. This

was offset by growth within our international loyalty solutions operations. Partially offsetting the decline in EBITDA for this segment was a benefit in 2002 from the absence of $10 million of charges recorded in 2001 in connection with restructuring and other initiatives undertaken as a result of the September 11, 2001 terrorist attacks.

Corporate and Other

Revenue decreased $45 million and EBITDA increased $182 million in 2002 compared with 2001. In February 2001, we sold our real estate Internet portal, move.com, and certain ancillary businesses, the operations of which collectively accounted for a year-over-year decline in revenues of $14 million and EBITDA of $7 million. Revenues recognized from providing electronic reservation processing services to Avis prior to the acquisition of Avis resulted in a $15 million revenue decrease with no EBITDA impact as Avis paid royalties but was billed for reservation services at cost. Revenues also included incremental inter-segment revenue eliminations in 2002 due to increased intercompany business activities, principally resulting from acquisitions. EBITDA benefited in 2002 from $453 million of losses recorded during 2001, which were principally related to the impairment of our investment in Homestore. Partially offsetting this improvement was the absence in 2002 of a gain of $436 million that was recorded in 2001 in connection with the sale of our real estate Internet portal. EBITDA for this segment also benefited in 2002 from the absence of the following charges recorded during 2001: (i) the funding of Trip Network ($85 million), (ii) the outsourcing of our information technology operations to IBM in connection with the acquisition of Galileo ($78 million) and (iii) restructuring and other initiatives undertaken as a result of the September 11, 2001 terrorist attacks ($35 million). Partially offsetting such year-over-year EBITDA benefits were higher unallocated corporate overhead costs in 2002 due to increased administrative expenses and infrastructure expansion to support company growth.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We present separately the financial data of our management and mortgage programs. These programs are distinct from our other activities as the assets are generally funded through the issuance of debt that is collateralized by such assets. Specifically, in our vehicle rental, fleet management, relocation, mortgage services and vacation ownership businesses, assets under management and mortgage programs are funded through either borrowings under asset-backed funding arrangements or unsecured borrowings at our PHH subsidiary. Such borrowings are classified as debt under management and mortgage programs. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our management and mortgage programs. We believe it is appropriate to segregate the financial data of our management and mortgage programs because, ultimately, the source of repayment of such debt is the realization of such assets.

FINANCIAL CONDITION

	2003	2002	Change
Total assets exclusive of assets under management and mortgage programs	$ 21,444	$ 20,717	$ 727
Total liabilities exclusive of liabilities under management and mortgage programs	12,743	12,443	300
Assets under management and mortgage programs	17,593	15,180	2,413
Liabilities under management and mortgage programs	16,108	13,764	2,344
Mandatorily redeemable preferred interest in a subsidiary	—	375	(375)
Stockholders' equity	10,186	9,315	871

Total assets exclusive of assets under management and mortgage programs increased primarily due to increases in cash and cash equivalents (see "Liquidity and Capital Resources—Cash Flows" for a detailed discussion) and goodwill, which primarily resulted from current period acquisitions and the ultimate settlement of tax bases on prior period acquisitions with the tax authorities (see Note 5 to our Consolidated Financial Statements). Such increases were partially offset by (i) a reduction in timeshare-related inventory as a result of a reclassification to assets under management and mortgage programs, as such assets were financed under a

program during first quarter 2003; (ii) a decrease in non-current deferred income taxes primarily resulting from the utilization of a portion of our net operating loss carryforward and the ultimate settlements with tax authorities discussed above and (iii) the sale of real estate in the normal course of our mortgage services business.

Total liabilities exclusive of liabilities under management and mortgage programs increased primarily due to (i) an increase in deferred income principally resulting from the consolidation of Trilegiant and (ii) gains on derivatives we use to hedge the interest rate risk associated with our outstanding corporate indebtedness, which are deferred and will be recognized over future periods as an offset to interest expense. Such increases were offset by a net reduction in outstanding corporate debt (see "Liquidity and Capital Resources—Financial Obligations—Corporate Indebtedness" for a detailed account of this reduction).

Assets under management and mortgage programs increased primarily due to growth in our mortgage and vehicle businesses, the impact of FIN 46 and the impact of changes to the underlying structures of certain of our securitization facilities. Specifically contributing to the increase were increases in (i) our mortgage loans held for sale principally due to the consolidation of Bishop's Gate Residential Mortgage Trust; (ii) our MSR asset principally resulting from an increase in the aggregate amount of the mortgage portfolio we service; (iii) our relocation receivables principally due to the consolidation of Apple Ridge Funding LLC; (iv) our timeshare-related assets principally resulting from the consolidation of the Sierra Receivable Funding entities, the acquisition of FFD Development Company, LLC and the reclassification of timeshare-related inventory (referred to above) and (v) our vehicle-related assets primarily due to the purchase of vehicles used in our vehicle rental operations. See "Liquidity and Capital Resources—Financial Obligations—Debt under Management and Mortgage Programs" for a more extensive discussion regarding the impact of FIN 46 and the changes to the underlying structures of Apple Ridge and the Sierra entities.

Liabilities under management and mortgage programs increased primarily due to the consolidation of Bishop's Gate, the Sierra entities and Apple Ridge and additional debt borrowings to support the growth in our portfolio of assets under management and mortgage programs, as discussed above (see "Liquidity and Capital Resources—Financial Obligations—Debt Under Management and Mortgage Programs" for a detailed account of the change in debt related to management and mortgage programs).

The decrease in mandatorily redeemable preferred interest represents our prepayment of these securities in September 2003.

Stockholders' equity increased primarily due to (i) $1,172 million of net income generated during 2003, (ii) $540 million related to the exercise of employee stock options (including $106 million of tax benefit) and (iii) $143 million of favorable foreign currency translation adjustments. Such increases were partially offset by our repurchase of $1,099 million (65 million shares) in CD common stock.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand and our ability to generate cash through operations and financing activities, as well as available funding arrangements and committed credit facilities, each of which is discussed below.

CASH FLOWS

At December 31, 2003, we had $840 million of cash on hand, an increase of $714 million from $126 million at December 31, 2002. The following table summarizes such increase:

	Year Ended December 31,		
	2003	2002	Change
Cash provided by (used in):			
Operating activities	$ 7,202	$ 1,077[a]	$ 6,125
Investing activities	(3,400)	(1,747)[b]	(1,653)
Financing activities	(3,081)	(1,261)	(1,820)
Effects of exchange rate changes on cash and cash equivalents	(7)	41	(48)
Cash provided by discontinued operations	—	74	(74)
Net change in cash and cash equivalents	$ 714	$ (1,816)	$ 2,530

(a) Includes (i) the 2002 application of $1.41 billion of payments made to the stockholder litigation settlement trust in 2001 to extinguish a portion of the principal stockholder litigation settlement liability and (ii) $1.44 billion of payments made during 2002 to extinguish a portion of the principal stockholder litigation settlement liability.

(b) Includes $1.41 billion of proceeds from the principal stockholder litigation settlement trust, which were used during the same period to extinguish a portion of the principal stockholder litigation settlement liability, as discussed in (a) above.

During 2003, we generated approximately $6.1 billion more cash from operating activities as compared to 2002. This change principally reflects the completion of our funding the principal stockholder litigation settlement liability in 2002, as noted in the table above. Excluding the effects of the principal stockholder litigation settlement funding, net cash provided by operating activities increased by approximately $3.3 billion. Such change primarily represents (i) stronger operating results, (ii) better management of our working capital, (iii) proceeds received from the termination of fair value interest rate hedges of corporate debt instruments and (iv) activities of our management and mortgage programs, which produced a larger cash inflow in 2003 resulting primarily from timing differences between the receipt of cash on the sale of previously originated mortgage loans and the origination of new mortgage loans.

During 2003, we used approximately $1.7 billion more cash in investing activities as compared to 2002. This change principally reflects the absence in 2003 of (i) $1.41 billion of proceeds received in 2002 from the stockholder litigation settlement trust, which represented funds that we deposited to the trust in 2001 that were then used in 2002 to fund the stockholder litigation settlement liability, as discussed above, and (ii) approximately $1.2 billion in net proceeds received from the May 2002 sale of our car parking facility business. Excluding these amounts, we used approximately $900 million less cash for investing activities during 2003 as compared to 2002. This decrease primarily reflects our decision to significantly curtail acquisitions, as evidenced by a reduction of more than $1 billion in cash used for this purpose. Also contributing to this change were incremental proceeds received in 2003 on the sale of assets, including our investment in Entertainment Publications, Inc. and the sale/leaseback of two of our facilities. We also increased our capital expenditures in 2003 by $64 million to support operational growth and businesses acquired in 2002, and to enhance marketing opportunities and develop operating efficiencies through technological improvements. We anticipate aggregate capital expenditure investments for 2004 to be in the range of $525 million to $575 million. We also used $315 million

more cash in 2003 compared to 2002 in the investment activities of our management and mortgage programs due primarily to timing differences within our timeshare and relocation programs similar to those discussed above with respect to mortgage activities. The increase in cash utilization was partially offset by a reduction in the year-over-year net cash outflow resulting from investments in and payments received on vehicles.

During 2003, we used approximately $3.1 billion of net cash in financing activities as compared to using approximately $1.3 billion of net cash during 2002. While we benefited from approximately $2.6 billion of proceeds received during 2003 on the issuance of fixed-rate debt, this cash was deployed primarily to increase debt repayments and share repurchases period-over-period. These actions demonstrate our commitment to reducing outstanding corporate indebtedness and returning shareholder value. Further contributing to this change is an increase of $1.9 billion in the cash used in the financing activities of our management and mortgage programs, primarily resulting from greater repayments of borrowings in 2003. See "Liquidity and Capital Resources—Financial Obligations" for a detailed discussion of financing activities during 2003.

Throughout 2004, we intend to continue to demonstrate our commitment to improving our balance sheet by reducing corporate indebtedness and repurchasing outstanding shares of our common stock. In February 2004, virtually all holders of our zero coupon senior convertible contingent notes elected to convert their notes into shares of our common stock. As a result, our corporate indebtedness decreased by an additional $430 million. In order to reduce the impact on our outstanding shares of holders converting these notes into approximately 22 million shares of common stock, we intend to use available cash that otherwise would have been used to redeem these notes to repurchase a corresponding number of shares of our common stock in the open market. We currently also expect to use cash to redeem our zero coupon convertible debentures and 3 7/8% convertible senior debentures on or subsequent to their call dates (May 2004 and November 2004, respectively); however, holders of these instruments may convert them into shares of our common stock if the price of such stock exceeds the stipulated thresholds (which were not met as of February 27, 2004) or upon the exercise of our call provisions. We also expect to utilize cash during second quarter 2004 to redeem our outstanding 11% senior subordinated notes. Finally, on February 11, 2004, our Board of Directors declared a quarterly cash dividend of $0.07 per share. While we expect to use approximately $280 million of cash to pay dividends in 2004, although no assurances can be made, we anticipate increasing the dividend over time as our earnings and cash flow grow.

FINANCIAL OBLIGATIONS

At December 31, 2003, we had approximately $20.8 billion of indebtedness (including corporate indebtedness of $5.1 billion, Upper DECS of $863 million and debt under management and mortgage programs of $14.8 billion).

Corporate Indebtedness

Corporate indebtedness consisted of:

	Earliest Mandatory Redemption Date	Final Maturity Date	As of December 31, 2003	As of December 31, 2002	Change
Term notes					
7 3/4% notes	December 2003	December 2003	$ —	$ 966	$ (966)
6 7/8% notes	August 2006	August 2006	849	849	—
6 1/4% notes	January 2008	January 2008	797	—	797
11% senior subordinated notes	May 2009	May 2009	333	530	(197)
6 1/4% notes	March 2010	March 2010	348	—	348
7 3/8% notes	January 2013	January 2013	1,190	—	1,190
7 1/8% notes	March 2015	March 2015	250	—	250
Contingently convertible debt securities					
Zero coupon senior convertible contingent notes	February 2004	February 2021	430	420	10
Zero coupon convertible debentures	May 2004	May 2021	7	857	(850)
3 7/8% convertible senior debentures	November 2004	November 2011	804	1,200	(396)
Other					
Revolver borrowings		December 2005	—	600	(600)
Net hedging gains (*)			31	89	(58)
Other			100	90	10
			5,139	5,601	(462)
Mandatorily redeemable preferred interest in a subsidiary			—	375	(375)
Upper DECS			863	863	—
			$ 6,002	$ 6,839	$ (837)

(*) As of December 31, 2003, the balance represents $201 million of realized gains resulting from the termination of fair value interest rate hedges, which we will amortize to reduce future interest expense. Such gains are partially offset by $170 million of mark-to-market adjustments on new fair value interest rate hedges. As of December 31, 2002, the balance represents $51 million of realized gains resulting from the termination of fair value interest rate hedges and $38 million of mark-to-market adjustments on new fair value interest rate hedges.

The change in our total corporate debt reflects the issuance of $2.6 billion in notes with maturity dates ranging from five to twelve years, the proceeds of which were primarily used to repurchase debt with nearer-term maturities or mandatory redemption provisions. During 2003, we repurchased/repaid approximately $3.5 billion of our outstanding corporate debt, approximately $1.8 billion of which was scheduled to mature or potentially become due in 2003 ($7^3/_4$% notes and zero coupon convertible debentures) and $396 million of which was scheduled to potentially become due in November 2004 ($3^7/_8$% convertible senior debentures). Through these repurchases, we have not only eliminated a significant liquidity need, we also removed 49.7 million shares of potential dilution from our future earnings per share. The number of shares of common stock potentially issuable for each of our contingently convertible debt securities is detailed below (in millions):

	As of December 31, 2003	As of December 31, 2002	Change
Zero coupon senior convertible contingent notes (*)	22.0	22.0	—
Zero coupon convertible debentures	0.3	33.5	(33.2)
$3^7/_8$% convertible senior debentures	33.4	49.9	(16.5)
	55.7	105.4	(49.7)

(*) As previously discussed, in February 2004, holders of our zero coupon senior convertible contingent notes converted such notes into shares of CD common stock. We intend to use the cash that otherwise would have been used to redeem these notes to repurchase a corresponding number of shares of CD common stock in the open market.

The $3^7/_8$% senior convertible debentures may be converted prior to maturity during each three-month period if the closing sale price of CD common stock exceeds a threshold, which through November 27, 2004 is $28.32. In addition, the holders of the debentures have the right to require us to repurchase the debentures on November 27, 2004, and we have the right to redeem the debentures at any time after such date, in each case at par plus accrued interest, if any. Although no assurances can be given, it is currently our intention to redeem the remaining debentures for cash following such date. We would expect to have cash on hand, as well as available capacity under our credit facilities in order to fund such redemption. Upon notice of our intent to redeem the debentures, the holders will have the right to convert their debentures, and we would expect holders to exercise such conversion right if the price of CD common stock exceeds $24.05 per share. To the extent that holders convert their debentures, we would expect to use amounts intended to fund redemptions to repurchase shares of CD common stock in the open market. The significant terms for our outstanding debt instruments at December 31, 2003 can be found in Note 15 to our Consolidated Financial Statements.

Upper DECS

Because the Upper DECS obligate holders to purchase shares of our 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 impact of issuing the Upper DECS would be favorable compared to an equivalent immediate issuance of common stock. Upon settlement of the forward purchase contracts, we expect to issue shares of CD common stock in the range of approximately 30.3 million to 40.1 million (depending upon the price of CD common stock) and to receive gross proceeds in cash of approximately $863 million. Upon maturity of the senior notes that are currently a component of the Upper DECS in August 2006 we would be required to repay $863 million in cash. The significant terms for the Upper DECS can be found in Note 15 to our Consolidated Financial Statements.

Debt Under Management and Mortgage Programs

In connection with FIN 46, our debt under management and mortgage programs now reflects the debt issued by Bishop's Gate, a bankruptcy remote special purpose entity ("SPE") that we utilize to warehouse mortgage loans we originate prior to selling them into the secondary market. Additionally, as a result of the adoption of FIN 46R, the debt of AESOP Funding II, LLC, a bankruptcy remote special purpose limited liability company that we utilize to finance the acquisition of vehicles, which was previously reflected within our debt under management and mortgage programs, is now presented separately on our Consolidated Balance Sheet as related party debt under management and mortgage programs. See Note 16 to our Consolidated Financial Statements for more information regarding Bishop's Gate and AESOP Funding.

Debt under management and mortgage programs also reflects the debt issued by the Sierra entities, which are bankruptcy remote SPEs that we utilize to securitize timeshare receivables generated from the sale of vacation ownership interests by our timeshare business, and Apple Ridge, a bankruptcy remote SPE that we utilize to securitize relocation receivables generated from advancing funds to clients of our relocation business. During 2003, the underlying structures of the Sierra entities and Apple Ridge were amended in a manner that resulted in these entities no longer meeting the criteria to qualify as off-balance sheet entities. Consequently, we now consolidate these entities and the debt issued is reflected within debt under management and mortgage programs as of December 31, 2003. The following table summarizes the components of our debt under management and mortgage programs (including related party debt due to AESOP Funding):

	As of December 31,		
	2003	2002	Change
Asset-Backed Debt:			
Vehicle rental program			
AESOP Funding	$ 5,644	$ 4,029	$ 1,615
Other	651	2,053	(1,402)
Vehicle management program	3,118	3,058	60
Mortgage program			
Bishop's Gate (a)	1,651	—	1,651

Other	—	871	(871)
Timeshare program			
Sierra [b]	774	—	774
Other	335	145	190
Relocation program			
Apple Ridge [c]	400	—	400
Other	—	80	(80)
	12,573	10,236	2,337
Unsecured Debt:			
Term notes	1,916	1,421	495
Commercial paper	164	866	(702)
Bank loans	—	107	(107)
Other	132	117	15
	2,212	2,511	(299)
Total debt under management and mortgage programs	$ 14,785	$ 12,747	$ 2,038

(a) As of December 31, 2002, Bishop's Gate had $2.5 billion of debt outstanding.
(b) As of December 31, 2002, the Sierra entities had $550 million of debt outstanding.
(c) As of December 31, 2002, Apple Ridge had $490 million of debt outstanding.

The significant terms for our outstanding debt instruments under management and mortgage programs at December 31, 2003 can be found in Note 16 to our Consolidated Financial Statements.

AVAILABLE FUNDING ARRANGEMENTS AND COMMITTED CREDIT FACILITIES

At December 31, 2003, we had approximately $7.6 billion of available funding arrangements and committed credit facilities (comprised of approximately $1.7 billion of availability at the corporate level and approximately $5.9 billion available for use in our management and mortgage programs). As of December 31, 2003, the committed credit facilities at the corporate level consisted of:

	Total Capacity	Borrowings Outstanding	Letters of Credit Issued	Available Capacity
Maturing in December 2005	$ 2,900	$ —	$ 1,169	$ 1,731

Available funding under our asset-backed debt programs and committed credit facilities related to our management and mortgage programs as of December 31, 2003 consisted of (including related party debt due to AESOP Funding):

	Total Capacity	Outstanding Borrowings	Available Capacity
Asset-Backed Funding Arrangements [a]			
Vehicle rental program			
AESOP Funding II, LLC	$ 6,514	$ 5,644	$ 870
Other	911	651	260
Vehicle management program	3,917	3,118	799
Mortgage program			
Bishop's Gate	3,151	1,651	1,500
Other	500	—	500
Timeshare program			
Sierra	1,242	774	468
Other	425	335	90
Relocation program			
Apple Ridge	500	400	100
Other	100	—	100
	17,260	12,573	4,687
Committed Credit Facilities [b]			
Maturing in February 2005	1,250	—	1,250
	$ 18,510	$ 12,573	$ 5,937

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) These committed credit facilities were entered into by and are for the exclusive use of our PHH subsidiary.

The significant terms of these committed credit facilities and available funding arrangements can be found in Notes 15 and 16 to our Consolidated Financial Statements.

We also had $400 million of availability for public debt or equity issuances under a shelf registration statement and our PHH subsidiary had an additional $874 million of availability for public debt issuances under a shelf registration statement.

LIQUIDITY RISK

Our liquidity position may be negatively affected by unfavorable conditions in any one of the industries in which we operate. Additionally, our liquidity as it relates to both management and mortgage programs could be adversely affected by (i) the deterioration in the performance of the underlying assets of such programs, (ii) the impairment of our ability to access the principal financing program for our vehicle rental subsidiaries if General Motors Corporation or Ford Motor Company should not be able to honor its obligations to repurchase a substantial number of our vehicles and (iii) our inability to access the secondary market for mortgage loans or certain of our securitization facilities and our inability to act as servicer thereto, which could occur 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. Further, access to our credit facilities may be limited if we were to fail to meet certain financial ratios. We do not believe that our or PHH's credit ratings are likely to fall below investment grade. Additionally, we monitor the maintenance of required financial ratios and, as of December 31, 2003, we were in compliance with all financial covenants under our credit and securitization facilities.

Currently, our credit ratings are as follows:

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

All of the above credit ratings, with the exception of those assigned to PHH's short-term debt, are currently on negative outlook. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations:

	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt [a]	$ 1,629	$ 22	$ 913	$ 2	$ 805	$ 1,768	$ 5,139
Upper DECS [b]	—	—	863	—	—	—	863
Debt under management and mortgage programs [c]							
Asset-backed	2,532	3,479	3,047	1,262	1,748	505	12,573
Unsecured	114	405	—	190	432	1,071	2,212
Operating leases	547	435	353	288	193	877	2,693
Capital leases	20	13	6	1	—	—	40
Commitments to purchase vehicles [d]	4,916	—	—	—	—	—	4,916
Other purchase commitments [e]	731	319	282	236	179	412	2,159
Total	$ 10,489	$ 4,673	$ 5,464	$ 1,979	$ 3,357	$ 4,633	$ 30,595

(a) Represents long-term debt (which includes current portion).

(b) Assumes that the senior note component of the Upper DECS are successfully remarketed in 2004. If such remarketing is not successful, the senior notes would be retired (without any payment of cash by us) in August 2004 in satisfaction of the related forward purchase contracts, whereby holders of the Upper DECS are required to purchase shares of our CD common stock.

(c) Represents debt under management and mortgage programs (including related party debt due to AESOP Funding), which was issued to support the purchase of assets under management and mortgage programs. These amounts represent the contractual maturities for such debt, except for notes issued under our vehicle management and Sierra timeshare programs, where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management and mortgage programs and for which estimates of repayments have been used. Unsecured commercial paper borrowings of $164 million are assumed to be repaid with borrowings under our PHH subsidiary's committed credit facilities, which expire in February 2005, as such amount is fully supported by these committed credit facilities.

(d) Represents commitments to purchase vehicles from either General Motors Corporation or Ford Motor Company. The purchase of such vehicles are financed through the issuance of debt under management and mortgage programs in addition to cash received upon the sale of vehicles primarily under repurchase programs (see Note 16—Debt Under Management and Mortgage Programs and Borrowing Arrangements to our Consolidated Financial Statements).

(e) Primarily represents commitments under service contracts for information technology and telecommunications.

ACCOUNTING POLICIES

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. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. 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 significant unfavorable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results. However, the majority of our businesses operate in environments where we are paid a fee for a service performed, and therefore the results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex.

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 mortgage servicing activities. The value of mortgage servicing rights is estimated based upon an internal valuation that reflects management's

estimates of expected future cash flows considering prepayment estimates (developed using a third party model described below), our historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves and other economic factors. More specifically, we incorporate a probability weighted Option Adjusted Spread ("OAS") model to generate and discount cash flows for the MSR valuation. The OAS model generates numerous interest rate paths then calculates the MSR cash flow at each monthly point for each interest rate path and discounts those cash flows back to the current period. The MSR value is determined by averaging the discounted cash flows from each of the interest rate paths. The interest rate paths are generated with a random distribution centered around implied forward interest rates, which are determined from the interest rate yield curve at any given point of time. As of December 31, 2003, the implied forward interest rates project an increase of approximately 48 basis points in the yield of the 10-year Treasury Note over the next 12 months. Changes in the yield curve will result in changes to the forward rates implied from that yield curve.

As noted above, a key assumption in our estimate of the MSR valuation are forecasted prepayments. We use a third party model, adjusted to reflect the historical prepayment behavior exhibited by our portfolio, to forecast prepayment rates at each monthly point for each interest rate path in the OAS model. The prepayment forecast is based on historical observations of prepayment behavior in similar circumstances. The prepayment forecast incorporates loan characteristics (e.g., loan type and note rate) and factors such as recent prepayment experience, previous refinance opportunities and estimated levels of home equity to determine the prepayment forecast at each monthly point for each interest rate path.

To the extent that fair value is less than carrying value at the individual strata level, we would consider the portfolio to have been impaired and record a related charge. Reductions in interest rates different than those used in our models could cause us to use different assumptions in the MSR valuation, which could result in a decrease in the estimated fair value of our MSR asset, requiring a corresponding reduction in the carrying value of the asset. To mitigate this risk, we use derivatives that generally increase in value as interest rates decline and conversely decline in value as interest rates increase. Additionally, as interest rates decrease, we have historically experienced increased production revenue resulting from a greater level of refinancings, which over time has historically mitigated the impact on earnings of the decline in our MSR asset.

Changes in the estimated 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 assumptions to the change in fair value may not be linear. Changes in one assumption may result in changes to another, which may magnify or counteract the fair value sensitivity analysis and would make such an analysis not meaningful. Additionally, further declines in interest rates due to a weakening economy and geopolitical risks, which result in an increase in refinancing activity or changes in assumptions, could adversely impact the valuation. During 2003, the interest rate environment caused loans with coupon rates at or below 6% to become a significant component of the Company's overall loan servicing portfolio. Therefore, we adjusted the strata of the portfolio during third quarter 2003, which did not have an impact on the MSR valuation. The carrying value of our MSR asset was approximately $1.6 billion as of December 31, 2003 and the total portfolio that we were servicing approximated $136.4 billion as of December 31, 2003 (refer to Note 6 to our Consolidated Financial Statements for a detailed discussion of the effect of any changes to the value of this asset during 2003 and 2002). The effects of any adverse potential changes in the estimated fair value of our MSR asset are detailed in Note 17 to our Consolidated Financial Statements.

Financial Instruments. We estimate fair values for each of our financial instruments, including derivative instruments. Most of these financial instruments are not publicly traded on an organized exchange. In the absence of quoted market prices, we must develop an estimate of fair value using dealer quotes, present value cash flow models, option pricing models or other conventional valuation methods, as appropriate. The use of these fair value techniques involves significant judgments and assumptions, including estimates

of future interest rate levels based on interest rate yield curves, prepayment and volatility factors, and an estimation of 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, which are disclosed in Note 25 to our Consolidated 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 an 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. The 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. See Item 7a. "Quantitative and Qualitative Disclosures about Market Risk" for a discussion of the effect of hypothetical changes to these assumptions.

Goodwill. We have reviewed the carrying value of our goodwill as required by Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," by comparing the carrying value of our reporting units to their fair value and determined that the carrying amount of our reporting units did not exceed their respective fair value. When determining fair value, we utilized 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 respective carrying amount. In such event, we would then be required to record a charge, which would impact earnings. We will continue to review the carrying value of goodwill for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

We provide a wide range of consumer and business services and, as a result, our goodwill is allocated 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 goodwill, if any, cannot be extrapolated. However, our businesses are concentrated in a few industries and, as such, an adverse change to any of these industries will impact our consolidated results and may result in impairment of our goodwill. The aggregate carrying value of our goodwill was approximately $11.1 billion at December 31, 2003. Refer to Note 5 to our Consolidated Financial Statements for more information on goodwill.

Changes in Accounting Policies During 2003

On January 1, 2003, we adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and all the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." As a result, we changed our accounting policy for stock-based compensation using the prospective transition method.

In addition, on January 1, 2003, we adopted the following standards as a result of the issuance of new accounting pronouncements by the FASB in 2002:

- SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections"
- SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities"
- FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"

On January 17, 2003, the FASB issued FIN 46 and on December 24, 2003, the FASB issued a complete replacement of FIN 46, entitled FIN 46 Revised ("FIN 46R"), which clarifies certain complexities of FIN 46. As of September 30, 2003, we had applied the provisions of FIN 46 for all transactions initiated

subsequent to January 31, 2003 and also to Bishop's Gate and Trilegiant. We adopted FIN 46R in its entirety as of December 31, 2003 (even though adoption for non-SPEs was not required until March 31, 2004).

During 2003, the FASB also issued the following literature, which we have adopted as of July 1, 2003:

- SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities"
- SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity"

For more detailed information regarding any of these pronouncements and the impact thereof on our business, see Note 2 to our Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

During 2003, the SEC provided interim guidance in a speech pertaining to the measurement of interest rate lock commitments related to loans that will be held for resale (commonly referred to as commitments to fund mortgages). See Note 2—Summary of Significant Accounting Policies for more information.

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 25—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 risk exposure for the foreseeable future.
- Our foreign currency rate exposure is to exchange rate fluctuations in the British pound, Canadian dollar, Australian dollar and Euro. We anticipate that such foreign currency exchange rate risk will remain a market risk 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 impact 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 servicing rights and our retained interests in securitized assets. The fair value of mortgage loans, commitments to fund mortgages and mortgage-backed securities

are determined from market sources. The primary assumptions used in determining fair value are prepayment speeds, estimated loss rates and discount rates. In determining the fair value of mortgage servicing rights, the model also utilizes 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 market sources in determining the impact of interest rate shifts. We also utilize a probability weighted 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 are 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, 2003, 2002 and 2001.

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, 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, 2003, 2002 and 2001 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.

ITEM 9A. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures.* The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 "Board of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" 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 AND RELATED STOCKHOLDER MATTERS

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.

Equity Compensation Plan Information

The following table provides information about shares of CD common stock ("Common Stock") that may be issued upon the exercise of options and restricted stock units under all of the Company's existing equity compensation plans as of December 31, 2003. The table excludes 8.5 million shares of Common Stock approved by stockholders issued or available for issuance pursuant to the 1998 Employee Stock Purchase Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, rights and restricted stock units	Weighted-average exercise price of outstanding options, warrants and rights (excludes restricted stock units)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by Company stockholders [a]	68,369,430	$ 19.37	68,534,011
Equity compensation plans not approved by Company stockholders [b] [d]	91,013,836	16.33	79,999,450
Equity compensation plans assumed in mergers, acquisitions and corporate transactions [c]	2,791,213	12.98	13,057,953
Total	162,174,479	17.53	161,591,414

(a) Includes options granted under the following plans: 1997 Stock Incentive Plan; 1997 Stock Option Plan; and 1987 Stock Option Plan. Each plan was approved by stockholders with respect to an initial allocation of shares. Subsequent to such approvals, the Company's Board of Directors approved the allocation of additional treasury shares for issuance under the plans (which are included in the table) without further stockholder approval as follows: 1997 Stock Incentive Plan (20,000,000); 1997 Stock Option Plan (69,970,794); 1987 Stock Option Plan (10,000,000).

(b) Includes options granted under the following plans: 1999 Broad-Based Employee Stock Option Plan; 1997 Employee Stock Plan; 1992 Employee Stock Option Plan; 1992 Bonus and Salary Replacement Stock Option Plan; and stand-alone option grants to two former officers. Substantially all options remaining available for future grants are under the 1999 Broad-Based Employee Stock Option Plan, which is intended to satisfy the prior NYSE exemption from stockholder approval for broadly based employee stock plans. The material terms of these plans are set forth under footnote (d) below. Notwithstanding the terms of these plans to the contrary, no option granted under any of these plans provides for a term in excess of 10 years, or an exercise price below fair market value as of the date of grant (other than options assumed or replaced in connection with acquisitions). All options granted under these plans have been approved by the Board of Directors or the Compensation Committee of the Board of Directors.

(c) Includes options granted under the Galileo International, Inc. 1999 Equity and Performance Incentive Plan and the Trendwest Resorts, Inc. 1997 Employee Stock Option Plan. The Company has assumed additional option plans in connection with mergers, acquisitions and corporate transactions pursuant to which no shares remain available for future grants. There were 32,181,174 outstanding options under such plans as of December 31, 2003. The weighted-average exercise price for these options is $15.66.

(d) Following are the material terms of plans not submitted for stockholder approval:

1999 Broad-Based Employee Stock Option Plan. This plan, which is intended to satisfy the NYSE exemption from stockholder approval for broadly based employee stock plans, provides for the grant of stock options, shares of Common Stock and other awards valued by reference to Common Stock to employees of the Company who are not executive officers. Shares issued pursuant to the exercise of options granted under this plan may be authorized and unissued shares or treasury shares. In the event of any change in corporate capitalization, any reorganization of the Company or a similar event, shares subject to outstanding options, the exercise price of outstanding options and the number and type of shares remaining to be made subject to options under this plan may be adjusted or substituted for, as the Compensation Committee or Board may determine. The terms and conditions of options granted under this plan are to be determined by the Compensation Committee, provided, that the exercise price of an option may not be less than the fair market value of the shares covered thereby on the date of grant. Each option granted under this plan will become immediately exercisable upon a "change-of-control transaction" (as defined in the plan). Unless otherwise determined by the Compensation Committee, following termination of employment, options granted under this plan generally will remain exercisable, to the extent exercisable at the time of termination, for one year (two years, in the case of retirement, death or disability).

1997 Employee Stock Plan. This plan provides for the grant of awards of stock options, stock appreciation rights (payable in cash or shares or a combination thereof) and restricted stock to employees of the Company and its affiliates. Shares issued pursuant to awards granted under this plan may be authorized and unissued shares or treasury shares. In the event of any change in corporate capitalization, any reorganization of the Company or a similar event, shares subject to outstanding awards, the exercise price of outstanding options and the number and type of shares remaining to be made subject to awards under this plan may be adjusted or substituted for, as the Compensation Committee or Board may determine. The terms and conditions of awards granted under this plan are to be determined by the Compensation Committee, provided, that the exercise price of an option may not be less than the fair market value of the shares covered thereby on the date of grant. Under this plan, stock appreciation rights may be granted only in tandem with an option, and will be cancelled to the extent the related option is exercised or cancelled. The vesting of restricted stock awards granted under this plan may be subject to the attainment of predetermined performance goals. Unless otherwise determined by the Compensation Committee, following termination of employment, options and stock appreciation rights granted under this plan generally will remain exercisable, to the extent exercisable at the time of termination, for one year (two years, in the case of retirement, death or disability). Unless otherwise determined by the Compensation Committee, following termination of employment for any reason, shares that are subject to restrictions under a restricted stock award will be immediately forfeited.

1992 Bonus and Salary Replacement Stock Option Plan. This plan provides for the grant of options to key employees, consultants, advisors and vendors of the Company in lieu of certain salary increases and all or a portion of participant bonuses. Shares issued pursuant to the exercise of options granted under this plan may be authorized and unissued shares or treasury shares. In the event of any change in corporate capitalization, any reorganization of the Company or a similar event, shares subject to outstanding options, the exercise price of outstanding options and the number and type of shares remaining to be made subject to options under this plan may be adjusted or substituted for, as the Compensation Committee or Board may determine. The terms and conditions of options granted under this plan are to be determined by the Compensation Committee, provided, that the exercise price of an option may not be less than fair market value of the shares covered thereby on the date of grant. Options granted under this plan will become immediately exercisable upon a change in control of the Company. Following termination of employment, options granted under this plan generally will continue to vest as set forth in the option agreement for the remainder of their term (in the case of termination because of death or disability, options will become immediately exercisable).

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. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained in the Company's Annual Proxy Statement under the section titled "Ratification of Appointment of Auditors" is incorporated herein by reference in response to this item.

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 20, 2003, we filed a current report on Form 8-K to report under Item 5 our third quarter 2003 results.

On December 16, 2003, we filed a current report on Form 8-K to report under Item 5 that George Herrera, former CEO and President, United States Hispanic Chamber of Commerce, would be joining our Board of Directors on January 26, 2004 as an independent Director replacing The Honorable William S. Cohen, Chairman and Chief Executive Officer of The Cohen Group.

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: March 1, 2004

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 (Henry R. Silverman)	Chairman of the Board, President, Chief Executive Officer and Director	March 1, 2004
/s/ JAMES E. BUCKMAN (James E. Buckman)	Vice Chairman, General Counsel and Director	March 1, 2004
/s/ STEPHEN P. HOLMES (Stephen P. Holmes)	Vice Chairman and Director	March 1, 2004
/s/ RONALD L. NELSON (Ronald L. Nelson)	Chief Financial Officer and Director	March 1, 2004
/s/ VIRGINIA M. WILSON (Virginia M. Wilson)	Executive Vice President and Chief Accounting Officer	March 1, 2004
/s/ MYRA J. BIBLOWIT (Myra J. Biblowit)	Director	March 1, 2004
/s/ LEONARD S. COLEMAN (Leonard S. Coleman)	Director	March 1, 2004

/s/ MARTIN L. EDELMAN	Director	March 1, 2004

(Martin L. Edelman)		
/s/ GEORGE HERRERA		
(George Herrera)	Director	March 1, 2004
/s/ CHERYL D. MILLS		
(Cheryl D. Mills)	Director	March 1, 2004
/s/ BRIAN MULRONEY		
(The Right Honourable Brian Mulroney)	Director	March 1, 2004
/s/ ROBERT E. NEDERLANDER		
(Robert E. Nederlander)	Director	March 1, 2004
/s/ ROBERT W. PITTMAN		
(Robert W. Pittman)	Director	March 1, 2004
/s/ PAULINE D. E. RICHARDS		
(Pauline D. E. Richards)	Director	March 1, 2004
/s/ SHELI Z. ROSENBERG		
(Sheli Z. Rosenberg)	Director	March 1, 2004
/s/ ROBERT F. SMITH		
(Robert F. Smith)	Director	March 1, 2004

INDEX TO 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, 2003 and 2002, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2003. 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, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003

in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2003, the Company adopted the fair value method of accounting for stock-based compensation, and during 2003, the Company adopted the consolidation provisions for variable interest entities. Also, as discussed in Note 2, on January 1, 2002, the Company adopted the non-amortization provisions for goodwill and other indefinite-lived intangible assets. Also, as discussed in Note 2, on January 1, 2001, the Company modified the accounting treatment relating to securitization transactions and the accounting for derivative instruments and hedging activities.

/s/ Deloitte & Touche LLP
New York, New York
February 25, 2004

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

	Year Ended December 31,		
	2003	**2002**	**2001**
Revenues			
Service fees and membership, net	$ 12,491	$ 10,062	$ 5,426
Vehicle-related	5,645	4,078	3,214
Other	56	47	53
Net revenues	18,192	14,187	8,693
Expenses			
Operating	9,408	6,820	2,738
Vehicle depreciation, lease charges and interest, net	2,487	2,094	1,789
Marketing and reservation	1,756	1,392	1,114
General and administrative	1,368	1,120	965
Non-program related depreciation and amortization	518	466	477
Non-program related interest, net:			
Interest expense (net of interest income of $21, $41 and $91)	307	262	252
Early extinguishment of debt	58	42	—
Acquisition and integration related costs:			
Amortization of pendings and listings	20	256	—
Other	34	29	112
Litigation and related charges, net	11	103	86
Restructuring and other unusual charges	(6)	(14)	379
Mortgage servicing rights impairment	—	—	94
Total expenses	15,961	12,570	8,006
Gains on dispositions of businesses	—	—	443
Losses on dispositions of businesses	—	—	(26)
Impairment of investments	—	—	(441)
Income before income taxes, minority interest and equity in Homestore	2,231	1,617	663
Provision for income taxes	745	544	220
Minority interest, net of tax	21	22	24
Losses related to equity in Homestore, net of tax	—	—	77
Income from continuing operations	1,465	1,051	342
Income from discontinued operations, net of tax	—	51	81
Loss on disposal of discontinued operations, net of tax	—	(256)	—
Income before cumulative effect of accounting changes	1,465	846	423
Cumulative effect of accounting changes, net of tax	(293)	—	(38)
Net income	$ 1,172	$ 846	$ 385
CD common stock earnings per share:			
Basic			
Income from continuing operations	$ 1.44	$ 1.03	$ 0.37
Net income	1.15	0.83	0.42
Diluted			
Income from continuing operations	$ 1.41	$ 1.01	$ 0.36
Net income	1.13	0.81	0.41

See Notes to Consolidated Financial Statements.

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

	December 31,	
	2003	**2002**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 840	$ 126
Restricted cash	448	307
Receivables (net of allowance for doubtful accounts of $160 and $136)	1,671	1,457
Deferred income taxes	455	334
Other current assets	1,064	1,108
Total current assets	4,478	3,332
Property and equipment, net	1,803	1,780
Deferred income taxes	668	1,115
Goodwill	11,119	10,699
Other intangibles, net	2,402	2,464
Other non-current assets	974	1,327
Total assets exclusive of assets under programs	21,444	20,717
Assets under management and mortgage programs:		
Program cash	542	354
Mortgage loans held for sale	2,494	1,923
Relocation receivables	534	239
Vehicle-related, net	10,143	10,052
Timeshare-related, net	1,803	675
Mortgage servicing rights, net	1,641	1,380
Derivatives related to mortgage servicing rights	316	385
Other	120	172
	17,593	15,180
Total assets	$ 39,037	$ 35,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	$ 4,688	$ 4,287
Current portion of long-term debt	1,629	30
Deferred income	854	680
Total current liabilities	7,171	4,997
Long-term debt, excluding Upper DECS	3,510	5,571
Upper DECS	863	863
Deferred income	311	320
Other non-current liabilities	888	692
Total liabilities exclusive of liabilities under programs	12,743	12,443
Liabilities under management and mortgage programs:		
Debt	9,141	12,747
Debt due to AESOP Funding II, LLC—related party	5,644	—
Derivatives related to mortgage servicing rights	231	—
Deferred income taxes	1,092	1,017
	16,108	13,764
Mandatorily redeemable preferred interest in a subsidiary	—	375
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 1,260,397,204 and 1,238,952,970 shares	13	12
Additional paid-in capital	10,284	10,090
Retained earnings	4,430	3,258
Accumulated other comprehensive income (loss)	209	(14)
CD treasury stock, at cost—251,553,531 and 207,188,268 shares	(4,750)	(4,031)

Total stockholders' equity	10,186	9,315
Total liabilities and stockholders' equity	$ 39,037	$ 35,897

See Notes to Consolidated Financial Statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,		
	2003	**2002**	**2001**
Operating Activities			
Net income	$ 1,172	$ 846	$ 385
Adjustments to arrive at income from continuing operations	293	205	(43)
Income from continuing operations	1,465	1,051	342
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities exclusive of management and mortgage programs:			
Non-program related depreciation and amortization	518	466	477
Amortization of pendings and listings	20	256	—
Gain on dispositions of business	—	—	(443)
Losses on dispositions of business	—	—	26
Impairment of investments	—	—	441
Proceeds from sales of trading securities	—	—	110
Deferred income taxes	453	425	418
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:			
Receivables	32	(74)	10
Income taxes	292	46	(201)
Accounts payable and other current liabilities	(171)	(37)	530
Payment of stockholder litigation settlement liability	—	(2,850)	—
Deferred income	(85)	(210)	(162)
Proceeds from termination of fair value hedges	200	65	—
Other, net	189	(52)	(171)
Net cash provided by (used in) operating activities exclusive of management and mortgage programs	2,913	(914)	1,377
Management and mortgage programs:			
Vehicle depreciation	2,031	1,742	1,403
Amortization and impairment of mortgage servicing rights	893	922	287
Net gain on mortgage servicing rights and related derivatives	(163)	(115)	(3)
Origination of mortgage loans	(62,843)	(44,017)	(40,963)
Proceeds on sale of and payments from mortgage loans held for sale	64,371	43,459	40,643
	4,289	1,991	1,367
Net cash provided by operating activities	7,202	1,077	2,744
Investing Activities			
Property and equipment additions	(463)	(399)	(329)
Net assets acquired (net of cash acquired of $99, $178 and $308) and acquisition-related payments	(327)	(1,381)	(2,757)
Proceeds received on asset sales	133	21	26
Proceeds from sales of available-for-sale securities	4	14	17
Purchases of non-marketable securities	(63)	(3)	(101)
Proceeds from (payments to) stockholder litigation settlement trust	—	1,410	(1,060)
Proceeds from dispositions of businesses, net of transaction-related payments	—	1,151	109
Other, net	145	(46)	(95)
Net cash provided by (used in) investing activities exclusive of management and mortgage programs	(571)	767	(4,190)

Management and mortgage programs:			
(Increase) decrease in program cash	(110)	676	(579)
Investment in vehicles	(14,782)	(10,643)	(8,144)
Payments received on investment in vehicles	13,026	7,988	7,142

Origination of timeshare-related assets	(1,015)	(1,031)	(490)
Principal collection of investment in timeshare-related assets	799	952	538
Equity advances on homes under management	(5,699)	(5,968)	(6,306)
Repayment on advances on homes under management	5,635	6,028	6,340
Additions to mortgage servicing rights	(1,008)	(928)	(955)
Proceeds from sales of mortgage servicing rights	10	16	58
Cash received on derivatives related to mortgage servicing rights, net	295	370	163
Other, net	20	26	10
	(2,829)	(2,514)	(2,223)
Net cash used in investing activities	(3,400)	(1,747)	(6,413)
Financing Activities			
Proceeds from borrowings	2,593	637	5,608
Principal payments on borrowings	(3,479)	(2,111)	(2,213)
Issuances of common stock	446	112	877
Repurchases of common stock	(1,090)	(278)	(254)
Other, net	(86)	(56)	(148)
Net cash provided by (used in) financing activities exclusive of management and mortgage programs	(1,616)	(1,696)	3,870
Management and mortgage programs:			
Proceeds from borrowings	27,757	15,171	9,460
Principal payments on borrowings	(28,495)	(14,614)	(8,798)
Net change in short-term borrowings	(702)	(114)	116
Other, net	(25)	(8)	(6)
	(1,465)	435	772
Net cash provided by (used in) financing activities	(3,081)	(1,261)	4,642
Effect of changes in exchange rates on cash and cash equivalents	(7)	41	(8)
Cash provided by discontinued operations	—	74	121
Net increase (decrease) in cash and cash equivalents	714	(1,816)	1,086
Cash and cash equivalents, beginning of period	126	1,942	856
Cash and cash equivalents, end of period	$ 840	$ 126	$ 1,942
Supplemental Disclosure of Cash Flow Information			
Interest payments	$ 806	$ 788	$ 609
Income tax payments, net	$ 2	$ 62	$ 40

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, 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)	—	—	
Unrealized gains on available-for-sale securities, net of tax of $21	—	—	—	—	33	—	—	
Reclassification for realized holding losses, net of tax of $29	—	—	—	—	56	—	—	
Minimum pension liability adjustment, net of tax of ($13)	—	—	—	—	(21)	—	—	
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

Comprehensive income:

Comprehensive income:								
Net income	—	—	—	846	—	—	—	
Currency translation adjustment	—	—	—	—	66	—	—	
Reclassification of foreign currency translation losses realized upon the sale of NCP	—	—	—	—	245	—	—	
Unrealized losses on cash flow hedges, net of tax of ($5)	—	—	—	—	(8)	—	—	
Unrealized losses on available-for-sale securities, net of tax of ($12)	—	—	—	—	(19)	—	—	
Reclassification for realized holding losses, net of tax of $2	—	—	—	—	3	—	—	
Minimum pension liability adjustment, net of tax of ($23)	—	—	—	—	(37)	—	—	
Total comprehensive income								1,096
Issuances of CD common stock	6	—	62	—	—	—	—	62
Exercise of stock options	8	—	72	—	—	2	27	99
Tax benefit from exercise of stock options	—	—	25	—	—	—	—	25
Repurchases of CD common stock	—	—	—	—	—	(20)	(291)	(291)
Issuance of CD common stock and conversion of stock options for acquisitions	59	1	1,139	—	—	—	—	1,140
Issuance of subsidiary stock	—	—	98	—	—	—	—	98
Other	—	—	18	—	—	—	—	18
Balance at December 31, 2002	1,239	12	10,090	3,258	(14)	(207)	(4,031)	9,315

Cendant Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(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, 2003	1,239	12	10,090	3,258	(14)	(207)	(4,031)	9,315
Comprehensive income:								
Net income	—	—	—	1,172	—	—	—	
Currency translation adjustment	—	—	—	—	143	—	—	
Unrealized gains on cash flow hedges, net of tax of $27	—	—	—	—	38	—	—	
Unrealized gains on available-for-sale securities, net of tax of $25	—	—	—	—	45	—	—	
Reclassification for realized holding gains, net of tax of ($1)	—	—	—	—	(3)	—	—	
Total comprehensive income								1,395
Issuances of CD common stock		—	(4)	—	—	1	21	17
Exercise of stock options	21	—	75	—	—	19	359	434
Tax benefit from exercise of stock options	—	—	106	—	—	—	—	106
Repurchases of CD common stock	—	—	—	—	—	(65)	(1,099)	(1,099)
Amortization of deferred compensation	—	—	15	—	—	—	—	15
Other	—	1	2	—	—	—	—	3
Balance at December 31, 2003	1,260	$ 13	$ 10,284	$ 4,430	$ 209	(252)	$ (4,750)	$ 10,186

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. Basis of Presentation

Cendant Corporation is a global provider of a wide range of complementary consumer and business services, focusing primarily on travel and real estate services and operating in the following business segments:

- **Real Estate Services**—franchises the real estate brokerage businesses of three residential and one commercial brands, provides real estate brokerage services, provides home buyers with mortgages and title, appraisal review and closing services and facilitates employee relocations.

- **Hospitality Services**—facilitates the sale and development of vacation ownership interests, provides consumer financing to individuals purchasing these interests, facilitates the exchange of vacation ownership interests, operates nine lodging franchise systems and markets vacation rental properties in Europe.

- **Travel Distribution Services**—provides primarily global distribution services for the travel industries and travel agency services.

- **Vehicle Services**—operates and franchises the Company's vehicle rental businesses and provides commercial fleet management and fuel card services.

- **Financial Services**—provides financial institution enhancement products and insurance-based and loyalty solutions, operates and franchises tax preparation services and provides a variety of membership programs.

The accompanying Consolidated Financial Statements include the accounts and transactions of Cendant Corporation and its subsidiaries ("Cendant"), as well as entities in which Cendant directly or indirectly has a controlling financial interest (collectively, the "Company"). For more detailed information regarding the Company's consolidation policy, refer to Note 2—Summary of Significant Accounting Policies. 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.

Management and Mortgage Programs. The Company's Consolidated Financial Statements present separately the financial data of the Company's management and mortgage programs. These programs are distinct from the Company's other activities since the assets are generally funded through the issuance of debt that is collateralized by such assets. Specifically, in the Company's vehicle rental, fleet management, relocation, mortgage services and vacation ownership businesses, assets under management and mortgage programs are funded through either borrowings under asset-backed funding arrangements or unsecured borrowings at the Company's PHH subsidiary. Such borrowings are classified as debt under management and mortgage programs. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of the Company's management and mortgage programs. The Company believes it is appropriate to segregate the financial data of its management and mortgage programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Discontinued Operations. On May 22, 2002, the Company sold its car parking facility business, National Car Parks ("NCP"), a then wholly-owned subsidiary within its Vehicle Services segment, for

$1.2 billion in cash. The Company recorded a loss of approximately $236 million ($256 million, after tax) on the sale of this business. NCP operated off-street commercial parking facilities and managed on-street parking and related operations on behalf of town and city administration in England. Pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the account balances and activities of NCP have been segregated and reported as a discontinued operation for 2002 and 2001. NCP generated net revenues and income from discontinued operations of $155 million and $60 million ($51 million, after tax), respectively, during 2002. During 2001, NCP generated net revenues and income from discontinued operations of $337 million and $96 million ($81 million, after tax), respectively.

2. Summary of Significant Accounting Policies

CHANGES IN ACCOUNTING POLICIES DURING 2003

Consolidation Policy. On January 17, 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). Such Interpretation addresses the consolidation of variable interest entities ("VIEs"), including special purpose entities ("SPEs"), that are not controlled through voting interests or in which the equity investors do not bear the residual economic risks and rewards. The provisions of FIN 46 were effective immediately for transactions entered into by the Company subsequent to January 31, 2003 and became effective for all other transactions as of July 1, 2003. However, in October 2003, the FASB permitted companies to defer the July 1, 2003 effective date to December 31, 2003, in whole or in part. On December 24, 2003, the FASB issued a complete replacement of FIN 46 ("FIN 46R"), which clarified certain complexities of FIN 46 and generally requires adoption no later than December 31, 2003 for entities that were considered SPEs under previous guidance, and no later than March 31, 2004 for all other entities. The Company adopted FIN 46R in its entirety as of December 31, 2003 even though adoption for non-SPEs was not required until March 31, 2004.

In connection with the implementation of FIN 46, the Company consolidated Trilegiant Corporation ("Trilegiant") and Bishop's Gate Residential Mortgage Trust ("Bishop's Gate") effective July 1, 2003 through the application of the prospective transition method. Additionally, the Company deconsolidated AESOP Funding II, LLC ("AESOP Funding") in connection with its adoption of FIN 46R on December 31, 2003. The consolidation of Trilegiant resulted in a non-cash charge of $293 million (both before and after tax) recorded on July 1, 2003 as a cumulative effect of accounting change, which represented the negative equity of Trilegiant and is comprised of assets and liabilities of $205 million and $498 million, respectively. See Note 23—Trilegiant Corporation for more information regarding Trilegiant. The consolidation of Bishop's Gate did not result in the recognition of a cumulative effect of accounting change, nor did the deconsolidation of AESOP Funding. See Note 16—Debt Under Management and Mortgage Programs and Borrowing Arrangements for more complete information regarding Bishop's Gate and AESOP Funding. The consolidation of Trilegiant and Bishop's Gate and the deconsolidation of AESOP Funding caused the Company's total assets and liabilities recorded on its Consolidated Balance Sheet at December 31, 2003 to increase as follows:

	Assets	Liabilities
Bishop's Gate [(a)]	$ 1,720	$ 1,651
Trilegiant [(b)]	97	405
AESOP Funding [(c)]	264	264

(a) Recorded in the Company's Real Estate Services segment.
(b) Recorded in the Company's Financial Services segment.
(c) Recorded in the Company's Vehicle Services segment.

New Policy. In connection with FIN 46R, when evaluating an entity for consolidation, the Company first determines whether an entity is within the scope of FIN 46R and if it is deemed to be a VIE. If the entity is considered to be a VIE, the Company determines whether it would be considered the entity's primary beneficiary. The Company consolidates those VIEs for which it has determined that it is the primary beneficiary. Generally, the Company will consolidate an entity not deemed either a VIE or qualifying special purpose entity ("QSPE") upon a determination that its ownership, direct or indirect, exceeds fifty percent of the outstanding voting shares of an entity and/or that it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights. For entities where the Company does not have a controlling interest (financial or

operating), the investments in such entities 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."

Previous Policy. Prior to the adoption of FIN 46 and FIN 46R, the Company did not consolidate SPE and SPE-type entities unless the Company retained both control of the assets transferred and the risks and rewards of those assets. Additionally, non-SPE-type entities were only consolidated if the Company's ownership exceeded fifty percent of the outstanding voting shares of an entity and/or if the Company had the ability to control the financial or operating policies of an entity through its voting rights, board representation or other similar rights.

Derivative Instruments and Hedging Activities. On July 1, 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." Such standard amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The impact of adopting this standard was not material to the Company's results of operations or financial position.

Financial Instruments with Characteristics of Both Liabilities and Equity. On July 1, 2003, the Company adopted SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This standard addresses how certain financial instruments with characteristics of both liabilities and equity should be classified and measured. As a result, on July 1, 2003, the Company reclassified its $375 million mandatorily redeemable preferred interest in a subsidiary from the mezzanine section of the Consolidated Balance Sheet to long-term debt (see Note 18—Mandatorily Redeemable Preferred Interest in a Subsidiary).

Stock-Based Compensation. Prior to January 1, 2003, the Company measured its stock-based compensation using the intrinsic value approach under Accounting Principles Board ("APB") Opinion No. 25, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, the Company did not recognize compensation expense upon the issuance of stock options to employees because the option terms were fixed and the exercise price equaled the market price of the underlying common stock on the date of grant. The Company complied with the provisions of SFAS No. 123 by providing pro forma disclosures of net income and related per share data giving consideration to the fair value method provisions of SFAS No. 123.

On January 1, 2003, the Company adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123, which is considered by the FASB to be the preferable accounting method for stock-based employee compensation. The Company also adopted SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," in its entirety on January 1, 2003, which amended SFAS No. 123 to provide alternative methods of transition for a

voluntary change to the fair value based method of accounting provisions. As a result, the Company now expenses all employee stock awards over their vesting periods based upon the fair value of the award on the date of grant. As the Company elected to use the prospective transition method, the Company's Consolidated Statement of Income for 2003 reflects stock-based compensation expense only for employee stock awards that were granted or modified subsequent to December 31, 2002. The following table illustrates the effect on net income and the related per share amounts as if the Company had applied the fair value based method to all outstanding employee stock awards for all periods presented:

	Year Ended December 31,		
	2003	2002	2001
Reported net income	$ 1,172	$ 846	$ 385
Add back: Stock-based employee compensation expense included in reported net income, net of tax [(a)]	10	2	15
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax [(b)]	(50)	(297)	(233)
Pro forma net income	$ 1,132	$ 551	$ 167
Earnings per share:			
Reported			
Basic	$ 1.15	$ 0.83	$ 0.42
Diluted	1.13	0.81	0.41
Pro forma			
Basic	$ 1.11	$ 0.54	$ 0.17
Diluted	1.09	0.53	0.16

(a) For a detailed account of compensation expense recorded within the Consolidated Statements of Income for stock awards granted subsequent to December 31, 2002, see Note 21—Stock-Based Compensation.

(b) The 2002 amounts reflect the August 27, 2002 acceleration of the vesting schedules for certain options previously granted (see Note 21—Stock-Based Compensation for a more detailed account). Pro forma compensation expense reflected for grants awarded prior to January 1, 2003 is not indicative of future compensation expense that would be recorded by the Company, as future expense will vary based upon factors such as the type of award granted by the Company and the then-current fair market value of such award.

Early Extinguishment of Debt. On January 1, 2003, the Company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Such standard requires any gain or loss on the early extinguishment of debt to be presented as a component of continuing operations (unless specific criteria are met) whereas SFAS No. 4 required that such gain or loss be classified as an extraordinary item in determining net income. Accordingly, on January 1, 2003, the Company reclassified $42 million of 2002 pre-tax net losses on the early extinguishments of debt to continuing operations as a component of net non-program related interest expense.

Costs Associated with Exit or Disposal Activities. On January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Such standard nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under SFAS No. 146, a liability related to an exit or disposal activity (including restructurings) initiated after December 31, 2002 is not recognized until such liability has actually been incurred whereas under EITF Issue No. 94-3 a liability was recognized at the date of commitment to an exit or disposal plan. The impact

of adopting this standard was not material to the Company's results of operations or financial position.

Guarantees. On January 1, 2003, the Company adopted FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," in its entirety. Such Interpretation elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of certain guarantees issued or modified after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee. The impact of adopting this Interpretation was not material to the Company's results of operations or financial position.

CHANGES IN ACCOUNTING POLICIES DURING 2002

Goodwill and Identifiable Intangible Assets. On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," in its entirety. Prior to the adoption, all intangible assets (including goodwill) were amortized over the estimated periods to be benefited, generally on a straight-line basis. Therefore, the results of operations for 2001 reflect the amortization of goodwill and indefinite-lived intangible assets, while the results of operations for 2003 and 2002 do not reflect such amortization (see Note 5—Intangible Assets for a pro forma disclosure depicting the Company's results of operations during 2001 after applying the non-amortization provisions of SFAS No. 142). In connection with SFAS No. 142, the Company is required to assess goodwill and intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

The Company assesses goodwill for such impairment by comparing the carrying value of its reporting units to their fair values. The Company's reporting units are one level below the Company's reportable operating segments, with the exception of the Travel Distribution Services segment. The Company's Real Estate Services, Hospitality Services and Financial Services segments each have four reporting units, while the Company's Vehicle Services segment has two reporting units. The Travel Distribution Services segment has only one reporting unit. The Company determines the fair value of its reporting units utilizing discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize. When available and as appropriate, the Company uses comparative market multiples to corroborate the discounted cash flow results. The Company's amortizable intangible assets are tested for impairment based on the comparison of its undiscounted cash flows to its carrying amounts and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Indefinite-lived intangible assets are tested for impairment and written down to fair value, as required by SFAS No. 142.

The Company performed its initial goodwill impairment assessment on January 1, 2002 in connection with the adoption of SFAS No. 142 and determined that the carrying amounts of its reporting units did not exceed their respective fair values. Accordingly, the initial implementation of this standard did not result in a charge and, as such, did not impact the Company's results of operations during 2002. Subsequent to the initial assessment, the Company performed its review annually, or more frequently if circumstances indicated impairment may have occurred, and during 2003 and 2002, determined that no such impairment had occurred.

Impairment or Disposal of Long-Lived Assets. On January 1, 2002, the Company adopted SFAS No. 144, which 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 and indefinite-lived intangible assets but including amortizable intangible assets.

The Company evaluates the recoverability of its long-lived assets (which included goodwill and indefinite-lived intangible assets during 2001) 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.

CHANGES IN ACCOUNTING POLICIES DURING 2001

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. On April 1, 2001, the Company adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125" in its entirety. This standard 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 this standard was not material to the Company's results of operations or financial position.

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) in the Consolidated Statement of Income on January 1, 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. This standard, as amended and interpreted, established accounting and reporting standards for derivative instruments and hedging activities. As required by SFAS No. 133, the Company has recorded all such derivatives at fair value in the Consolidated Balance Sheets. The adoption of this standard resulted in the recognition of a non-cash charge of $16 million ($11 million, after tax) in the Consolidated Statement of Income on January 1, 2001 to account for the cumulative effect of the accounting change relating to derivatives designated in fair value type hedges prior to adopting this standard, 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 Income.

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in foreign currency exchange rates, interest rates, and, in 2003, prices of Homestore common stock. 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-program related interest expense, based upon the nature of the hedged item, in the Consolidated Statements of Income. Changes in fair value of the hedged item in a fair value hedge are recorded as an adjustment to the carrying amount of the hedged item and recognized currently in earnings as a component of net revenues or net non-program interest expense, based upon the nature of the hedged item, in the Consolidated Statements of Income. 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-program related 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, certain embedded derivatives have been bifurcated from their host contracts and are recorded at fair value in the Consolidated Balance Sheets. The total fair value of the Company's embedded derivatives and changes in fair value during 2003, 2002 and 2001 were not material to the Company's results of operations or financial position.

REVENUE RECOGNITION

Real Estate Services

Real Estate Franchise. The Company franchises its real estate brokerage franchise systems to the owners of independent real estate brokerage businesses. The Company provides operational and administrative services to franchisees, which are designed to increase franchisee revenue and profitability. Such services include advertising and promotions, referrals, training and volume purchasing discounts. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. The royalty received is primarily based on a percentage of the franchisee's commissions and/or gross revenue. Royalty and marketing fees are accrued as the underlying franchisee revenue is earned (generally upon close of the home sale transaction). Annual rebates given to certain franchisees on royalty fees are recorded as a reduction to revenue 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 paid by new franchisees and are recognized by the Company as revenue when all material services or conditions relating to the sale have been substantially performed (generally when a franchised unit opens for business).

Real Estate Brokerage. As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue on a gross basis upon the closing of a real estate transaction (i.e., purchase or sale of a home). The commissions that the Company pays to real estate agents, which approximated $2.9 billion and $2.0 billion during 2003 and 2002, respectively, are recorded as a component of operating expenses on the Consolidated Statements of Income.

Settlement Services. The Company provides title and closing services, which include title search procedures for title insurance policies, home sale escrow and closing services (including ordering appraisal, flood and credit reports). Title agency revenues are recorded at the time a home sale transaction or refinancing closes. Appraisal fees are recognized as revenue when the services are performed, which are often prior to the home sale transaction.

Relocation. The Company provides relocation services to corporate and government clients for the transfer of their employees. Such services include the purchasing and/or selling of a transferee's home, providing home equity advances to transferees (generally guaranteed by the corporate client), expense processing, household goods moving services and other related services. The Company earns revenues from fees charged to corporate and government clients for the performance of these services and recognizes such revenue as services are provided. Additionally, the Company earns interest income on the funds it advances to the transferring employee, which is recorded ratably as earned up until the point of repayment by the client.

Based on client agreements, the Company negotiates for the ultimate sale of the transferring employee's home. The gain or loss on sale is generally borne by the corporate client. However, in limited circumstances, the Company will assume the risk of loss on the sale of the transferring employee's home. The fees earned in these transactions are recorded on a gross basis with associated costs recorded within expenses. These fees are recognized as services are provided.

The Company also earns revenue from referral services provided to real estate brokers and other third-party service providers. The Company recognizes the referral fees from real estate brokers at the time its obligations are complete. For services where the Company pays a third-party provider on behalf of its clients, the Company earns a referral fee or commission, which is recognized at the time of completion of services.

Mortgage. Mortgage services include the origination (funding either a purchase or refinance), sale and servicing of residential mortgage loans. Mortgage loans are originated through a variety of marketing techniques, including relationships with corporations, affinity groups, financial institutions and real estate brokerage firms. The Company may also purchase mortgage loans originated by third parties. Upon the closing of a residential mortgage loan originated or purchased by the Company, the mortgage loan is typically warehoused for a period up to 60 days and then sold into the secondary market (which is customary in the mortgage industry). Mortgage loans held for sale represent those mortgage loans originated or purchased by the Company and pending sale to permanent investors. The Company primarily sells its mortgage loans to government-sponsored entities. Upon sale, the servicing rights and obligations of the underlying mortgage loans are generally retained by the Company. 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 mortgage servicing activities, which consist 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.

Loan origination and commitment fees paid by the borrower in connection with the origination of mortgage loans and certain direct loan origination costs are deferred until such loans are sold to investors. Mortgage loans pending sale are recorded on the Company's Consolidated Balance Sheets 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 allocated carrying value of the related mortgage loans sold. The capitalization of the MSRs also occurs upon sale of the underlying mortgages into the secondary market. Upon initial recording of the MSR asset, the total cost of loans originated or acquired is allocated between the MSR asset and the mortgage loan without the servicing rights based on relative fair values. Servicing revenues comprise several components, including recurring servicing fees, interest income and the amortization of the MSR asset. Recurring servicing fees and interest income are recognized upon receipt of the coupon payment from the borrower and recorded net of guaranty fees. Costs associated with loan servicing are charged to expense as incurred. The MSR asset is amortized over the estimated life of the related loan portfolio

in proportion to projected net servicing revenues. Such amortization is recorded as a reduction of net servicing revenue in the Consolidated Statements of Income.

The MSR asset is routinely evaluated for impairment. For purposes of performing its impairment evaluation, the Company stratifies its portfolio on the basis of product type and 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 upon an internal valuation that reflects management's estimates of expected future cash flows considering prepayment estimates (developed using a third party model described below), the Company's historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves and other economic factors. The Company uses a third party model, adjusted to reflect the historical prepayment behavior exhibited by its portfolio, to forecast prepayment rates used in the development of its expected future cash flows. The prepayment forecast is based on historical observations of prepayment behavior in similar periods comparing current mortgage interest rates to the mortgage interest rates in the Company's servicing portfolio and incorporates loan characteristics (e.g., loan type and note rate) and factors such as recent prepayment experience, previous refinance opportunities and estimated levels of home equity. Temporary impairment is recorded through a valuation allowance in the period of occurrence as a reduction of net revenue in the Consolidated Statements of Income. The Company periodically evaluates its MSR asset to determine if the carrying value before the application of the valuation allowance is recoverable. When the Company determines that a portion of the asset is not recoverable, the asset and the previously designated valuation allowance are reduced to reflect the write-down.

Gains or losses on the sale of the MSR asset are recognized when title and all risks and rewards have irrevocably passed to the buyer and there are no significant unresolved contingencies.

Hospitality Services

Lodging Franchise. The Company franchises its nine lodging franchise systems to the owners of independent hotels. The Company provides operation and administrative services to franchisees, which include access to a national reservation system, national advertising and promotional campaigns, co-marketing programs, referrals, training and volume purchasing discounts. Franchise revenue principally consists of royalties, as well as marketing and reservation fees, which are primarily based on a percentage of the franchisee's gross room revenue. Royalty, marketing and reservation fees are accrued as the underlying franchisee revenue is earned. Franchise revenue also includes initial franchise fees, which are recognized as revenue when all material services or conditions relating to the sale have been substantially performed (generally when a franchised unit opens for business).

Timeshare Exchange. As a provider of timeshare vacation exchange services, the Company enters into affiliation agreements with resort property owners/developers to allow owners of timeshare interests to trade their interests with other subscribers. 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. The Company records subscription revenue as deferred income on its Consolidated Balance Sheets and recognizes it on a straight-line basis over the subscription period during which delivery of publications and other services are provided to the subscribing members. Marketing and advertising costs are generally expensed as incurred; commissions paid on subscriptions are deferred and amortized over the life of the subscription.

Timeshare Sales and Marketing. The Company sells and markets vacation ownership interests and provides consumer financing to individuals purchasing vacation ownership interests. Vacation ownership interests sold by the Company consist of either undivided fee simple interests or point-based

vacation credits. The Company recognizes sales of vacation ownership interests on a full accrual basis for fully constructed inventory after a binding sales contract has been executed, a 10% minimum down payment has been received, the statutory rescission period has expired and receivables are deemed collectible. During periods of construction, 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. For percentage-of-completion accounting, 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. Until a contract for sale qualifies for revenue recognition, all payments received are accounted for as deposits. Commissions and other direct costs related to the sale are deferred until the sale is recorded. If a contract is cancelled before qualifying as a sale, non-recoverable expenses and deposits forfeited are charged and credited to the current period, respectively.

Vacation Home Rental. The Company earns commissions from the rental of holiday accommodations to consumers on behalf of third party owners. Revenue is recognized in the period that the rental reservation is made, net of expected cancellations.

Travel Distribution Services

The Company provides global distribution and computer reservation services, offers travel agency services and provides travel marketing information to airline, car rental and hotel clients. The Company provides scheduling and ticketing services and 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 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. 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. Revenues generated from leased equipment charges to system subscribers are recognized over the term of the contract at contracted rates.

Vehicle Services

Vehicle Rental Business. The Company operates and franchises the Avis and Budget rental systems, providing vehicle rentals to business and leisure travelers. Revenue from vehicle rentals is recognized over the period the vehicle is rented. Franchise revenue principally consists of royalties, as well as marketing fees, received from the Company's franchisees in conjunction with vehicle rental transactions. Royalty and marketing fees are accrued as the underlying franchisee revenue is earned (generally upon the rental of a vehicle).

Leased Vehicle Business. The Company also provides fleet and fuel card related products and services to corporate clients and government agencies. These services include 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 open-end 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. 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 typically 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.

Financial Services

Loyalty/Insurance Marketing. The Company markets and administers insurance products, primarily accidental death and dismemberment 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. Commissions received from the sale of checking account enhancement packages, various financial products and discount programs are recognized as revenue ratably over the period during which services are provided. Commission revenues received from the carrier for accidental death and dismemberment insurance and other insurance products are received and recognized during the underlying policy period. For the accidental death and dismemberment insurance product, 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, reinsurance costs and carrier administrative fees. The Company's share of this excess is accrued based on claims experience to date, including an estimate of claims incurred but not reported.

Individual Membership. The Company, through its relationship with Trilegiant, 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. In July 2001, the Company outsourced its individual membership business to Trilegiant (see Note 23—Trilegiant Corporation for a detailed description of this transaction). Prior to this transaction, the Company generally recorded membership revenue as deferred income on its Consolidated Balance Sheets and recognized it upon the expiration of the membership period, as memberships were generally cancelable for a full refund of the membership fee during the entire membership period, which was generally one year. Revenues generated from memberships that 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 continues to recognize revenue in the same manner for its members that existed as of the transaction date and, as of July 1, 2003, for Trilegiant's members (due to the consolidation of Trilegiant pursuant to FIN 46).

Tax Preparation. The Company operates the Jackson Hewitt tax preparation services system through both a franchise model, as well as through selected Company-owned stores. The Company provides proprietary interactive tax preparation software, as well as training, marketing and operational services to franchisees. Revenue principally consists of royalty and marketing fees, which are based on a percentage of revenue earned by franchisees for the preparation of individual tax returns. The Company earns revenue directly from consumers for tax preparation services provided by its Company-owned locations. These revenues are earned and accrued upon both completion of tax preparation services and payment by the individual customer. Revenue also includes initial franchise fees that are recognized when all material services and conditions relating to the sale have been performed (generally upon completion of a mandatory initial training program).

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. The Company acquires the majority of its rental vehicles pursuant to repurchase programs established by automobile manufacturers. Under these programs, the manufacturers agree to repurchase vehicles at a specified price and date, subject to certain eligibility criteria (such as car condition and mileage requirements). Rental vehicles are depreciated on a straight-line basis giving consideration to the contractual residual values that 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 purchased date of the vehicle and the sale date of the vehicle back to the manufacturers. The difference between the carrying value of rental vehicles under repurchase programs and the contracted guaranteed residual values was approximately $70 million at December 31, 2003, which will be depreciated in a manner consistent with the depreciation charges to be taken over the anticipated remaining holding period. For 2003, 2002 and 2001, rental vehicles were depreciated at rates ranging from 7% to 29% per annum with the objective of minimizing any gain or loss on the sale of the vehicles. Upon disposal of the vehicles, depreciation expense is adjusted for any difference between the net proceeds from the sale and the remaining book value. As market conditions change, the Company adjusts its depreciation rates prospectively, over the remaining holding period, to reflect these changes in market conditions.

Leased Vehicles. Leased vehicles are principally depreciated on a straight-line basis over a term that generally ranges from 3 to 6 years. Gains or losses on the sale of vehicles under closed-end leases are reflected as an adjustment to depreciation expense.

ADVERTISING EXPENSES

Advertising costs are generally expensed in the period incurred. Advertising expenses, recorded within marketing and reservation expenses on the Company's Consolidated Statements of Income, were approximately $1.2 billion, $885 million and $632 million in 2003, 2002 and 2001, respectively.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

The Company is required to set aside cash primarily in relation to agreements entered into by its mortgage and car rental businesses. Restricted cash amounts classified as current assets primarily relate to (i) fees collected and held for pending mortgage closings, (ii) accounts held for the capital fund requirements of and potential claims related to mortgage reinsurance agreements and (iii) insurance claim payments related to the car rental business.

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. Trading securities are recorded at fair value with realized and unrealized gains and losses reported currently in earnings.

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 non-current assets (with the exception of retained interests in securitizations, which are included in assets under management and mortgage programs). All realized gains and losses and preferred dividend income are recorded within other revenues in the Consolidated Statements of Income. 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 impairment of investments in the Consolidated Statements of Income.

As of December 31, 2003 and 2002, the Company's investment portfolio primarily consisted of its retained interests in securitizations ($183 million and $479 million, respectively) and its investment in Homestore, Inc. ($81 million at December 31, 2003). During 2003, the Company recorded $81 million of unrealized gains and $4 million of realized gains relating to its investment in Homestore (see discussion below for more information). During 2001, the Company recorded gross realized losses of $77 million in connection with its investment in trading securities.

Additionally, in 2001, the Company reviewed its investment portfolio for other-than-temporary impairment and recorded the following losses related to such impairments:

	2001
Investment in Homestore, Inc.	$ (407)
Other (*)	(34)

	$ (441)

(*) Primarily related to a lodging investment and an Internet-related investment.

Retained Interests from Securitizations. The Company's retained interests in securitized financial assets consisted of:

	As of December 31,	
	2003	2002
Trading—retained interest in securitized timeshare receivables	$ 81	$ 274
Available for sale:		
Mortgage-backed securities	102	114
Retained interest in securitized relocation receivables	—	91
Total	$ 183	$ 479

The retained interests from the Company's securitizations of residential mortgage loans, with the exception of mortgage servicing rights (the accounting for which is described above under "Revenue Recognition—Mortgage"), are classified as available-for-sale mortgage-backed securities and recorded as a component of other assets under management and mortgage programs within the

Company's Consolidated Balance Sheets. The retained interests from the Company's securitizations of timeshare receivables are classified as trading securities and recorded within timeshare-related assets under management and mortgage programs on the Company's Consolidated Balance Sheets. Gains or losses relating to the assets securitized are allocated between such assets and the retained interests based on their relative fair values on the date of sale. The Company estimates fair value of retained interests based upon the present value of expected future cash flows, which is subject to the prepayment risks, expected credit losses and interest rate risks of the sold financial assets. See Note 17—Securitizations for more information regarding these retained interests.

Homestore, Inc. ("Homestore"). The Company's investment in Homestore was received in exchange for the February 2001 sale of its former move.com and ancillary businesses (see Note 26—Dispositions of Businesses). This investment was initially accounted for under the equity method of accounting based upon the Company's ability to influence Homestore. Accordingly, the Company recorded its proportionate share of Homestore's losses as a component of losses related to equity in Homestore on the Consolidated Statement of Income for 2001. However, during fourth quarter 2001, the Company determined that an other-than-temporary impairment of its investment in Homestore had occurred. After consideration of several indicators, including the extent to which the market value of Homestore had declined since July 2001, the Company revalued the investment to its estimate of Homestore's fair value. In connection with this revaluation, the Company recorded a net impairment charge of $407 million ($244 million, after tax) 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. At December 31, 2002 and 2001, the Company's investment in Homestore was recorded at zero.

The Company's ability to influence Homestore was predicated upon 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. The Company has never had a direct or indirect controlling financial interest in Homestore.

The Company's representative on Homestore's board of directors resigned his seat and, in August 2003, the Company modified and/or terminated many of the contractual agreements it maintained with Homestore. Specifically, Homestore no longer has the exclusive rights to display the listings of the Company's Century 21, ERA and Coldwell Banker brands on its realtor.com website. The Company's ownership interest on the date that these contractual agreements were modified and/or terminated was approximately 15.2%. Due to the above-mentioned changes, the Company changed the method by which it accounts for this investment from the equity method to an available-for-sale marketable security since it no longer had the ability to influence Homestore. The carrying value of the investment on the date of this change was zero due to the impairment previously discussed. During 2003, the Company recorded unrealized gains of approximately $81 million in connection with appreciation in the stock price of Homestore, which is recorded within other comprehensive income on the Company's Consolidated Balance Sheet at December 31, 2003. The Company sold one million shares of Homestore during 2003 and recognized a gain of approximately $4 million, which is recorded within net revenues on the Company's Consolidated Statement of Income.

On December 17, 2003, the Company entered into an equity range forward contract to sell 3.4 million shares of Homestore stock in January and February 2004. See Note 25—Financial Instruments for more information regarding this derivative and Note 30—Subsequent Events for details regarding the Company's sale of Homestore shares pursuant to this contract. As of December 31, 2003, the Company owned approximately 17 million shares of Homestore stock, which approximated a 14.2% ownership interest.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation, recorded as a component of non-program related depreciation and amortization on the Consolidated Statements of Income, is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements, also recorded as a component of non-program related 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. Useful lives generally range from 5 to 50 years for buildings and from 2 to 20 years for leasehold improvements, from 3 to 5 years for capitalized software and from 3 to 7 years for furniture, fixtures and equipment.

PROGRAM CASH

Program cash primarily relates to amounts specifically designated to purchase assets under management and mortgage programs and/or to repay the related debt. Program cash also includes amounts set aside for the collateralization requirements of outstanding debt for the Company's fleet management and timeshare businesses.

SELF-INSURANCE RESERVES

The Consolidated Balance Sheets include approximately $380 million and $318 million of liabilities with respect to self-insured public liability and property damage as of December 31, 2003 and 2002, respectively. The current portion of such amounts is included within accounts payable and other current liabilities and the non-current portion is included in other non-current liabilities. The Company estimates the required liability of such claims on an undiscounted basis utilizing an actuarial method that is based upon various assumptions which include, but are not limited to, the Company's historical loss experience and projected loss development factors. The required liability is also subject to adjustment in the future based upon the changes in claims experience, including changes in the number of incidents (frequency) and change in the ultimate cost per incident (severity).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting for Interest Rate Lock Commitments on Mortgages Held for Sale. On December 11, 2003, the United States Securities and Exchange Commission ("SEC") provided interim guidance in a speech pertaining to the measurement of interest rate lock commitments related to loans that will be held for resale (commonly referred to as commitments to fund mortgages). This interim guidance was provided to address the diversity in practice that existed among issuers related to the recognition and valuation of such commitments. The SEC stated that commitments to fund mortgages represent written options, and should be valued as such. Accordingly, a liability should be recognized at inception for the fair value of the derivative and subsequently adjusted for changes in fair value. Furthermore, the SEC stated that the commitments should never be accounted for as assets. The changes in fair value would be recognized in the Consolidated Statements of Income. The interim guidance will be effective for all commitments to fund mortgages entered into after March 31, 2004. The SEC intends to issue a Staff Accounting Bulletin to formalize this guidance, however, no formal release has yet been issued.

The Company plans to adopt this interim guidance on April 1, 2004. Currently, the Company recognizes the value of its commitments to fund mortgages at zero upon inception, and values them

similar to a forward contract. Changes in fair value of the commitments to fund mortgages are currently recognized in the Consolidated Statement of Income. The Company economically hedges such loan commitments with forward loan sale commitments, which are classified as freestanding derivatives under SFAS No. 133, with changes in fair value recognized in the Consolidated Statements of Income. Upon adoption of this interim guidance, the gains and losses on the commitments to fund mortgages will no longer be consistently offset by gains and losses on the forward loan sale commitments due to the change in the valuation methodology. This may result in increased income statement volatility, by impacting the timing of income/loss recognition associated with these commitments. Management is currently evaluating the impact of this guidance.

3. Earnings Per Share

Earnings per share ("EPS") for periods after March 31, 2000 and through June 30, 2001 was calculated using the two-class method. The Company used the two-class method during these periods because in March 2000 it had issued a second class of common stock, Move.com common stock, and reclassified its existing common stock as CD common stock. Move.com common stock tracked the performance of the Move.com Group, while CD common stock reflected 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"). The Company sold the underlying businesses of the Move.com Group in February 2001 (see Note 26—Dispositions of Businesses) and subsequently retired all outstanding shares of Move.com common stock. The Company ceased using the two-class method on June 30, 2001 upon repurchase of all remaining outstanding shares of Move.com common stock. Accordingly, the calculations for 2003 and 2002 do not reflect the application of 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 was 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 was 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. The following table sets forth the computation of basic and diluted earnings per share for CD common stock:

	Year Ended December 31,		
	2003	2002	2001
Income from continuing operations:			
Cendant Group	$ 1,465	$ 1,051	$ 87
Cendant Group's retained interest in Move.com Group	—	—	238
Income from continuing operations for basic EPS	1,465	1,051	325

Convertible debt interest, net of tax	—	1	11
Adjustment to Cendant Group's retained interest in Move.com Group (*)	—	—	(3)
Income from continuing operations for diluted EPS	$ 1,465	$ 1,052	$ 333

Weighted average shares outstanding:			
Basic	1,017	1,019	869
Stock options, warrants and non-vested shares	23	22	30
Convertible debt	—	2	18
Diluted	1,040	1,043	917
Earnings per share:			
Basic			
Income from continuing operations	$ 1.44	$ 1.03	$ 0.37
Income from discontinued operations	—	0.05	0.10
Loss on disposal of discontinued operations	—	(0.25)	—
Cumulative effect of accounting changes	(0.29)	—	(0.05)
Net income	$ 1.15	$ 0.83	$ 0.42
Diluted			
Income from continuing operations	$ 1.41	$ 1.01	$ 0.36
Income from discontinued operations	—	0.05	0.09
Loss on disposal of discontinued operations	—	(0.25)	—
Cumulative effect of accounting changes	(0.28)	—	(0.04)
Net income	$ 1.13	$ 0.81	$ 0.41

(*) 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 sets forth the computation of basic and diluted earnings per share for Move.com common stock:

	Year Ended December 31, 2001
Income from continuing operations:	
Move.com Group	$ 255
Less: Cendant Group's retained interest in Move.com Group	238
Income from continuing operations for basic EPS	17
Adjustment to Cendant Group's retained interest in Move.com Group (*)	3
Income from continuing operations for diluted EPS	$ 20
Weighted average shares outstanding:	
Basic and Diluted	2
Earnings per share:	
Basic	
Income from continuing operations	$ 9.94
Cumulative effect of accounting changes	(0.07)
Net income	$ 9.87
Diluted	
Income from continuing operations	$ 9.81
Cumulative effect of accounting changes	(0.07)
Net income	$ 9.74

(*) 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 that were antidilutive and therefore excluded from the computation of diluted EPS:

	Year Ended December 31,		
	2003	2002	2001
CD Common Stock			
Options [a]	113	128	98
Warrants [b]	2	2	2
Upper DECS [c]	40	40	40

(a) The decrease in antidilutive options as of December 31, 2003 principally reflects a reduction in the total number of options outstanding. The weighted average exercise prices for antidilutive options at December 31, 2003, 2002 and 2001 were $21.65, $21.44 and $22.59, respectively.
(b) The weighted average exercise price for antidilutive warrants at December 31, 2003, 2002 and 2001 was $21.31.
(c) The appreciation price for antidilutive Upper DECS at December 31, 2003, 2002 and 2001 was $28.42.

The Company's contingently convertible debt securities, which provided for the potential issuance of approximately 56 million, 105 million and 138 million shares of CD common stock as of December 31, 2003, 2002 and 2001, respectively, were not included in the computation of diluted EPS for such periods as the related contingency provisions were not satisfied (see Note 15—Long-term Debt and Borrowing Arrangements for a detailed discussion of such contingency provisions).

4. Acquisitions

Assets acquired and liabilities assumed in business combinations were recorded on the Company's Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company have been included in the Company's Consolidated Statements of Income since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations are subject to revision when the Company receives final information, including appraisals and other analyses. Revisions to the fair values, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocations. The Company is also in the process of integrating the operations of all its acquired businesses and expects to incur costs relating to such integrations. These costs may result from integrating operating systems, relocating employees, closing facilities, reducing duplicative efforts and exiting and consolidating other activities. These costs will be recorded on the Company's Consolidated Balance Sheets as adjustments to the purchase price or on the Company's Consolidated Statements of Income as expenses, as appropriate.

2003 ACQUISITIONS

FFD Development Company, LLC. On February 3, 2003, the Company acquired all of the common interests of FFD Development Company, LLC ("FFD") from an independent business trust for approximately $27 million in cash. As part of this acquisition, the Company also assumed approximately $58 million of debt, which was subsequently repaid. The allocation of the purchase price resulted in goodwill of approximately $16 million, none of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Hospitality Services segment. FFD was formed prior to the Company's April 2001 acquisition of Fairfield Resorts, Inc. ("Fairfield") and is the primary developer of timeshare inventory for Fairfield. See Note 28—Related Party Transactions for more information regarding the Company's relationship with FFD prior to the acquisition.

Trip Network, Inc. On March 31, 2003, the Company acquired a majority interest in Trip Network, Inc. ("Trip Network") through the conversion of its preferred stock investment and, on April 1,

2003, the Company acquired all of the remaining common stock for $4 million in cash. To determine the goodwill to be recorded in connection with this acquisition, the Company's basis in Trip Network was adjusted for $2 million of transaction-related expenses, its $17 million preferred stock investment and its $33 million deferred tax asset related to the initial funding of Trip Network. Accordingly, the Company's total basis in Trip Network was $56 million. Together with $21 million of historical value of liabilities assumed in excess of assets acquired and insignificant fair value adjustments, the Company recorded $73 million of goodwill, none of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Travel Distribution Services segment. Trip Network is an online travel agent. See Note 28—Related Party Transactions for more information regarding the Company's relationship with Trip Network prior to the acquisition.

Other. During 2003, the Company also acquired 19 real estate brokerage operations through its wholly-owned subsidiary, NRT Incorporated, for approximately $109 million. The acquisition of real estate brokerages by NRT is a core part of its growth strategy. The Company also acquired 16 other non-significant businesses during 2003 for aggregate consideration of approximately $33 million in cash. The goodwill resulting from the preliminary allocations of the purchase prices of these acquisitions aggregated $126 million and was allocated as follows:

	Amount
Real Estate Services	$ 98
Travel Distribution Services	16
Vehicle Services	8
Financial Services	4

$	126

These acquisitions were not significant to the Company's results of operations, financial position or cash flows on a pro forma basis individually or in the aggregate.

2002 ACQUISITIONS

NRT Incorporated. On April 17, 2002, the Company acquired all of the outstanding common stock of NRT Incorporated ("NRT"), the largest residential real estate brokerage firm in the United States, for $230 million. The acquisition consideration was funded through an exchange of 11.5 million shares of CD common stock then-valued 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. The acquisition of NRT resulted in goodwill of $1.6 billion, of which $160 million is expected to be deductible for tax purposes. Such goodwill was assigned to the Company's Real Estate Services segment.

Trendwest Resorts, Inc. On April 30, 2002, the Company acquired approximately 90% of the outstanding common stock of Trendwest Resorts, Inc. ("Trendwest") for $849 million, approximately $804 million of which was in CD common stock (approximately 42.6 million shares). As part of the acquisition, the Company assumed $89 million of Trendwest debt, of which $78 million was subsequently repaid. The Company purchased the remaining 10% of the outstanding Trendwest shares in a merger on June 3, 2002 for approximately 4.8 million shares of CD common stock aggregating $87 million. The minority interest 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. The acquisition of Trendwest resulted in goodwill of $687 million, none of which is expected to be deductible for tax purposes. Such goodwill was assigned to the Company's Hospitality Services segment.

Budget Group, Inc. On November 22, 2002, the Company acquired substantially all of the domestic assets of the vehicle rental business of Budget Group, Inc. ("Budget"), as well as selected international operations, for approximately $109 million in cash plus $44 million of transaction costs and expenses. As part of the acquisition, the Company also assumed approximately $2.4 billion of Budget's asset-backed vehicle related debt, which the Company subsequently repaid. Management believes that Budget is a complementary fit with its other leisure services through its hotel, timeshare and travel distribution companies. The acquisition of Budget resulted in goodwill of $439 million, of which approximately $355 million is expected to be deductible for tax purposes. Such goodwill was assigned to the Company's Vehicle Services segment.

Other. Subsequent to the Company's acquisition of NRT on April 17, 2002, NRT acquired 20 other residential real estate brokerage operations for approximately $399 million, including Arvida Realty Services for approximately $160 million and The DeWolfe Companies for approximately $146 million. The acquisition of real estate brokerages by NRT is a core part of its growth strategy. The Company also acquired 17 other non-significant businesses during 2002 for aggregate consideration of approximately $582 million in cash, including (i) Equivest Finance, Inc., a timeshare developer, for approximately $98 million; (ii) three European distribution partners of our Galileo subsidiary for approximately $125 million; (iii) Novasol AS, a marketer of privately owned vacation properties in Europe, for approximately $66 million and (iv) 12 other businesses for approximately $256 million primarily within the Hospitality and Travel Distribution segments. None of these acquisitions were significant to the Company's results of operations or financial position individually or in the aggregate. The goodwill resulting from the preliminary allocations of the purchase prices of these acquisitions aggregated $732 million and was allocated as follows:

	Amount
Real Estate Services	$ 241
Hospitality Services	257
Travel Distribution Services	157
Vehicle Services	13
Financial Services	64
	$ 732

2001 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 in cash (including transaction costs and expenses of $40 million and approximately $17 million related to the conversion of Avis employee stock options into CD common stock options). The Company recorded goodwill of approximately $1.9 billion on its Consolidated Balance Sheets (within the Vehicle Services segment) resulting from this acquisition.

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 transaction costs and expenses and approximately $32 million related to the conversion of Galileo employee stock options into CD common stock options). 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, substantially all of which has been repaid. The Company

recorded goodwill of approximately $2.0 billion on its Consolidated Balance Sheets (within the Travel Distribution Services segment) resulting from this acquisition.

Other. During 2001, the Company also completed 16 other acquisitions for aggregate consideration of approximately $1.3 billion in cash, including (i) Fairfield Resorts, Inc. (formerly Fairfield Communities, Inc.), one of the largest vacation ownership companies in the United States, for approximately $760 million; (ii) Cheap Tickets, Inc., a leading provider of discount leisure travel products, for approximately $313 million (net of cash acquired of approximately $286 million) and (iii) 14 other businesses primarily within the Company's Hospitality Services and Real Estate Services segments. These acquisitions were not significant to the Company's results of operations, financial position or cash flows.

The goodwill resulting from these acquisitions aggregated $1.1 billion and was allocated as follows:

	Amount
Real Estate Services	$ 15
Hospitality Services	670
Travel Distribution Services	411
Vehicle Services	13
	$ 1,109

UTILIZATION OF PURCHASE ACCOUNTING LIABILITIES FOR EXITING ACTIVITIES

In connection with the acquisitions of the following businesses, the Company established purchase accounting liabilities in prior periods for costs associated with exiting activities that are currently in progress. The recognition of such costs and the corresponding utilization are summarized by category as follows:

Budget Group, Inc.

	Personnel Related	Contract Termination	Facility Related	Total
Costs and balance at December 31, 2002	$ 35	$ 6	$ 7	$ 48
Cash payments	(28)	—	(4)	(32)
Additions	6	—	14	20
Balance at December 31, 2003	$ 13	$ 6	$ 17	$ 36

The principal cost reduction opportunity expected to result from these exit activities is the relocation of the corporate headquarters of Budget. In connection with this initiative, the Company is relocating selected Budget employees, involuntarily terminating other Budget employees and abandoning certain facilities primarily related to reservation processing and administrative functions. As a result, the Company incurred severance and other personnel costs related to the involuntary termination or relocation of employees, as well as facility related costs primarily representing future lease payments for abandoned facilities. The adjustments recorded during 2003 represent the finalization of estimates made at the time of acquisition. The Company formally communicated the termination of employment to approximately 1,800 employees, representing a wide range of employee groups and as of December 31, 2003, the Company had terminated approximately 1,000 of these employees. The Company anticipates that the majority of the remaining personnel related costs will be paid during 2004 and that the majority of the remaining facility related costs will be paid through 2007. The Company expects to terminate a contractual service agreement upon the integration of one of

Budget's systems and pay the termination fee in April 2004. The Company expects to complete the execution of this plan in the second quarter of 2004.

Galileo International, Inc.

	Personnel Related	Asset Fair Value Adjustments & Contract Terminations	Facility Related	Total
Costs	$ 44	$ 93	$ 16	$ 153
Cash payments	(26)	(10)	—	(36)
Reductions/utilization	—	(46)	—	(46)
Balance at December 31, 2001	18	37	16	71
Cash payments	(36)	(15)	(2)	(53)
Additions/(reductions/utilization)	33	(10)	8	31
Balance at December 31, 2002	15	12	22	49
Cash payments	(9)	(6)	(7)	(22)
Additions/(reductions/utilization)	(5)	(6)	1	(10)
Balance at December 31, 2003	$ 1	$ —	$ 16	$ 17

The above charges were incurred in connection with (i) rightsizing the core business functions of Galileo International, Inc. ("Galileo") and relocating the corporate and other offices (including 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, various 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. Consistent with the original integration plan to streamline Galileo's worldwide operations and due to the extent and breadth of these global efforts, the full evaluation of exiting activities was not complete until third quarter 2002. The Company formally communicated the termination of employment to approximately 880 employees, representing a wide range of employee groups, and as of December 31, 2002, the Company had terminated all such employees. The majority of the remaining personnel related costs were paid during 2003 and the majority of the remaining facility related costs will be paid through 2008.

Avis Group Holdings, Inc.

	Personnel Related	Asset Fair Value Adjustments	Facility Related	Total
Costs	$ 39	$ 19	$ 7	$ 65
Cash payments	(22)	—	—	(22)
Reductions/utilization	—	(19)	—	(19)
Balance at December 31, 2001	17	—	7	24
Cash payments	(20)	—	(2)	(22)
Other additions	8	—	—	8
Balance at December 31, 2002	5	—	5	10
Cash payments	(3)	—	(3)	(6)
Balance at December 31, 2003	$ 2	$ —	$ 2	$ 4

These exiting activities were formally committed to by the Company's management in connection with 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. The Company closed the Avis Corporate headquarters, relocated Avis employees, abandoned assets and involuntarily terminated Avis employees in connection with such relocation. The Company formally communicated the termination of employment to approximately 550 employees, representing a wide range of employee groups, and as of December 31, 2002, the Company had terminated all such employees.

ACQUISITION AND INTEGRATION RELATED COSTS

Amortization of Pendings and Listings. During 2003 and 2002, the Company amortized $20 million and $256 million of its contractual pendings and listings intangible assets acquired in connection with the acquisitions of NRT, Trendwest and other real estate brokerages. Of these amounts, approximately $17 million and $235 million, respectively, related to the acquisitions of NRT and its subsequent acquisitions of real estate brokerage businesses, while $3 million and $21 million, respectively, related to the acquisition of Trendwest. The Company segregated the pendings and listings amortization to enhance the comparability of its results of operations since these intangible assets are amortized over such a short period of time (generally five months).

Other. During 2003, 2002 and 2001, the Company incurred other acquisition and integration related costs of $34 million, $29 million and $112 million, respectively. The 2003 amount primarily related to the integration of Budget's information technology systems into the Company's platform and revisions to the Company's original estimate of costs to exit a facility in connection with the outsourcing of its data operations. The 2002 amount primarily related to the acquisition and integration of NRT. The 2001 charges primarily represented (i) $78 million of costs incurred 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 and (ii) $23 million of costs incurred in connection with the integration of the Company's existing travel agency businesses with Galileo's computerized reservations system.

PRO FORMA RESULTS OF OPERATIONS

Net revenues, income from continuing operations, net income and the related per share data would have been as follows had the acquisitions of NRT and Trendwest occurred on January 1st of each period presented and the acquisitions of Avis and Galileo occurred on January 1, 2001:

	(Unaudited) Year Ended December 31,	
	2002	2001
Net revenues	$ 15,039	$ 13,760
Income from continuing operations	1,033	416
Net income	798	451
CD common stock pro forma earnings per share:		
Basic		
Income from continuing operations	$ 1.00	$ 0.38
Net income	0.77	0.42

Diluted		
Income from continuing operations	$ 0.97	$ 0.37
Net income	0.75	0.41

These pro forma results do not give effect to any synergies expected to result from the acquisitions of NRT, Trendwest, Avis and Galileo. Additionally, the amortization of the pendings and listings intangible asset is reflected in the above pro forma results for each period presented ($221 million in both 2002 and 2001) since the acquisitions of NRT and Trendwest were assumed to have occurred on January 1st of each period. In actuality, due to the short-term amortization period of the pendings and listings intangible asset, the amortization of this asset would only impact one of the periods presented. Accordingly, these pro forma results 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.

5. Intangible Assets

Intangible assets consisted of:

	As of December 31, 2003			As of December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets						
Franchise agreements [a]	$ 1,157	$ 339	$ 818	$ 1,151	$ 301	$ 850
Customer lists [b]	550	152	398	544	116	428
Pendings and listings [c]	22	17	5	267	256	11
Other [d]	105	42	63	99	34	65
	$ 1,834	$ 550	$ 1,284	$ 2,061	$ 707	$ 1,354
Unamortized Intangible Assets						
Goodwill	$ 11,119			$ 10,699		
Trademarks [e]	$ 1,084			$ 1,076		
Other [f]	34			34		
	$ 1,118			$ 1,110		

(a) Generally amortized over a period ranging from 20 to 40 years.
(b) Generally amortized over a period ranging from 3 to 25 years.
(c) Generally amortized over 5 months (the closing period of the underlying contracts). The reduction from 2002 in the gross balance represents the write-off of fully amortized contracts that have been closed.
(d) Generally amortized over a period ranging from 6 to 30 years.
(e) Comprised of various tradenames (including the Avis, Budget, Galileo and Jackson Hewitt tradenames) that the Company has acquired and which distinguish the Company's consumer services as market leaders. These tradenames are expected to generate future cash flows for an indefinite period of time.
(f) Represents indefinite-lived vendor relationships and an indefinite-lived management agreement with automatic one-year renewals.

The changes in the carrying amount of goodwill are as follows:

	Balance at January 1, 2003	Goodwill Acquired during 2003	Adjustments to Goodwill Acquired during 2002	Foreign Exchange and Other	Balance at December 31, 2003
Real Estate Services	$ 2,658	$ 98 [a]	$ 19 [f]	$ 1	$ 2,776
Hospitality Services	2,386	16 [b]	12 [g]	100 [f]	2,514
Travel Distribution Services	2,463	89 [c]	10 [h]	(7) [j]	2,555
Vehicle Services	2,576	8 [d]	6 [i]	63 [f]	2,653
Financial Services	616	4 [e]	—	1	621
Total Company	$ 10,699	$ 215	$ 47	$ 158	$ 11,119

(a) Primarily relates to the acquisitions of real estate brokerages by NRT.
(b) Relates to the acquisition of FFD.
(c) Primarily relates to the acquisition of Trip Network.
(d) Primarily relates to the acquisition of Budget licensees (May 2003 and forward).
(e) Relates to the acquisition of a loyalty business in South Africa (August 2003) and the acquisitions of tax preparation businesses (September 2003 and forward).
(f) Primarily relates to settlements of the ultimate tax bases of acquired assets with the respective tax authorities.
(g) Primarily relates to the acquisition of Equivest (February 2002).
(h) Primarily relates to the acquisition of distribution partners by the Company's Galileo subsidiary (June 2002 and forward).
(i) Relates to the acquisition of Budget.
(j) Primarily represents adjustments to reduce exit activity accruals relating to the Galileo acquisition.

Amortization expense relating to all intangible assets, excluding mortgage servicing rights (see Note 6—Mortgage Activities), was as follows:

	Year Ended December 31,		
	2003	2002	2001
Goodwill[a]	$ —	$ —	$ 184
Trademarks[b]	—	—	15
Franchise agreements[b]	38	43	53
Customer lists[b]	36	38	24
Pendings and listings[c]	20	256	—
Other[b]	10	14	10
Total	$ 104	$ 351	$ 286

(a) The 2001 amount includes $135 million of goodwill amortization expense (which is included as a component of non-program related depreciation and amortization expense on the Company's Consolidated Statement of Income) and $66 million of amortization related to the difference between the value of the Company's investment in Homestore and the underlying equity in the net assets of Homestore (which is included as a component of losses related to equity in Homestore, net of tax on the Company's Consolidated Statement of Income). Such amounts were partially offset by the recognition of $17 million of a deferred gain recorded in connection with the Company's sale of its Internet real estate portal to Homestore, which is also included within the losses related to equity in Homestore, net of tax, on the Company's Consolidated Statement of Income. See Note 26—Dispositions of Businesses for more information regarding the Homestore amounts.

(b) Included as a component of non-program related depreciation and amortization on the Company's Consolidated Statements of Income.

(c) Included as a component of acquisition and integration related costs on the Company's Consolidated Statements of Income.

Based on the Company's amortizable intangible assets (excluding mortgage servicing rights) as of December 31, 2003, the Company expects related amortization expense for the five succeeding fiscal years to approximate $80 million in each of 2004, 2005, 2006 and 2007 and $50 million in 2008.

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

	Year Ended December 31, 2001
Reported net income	$ 385
Add back: Goodwill amortization, net of tax	145
Add back: Trademark amortization, net of tax	9
Pro forma net income	$ 539
Net income per share:	
Basic	
Reported net income	$ 0.42
Add back: Goodwill amortization, net of tax	0.17
Add back: Trademark amortization, net of tax	0.01
Pro forma net income	$ 0.60
Diluted	
Reported net income	$ 0.41
Add back: Goodwill amortization, net of tax	0.16
Add back: Trademark amortization, net of tax	0.01
Pro forma net income	$ 0.58

6. Mortgage Activities

The activity in the Company's residential mortgage loan servicing portfolio consisted of:

	2003	2002	2001
Balance, January 1	$ 114,079	$ 97,205	$ 82,187
Additions	63,870	47,045	30,317
Payoffs/curtailments	(54,079)	(35,514)	(23,973)
Purchases, net	12,557	5,343	8,674
Balance, December 31,[*]	$ 136,427	$ 114,079	$ 97,205

(*) Does not include approximately $2.2 billion, $1.8 billion and $1.6 billion of home equity mortgages serviced by the Company as of December 31, 2003, 2002 and 2001, respectively. The weighted average note rate on all the underlying mortgages within this servicing portfolio was 5.4%, 6.2% and 6.9% as of December 31, 2003, 2002 and 2001, respectively.

Approximately $5.4 billion (approximately 4%) of loans within this servicing portfolio as of December 31, 2003 were sold with recourse. The majority of the loans sold with recourse (approximately $5.0 billion of the $5.4 billion) represent sales under a program where the Company retains the credit risk for a limited period of time and only for a specific default event. The retained credit risk represents the unpaid principal balance of the mortgage loans. For these loans, the Company accrues a provision (equal to the fair value of the recourse obligation) for estimated losses. As of December 31, 2003, the provision approximated $9 million. There was no significant activity during 2003 that caused the Company to utilize this provision.

The activity in the Company's capitalized MSR asset consisted of:

	2003	2002	2001
Balance, January 1,	$ 1,883	$ 2,081	$ 1,596
Additions, net	1,008	928	855
Changes in fair value	168	(540)	(103)
Amortization	(700)	(468)	(237)
Sales/deletions	(29)	(26)	(30)
Permanent impairment	(315)	(92)	—
Balance, December 31,	2,015	1,883	2,081
Valuation allowance			
Balance, January 1,	(503)	(144)	—
Additions	(193)[a]	(454)[b]	(144)[c]
Reductions	7	3	—
Permanent impairment	315	92	—
Balance, December 31,	(374)	(503)	(144)
Mortgage Servicing Rights, net	$ 1,641	$ 1,380	$ 1,937

(a) Represents changes in estimates of interest rates and borrower prepayment behavior, the after tax amount of which was $115 million and the diluted effect of which was $0.11 per share.

(b) Represents changes in estimates of interest rates and borrower prepayment behavior, the after tax amount of which was $290 million and the diluted effect of which was $0.28 per share. Approximately $275 million ($175 million, after tax or $0.17 per diluted share) of this amount resulted from reductions in interest rates and an acceleration in loan prepayments, as well as an update to the Company's loan prepayment model, all of which occurred during third quarter 2002.

(c) Approximately $50 million ($29 million, after tax or $0.03 per diluted share) of this amount relates to changes in estimates of interest rates in the ordinary course of business. The remaining $94 million ($55 million, after tax, or $0.06 per diluted share) represents changes in estimates caused by interest rate reductions subsequent to the September 11, 2001 terrorist attacks. The Company segregated the $94 million provision for impairment, which was recorded during fourth quarter 2001, on its Consolidated Statement of Income as it deemed the unprecedented interest rate reductions that gave rise to the provision not to be in the ordinary course of business. Subsequent to the September 11, 2001 terrorist attacks, 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 then 30-year low during fourth quarter 2001, according to the Freddie Mac Home Loan Index. Such reductions resulted in increases to the forecasted loan prepayment speeds, which negatively impacted the carrying value of the Company's MSR asset, hence requiring a $94 million provision for the impairment of the MSR asset.

The Company uses derivatives to mitigate the impact that accelerated prepayments would have on the fair value of its MSR asset. Such derivatives, which are primarily designated as fair value hedging instruments, tend to increase in value as interest rates decline and conversely decline in value as interest rates increase. The net activity in the Company's derivatives related to mortgage servicing rights consisted of:

	2003	2002	2001
Net balance, January 1,[a]	$ 385	$ 100	$ 215
Additions, net	402	389	259
Changes in fair value	(5)	655	106
Sales/proceeds received	(697)	(759)	(480)
Net balance, December 31,[b]	$ 85	$ 385	$ 100

(a) The balance at January 1, 2001 includes $158 million of gains on derivatives, which were recorded as a cumulative effect of accounting change in accordance with the adoption of SFAS No. 133.

(b) At December 31, 2003, the net balance represents the gross asset of $316 million net of the gross liability of $231 million.

The net impact to the Company's Consolidated Statements of Income resulting from changes in the fair value of the Company's MSR asset, after giving effect to hedging and other derivative activity, was as follows:

	Year Ended December 31,		
	2003	2002	2001
Adjustment of MSR asset under hedge accounting	$ 168	$ (540)	$ (103)
Net gain (loss) on derivatives related to MSR asset	(5)	655	106

Net gain	163	115	3
Provision for impairment of MSR asset	(193)	(454)	(144)
Net impact	$ (30)	$ (339)	$ (141)

Based upon the composition of the portfolio as of December 31, 2003 (and other assumptions regarding interest rates and prepayment speeds), the Company expects MSR amortization expense for the five succeeding fiscal years to approximate $260 million, $230 million, $200 million, $180 million and $160 million, respectively. As of December 31, 2003, the MSR portfolio had a weighted average life of approximately 5.7 years.

7. Franchising and Marketing/Reservation Activities

Franchising revenues are comprised of the following:

	Year Ended December 31,		
	2003	2002	2001
Real estate brokerage offices(*)	$ 394	$ 412	$ 523
Lodging properties	198	204	200
Vehicle rental locations	41	18	26
Tax preparation offices	50	42	38
Total	$ 683	$ 676	$ 787

(*) The 2003 and 2002 amounts exclude $303 million and $211 million, respectively, of royalties primarily paid by NRT to the Company's real estate franchise business, which were eliminated in consolidation. The 2003, 2002 and 2001 amounts are net of annual rebates to the Company's real estate brokers of $80 million, $59 million and $55 million, respectively. The Company's real estate franchisees may receive rebates on their royalty payments. Such rebates are based upon the amount of commission income earned during a calendar year. Each brand has several rebate schedules currently in effect.

Such franchising revenues included initial franchise fees as follows:

	Year Ended December 31,		
	2003	2002	2001
Real estate brokerage offices	$ 9	$ 8	$ 11
Lodging properties	7	5	12
Tax preparation offices	6	6	6
Total	$ 22	$ 19	$ 29

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

	As of December 31,		
	2003	2002	2001
Company-owned			
Real estate brokerage offices(a)	956	950	—
Vehicle rental locations			
Avis brand	982	964	867
Budget brand(b)	859	729	—
Tax preparation offices(c)	655	520	—
Franchised			
Real estate brokerage offices	11,784	11,716	12,361
Lodging properties	6,402	6,513	6,624
Vehicle rental locations			
Avis brand	820	814	847
Budget brand	1,496	1,417	—
Tax preparation offices	4,290	3,677	4,013

(a) Acquired by the Company in connection with its acquisition of NRT on April 17, 2002.
(b) Acquired by the Company in connection with its acquisition on November 22, 2002.
(c) Acquired by the Company in connection with its acquisition of Tax Services of America on January 18, 2002 (previously franchised by the Company).

The Company also receives marketing and reservation fees primarily from its lodging franchisees and marketing fees from its 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 $227 million, $220 million and $222 million during 2003, 2002 and 2001, respectively, and were included within service fees and membership revenues on the Consolidated Statements of Income. 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, in the case of lodging and car rental franchisees, the operation of a centralized brand-specific reservation system for the respective franchisees. Such fees are controlled by the Company until disbursement.

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

8. Vehicle Rental and Leasing Activities

The components of the Company's vehicle-related assets under management and mortgage programs are comprised of the following:

	As of December 31,			
	2003		2002	
	Rental	Leasing	Rental	Leasing
Rental vehicles	$ 6,177	$ —	$ 6,216	$ —
Vehicles under open-end operating leases	—	5,474	—	4,991
Vehicles under closed-end operating leases	—	158	—	172
Vehicles held for rental/leasing	6,177	5,632	6,216	5,163
Vehicles held for sale	58	13	145	34
	6,235	5,645	6,361	5,197
Less: accumulated depreciation	(525)	(2,323)	(395)	(1,736)
Total investment in vehicles	5,710	3,322	5,966	3,461
Plus: Investment in AESOP Funding II LLC (*)	361	—	—	—
Plus: Receivables under direct financing leases	—	82	—	82
Plus: Fuel card related receivables	—	282	—	230
Plus: Receivables from manufacturers	386	—	313	—
Total vehicle-related, net	$ 6,457	$ 3,686	$ 6,279	$ 3,773

(*) Represents the equity issued by AESOP Funding to the Company. See Note 16—Debt Under Management and Mortgage Programs for more information.

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

	Year Ended December 31,					
	2003		2002		2001	
	Rental	Leasing	Rental	Leasing	Rental	Leasing
Depreciation expense	$ 942	$ 1,089	$ 673	$ 1,069	$ 524	$ 879
Interest expense, net(*)	265	87	211	106	187	145
Lease charges	54	—	30	—	27	—
Loss on sales of vehicles, net	50	—	5	—	27	—
	$ 1,311	$ 1,176	$ 919	$ 1,175	$ 765	$ 1,024

(*) Vehicle rental amounts are net of vehicle interest income of $5 million, $4 million and $3 million during 2003, 2002 and 2001, respectively. Fleet leasing amounts are net of vehicle interest income of $4 million, $4 million and $8 million during 2003, 2002 and 2001, respectively.

At December 31, 2003, future minimum lease payments to be received on the Company's open-end and closed-end operating leases (which do not reflect interest to be received as such interest is based upon variable rates) are as follows:

Year	Amount
2004	$ 1,166
2005	975

2006	651
2007	315
2008	107
Thereafter	108
	$ 3,322

The Company sells interests in operating leases and the underlying vehicles to two independent Canadian third parties. The Company repurchases the leased vehicles and then 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 amount, which is typically 7.5% of the total lease payments. The total subordinated interest under these leasing arrangements, as recorded on the Consolidated Balance Sheets at December 31, 2003 and 2002, were $27 million and $22 million, respectively. The Company recognized $6 million, $6 million and $7 million of net revenues related to these securitizations during 2003, 2002 and 2001, respectively.

9. Litigation and Related Costs

During 2003, 2002 and 2001, the Company recorded charges of $28 million, $145 million and $100 million, respectively, for litigation and related costs incurred in connection with settlements or investigations relating to the 1998 discovery of accounting irregularities in the former business units of CUC International, Inc. ("CUC"). The 2003 charges were partially offset by a credit of $17 million primarily related to proceeds received from insurance recoveries. The 2002 charges were partially offset by a credit of $42 million related to a recovery under the Company's directors' and officers' liability insurance policy in connection with derivative actions arising from former CUC related litigation. The 2001 charges were partially offset by a non-cash credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded by the Company in 1998. Such adjustment represented a reduction in the number of Rights to be issued in connection with the settlement where the Company agreed 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.

10. Restructuring and Other Unusual Charges

2001 Restructuring Charge. As a result of changes in business and consumer behavior following the September 11, 2001 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 included call center operations, field locations for car rental operations and back

office support functions. To achieve these reductions, the Company redirected call traffic, consolidated processes, reduced staffing levels and closed offices. Accordingly, during 2001, the Company incurred restructuring charges of $110 million, of which $21 million were non-cash.

The initial recognition of the charge and the corresponding utilization from inception are summarized by category as follows:

	Personnel Related	Asset Impairments & Contract Terminations	Facility Related	Total
Costs	$ 68	$ 17	$ 25	$ 110
Cash payments	(11)	(3)	(1)	(15)
Reductions/utilization	(5)	(10)	—	(15)
Balance at December 31, 2001	52	4	24	80
Cash payments	(33)	—	(9)	(42)
Reductions/utilization	(11)	(3)	(6)	(20)
Balance at December 31, 2002	8	1	9	18
Cash payments	(3)	(1)	(5)	(9)
Reductions/utilization	(4)	—	(2)	(6)
Balance at December 31, 2003	$ 1	$ —	$ 2	$ 3

The personnel related costs primarily included severance resulting from the rightsizing of certain businesses and corporate functions. The Company formally communicated the termination of employment to approximately 3,000 employees, representing a wide range of employee groups, and as of December 31, 2002, the Company had terminated all of these employees. All other costs were incurred primarily in connection with facility closures and lease obligations resulting from the consolidation of business operations. The majority of these costs were recorded within the Company's Hospitality Services ($40 million), Real Estate Services ($30 million) and Corporate and Other ($22 million) segments. During 2002, such liability was reduced by $14 million as a result of changes in the original estimate of costs to be incurred ($6 million, $1 million and $7 million of credits were recorded within Real Estate Services, Vehicle Services and Corporate and Other, respectively). During 2003, such liability was further reduced by $6 million as a result of changes in the original estimate of costs to be incurred ($4 million and $2 million of credits were recorded within Corporate and Other and Real Estate Services, respectively). All of these initiatives were completed as of December 31, 2002.

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 28—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 11, 2001 terrorist attacks as a result of anticipated reductions 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 reductions in the volume of business in its rental car, travel distribution and timeshare businesses resulting from the September 11, 2001 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, 2003, was comprised of seven persons, all of whom are employees of the Company. 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 was governed by trustees, none of whom were employees or affiliates of the Company. After giving effect to the $95 million contribution discussed above, the Company had made cumulative contributions totaling $120 million to the Real Estate Technology Trust as of December 31, 2003, 2002 and 2001, but had no on-going requirement to fund this independent trust. As of December 31, 2003, the Real Estate Technology Trust was dissolved pursuant to the original trust agreement.

11. Income Taxes

The income tax provision consists of the following:

	Year Ended December 31,		
	2003	2002	2001
Current			
Federal	$ 199	$ (37)	$ 48
State	34	18	21
Foreign	59	53	43
	292	34	112
Deferred			
Federal	399	474	113
State	45	36	(5)
Foreign	9	—	—
	453	510	108
Provision for income taxes	$ 745	$ 544	$ 220

Pre-tax income for domestic and foreign operations consists of the following:

	Year Ended December 31,		
	2003	2002	2001
Domestic	$ 1,810	$ 1,234	$ 529
Foreign	421	383	134
Pre-tax income	$ 2,231	$ 1,617	$ 663

Current and non-current deferred income tax assets and liabilities are comprised of the following:

	As of December 31,	
	2003	2002
Current deferred income tax assets:		
Litigation settlement and related liabilities	$ 42	$ 18
Accrued liabilities and deferred income	416	280
Provision for doubtful accounts	85	73
Acquisition and integration-related liabilities	17	44

Other	—	20
Current deferred income tax assets	560	435
Current deferred income tax liabilities:		
Insurance retention refund	20	20
Franchise acquisition costs	14	21
Prepaid expenses	66	60
Other	5	—
Current deferred income tax liabilities	105	101
Current net deferred income tax asset	$ 455	$ 334
Non-current deferred income tax assets:		
Net operating loss carryforwards	$ 816	$ 1,051
State net operating loss carryforwards	287	360
Capital loss carryforward	33	103
Acquisition and integration-related liabilities	195	258
Accrued liabilities and deferred income	—	64
Other	78	—
Valuation allowance(*)	(370)	(392)
Non-current deferred income tax assets	1,039	1,444
Non-current deferred income tax liabilities:		
Depreciation and amortization	233	311
Accrued liabilities and deferred income	138	—
Other	—	18
Non-current deferred income tax liabilities	371	329
Non-current net deferred income tax asset	$ 668	$ 1,115

(*) The valuation allowance of $370 million at December 31, 2003 relates to $124 million for the net deferred tax assets associated with Trilegiant and to deferred tax assets for federal net operating loss carryforwards, state net operating loss carryforwards and capital loss carryforwards of $1 million, $231 million and $14 million, respectively. The valuation allowance will be reduced when and if the Company determines that the deferred income tax assets are more likely than not to be realized.

Deferred income tax liabilities related to management and mortgage programs are comprised of the following:

	As of December 31,	
	2003	2002
Unamortized mortgage servicing rights	$ 426	$ 392
Depreciation and amortization	625	575
Other	41	50
Deferred income tax liability under management and mortgage programs	$ 1,092	$ 1,017

As of December 31, 2003, the Company had federal net operating loss carryforwards of approximately $2.3 billion, which primarily expire in 2020 and 2022. Additionally, the Company has alternative minimum tax credit carryforwards of $128 million.

No provision has been made for U.S. federal deferred income taxes on approximately $811 million of accumulated and undistributed earnings of foreign subsidiaries at December 31, 2003 since it is the present intention of management to reinvest the undistributed earnings indefinitely in those foreign operations. 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,		
	2003	2002	2001
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	2.3	2.2	1.4
Amortization of non-deductible goodwill	—	—	4.4
Taxes on foreign operations at rates different than U.S. federal statutory rates	(3.4)	(2.9)	(0.4)
Taxes on repatriated foreign income, net of tax credits	0.6	0.4	(3.2)

Changes in valuation allowance	(4.3)	(0.3)	(2.3)
Redemption of preferred interest	2.8	—	—
Other	0.4	(0.8)	(1.7)
	33.4%	33.6%	33.2%

12. Other Current Assets

Other current assets consisted of:

	As of December 31,	
	2003	2002
Prepaid expenses	$ 473	$ 445
Timeshare inventory	150	355
Other	441	308
	$ 1,064	$ 1,108

13. Property and Equipment, net

Property and equipment, net consisted of:

	As of December 31,	
	2003	2002
Land	$ 85	$ 97
Building and leasehold improvements	644	600
Capitalized software	703	485
Furniture, fixtures and equipment	1,761	1,600
	3,193	2,782
Less: accumulated depreciation and amortization	(1,390)	(1,002)
	$ 1,803	$ 1,780

14. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	As of December 31,	
	2003	2002
Accounts payable	$ 1,166	$ 1,139
Accrued payroll and related	676	619
Acquisition and integration-related	334	470
Income taxes payable	588	195
Other	1,924	1,864
	$ 4,688	$ 4,287

15. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

		As of December 31,	
	Maturity Date	2003	2002
Term notes:			
7 3/4% notes	December 2003	$ —	$ 966
6 7/8% notes	August 2006	849	849
6 1/4% notes	January 2008	797	—
11% senior subordinated notes	May 2009	333	530
6 1/4% notes	March 2010	348	—

$7^3/_8$% notes	January 2013	1,190	—
$7^1/_8$% notes	March 2015	250	—
Contingently convertible debt securities:			
Zero coupon senior convertible contingent notes	February 2004 (*)	430	420
Zero coupon convertible debentures	May 2004 (*)	7	857
$3^7/_8$% convertible senior debentures	November 2004 (*)	804	1,200
Other:			
Revolver borrowings	December 2005	—	600
Net hedging gains (a)		31	89
Other		100	90
Total long-term debt, excluding Upper DECS		5,139	5,601
Less: current portion (b)		1,629	30
Long-term debt, excluding Upper DECS		3,510	5,571
Upper DECS		863	863
Long-term debt, including Upper DECS		$ 4,373	$ 6,434

(*) Indicates earliest mandatory redemption date.

(a) As of December 31, 2003, the balance represents $201 million of realized gains resulting from the termination of fair value interest rate hedges, which will be amortized by the Company to reduce future interest expense. Such gains are partially offset by $170 million of mark-to-market adjustments on new fair value interest rate hedges. As of December 31, 2002, the balance represents $51 million of realized gains resulting from the termination of fair value interest rate hedges and $38 million of mark-to-market adjustments on new fair value interest rate hedges. See Note 25—Financial Instruments.

(b) The balance as of December 31, 2003 includes the $333 million 11% notes, the $430 million zero coupon senior convertible contingent notes, the $7 million zero coupon convertible debentures and the $804 million $3^7/_8$% convertible senior debentures. The balance at December 31, 2002 reflects the reclassification of $857 million of the Company's zero coupon convertible debentures and $966 million of its $7^3/_4$% notes to long-term debt as the Company determined that it had the intent and ability to refinance these current maturities of debt to long-term debt with borrowings under its revolving credit facilities (see below for capacity and availability terms) and proceeds received from its issuance of $2.0 billion of notes on January 15, 2003.

TERM NOTES

$7^3/_4$% Notes

The Company's $7^3/_4$% notes matured in December 2003. Prior to maturity, the Company redeemed $737 million of these notes for $771 million in cash, which resulted in a pre-tax charge of $22 million recorded during 2003. The Company paid the remaining $229 million at maturity in December 2003.

$6^7/_8$% Notes

The Company's $6^7/_8$% notes, with a face value of $850 million, were issued in August 2001 for net proceeds of $843 million. 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. The Company does not have the right to redeem these notes prior to maturity. These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

$6^1/_4$% Notes

The Company's $6^1/_4$% notes (with face values of $800 million and $350 million) were issued in January and March 2003 for aggregate net proceeds of $1,137 million. The notes are redeemable at the Company's option at any time, in whole or in part, at the appropriate redemption prices plus accrued interest through the redemption date. 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

The Company's 11% senior subordinated notes, which were assumed in connection with its 2001 acquisition of Avis and recorded at fair value, are due in May 2009. The notes are redeemable at the Company's option at the appropriate redemption prices plus accrued interest through the redemption date at any time, in whole or in part, after May 1, 2004. During 2003, the Company made open market repurchases of $163 million in face value of these notes, with a carrying value of $180 million, for $182 million in cash and recorded $17 million related to the amortization of a premium. In connection with such redemption, the Company recorded a pre-tax charge of approximately $2 million. The Company intends to redeem the remaining notes in May 2004; accordingly, the entire balance is included in the current portion of long-term debt on the Company's Consolidated Balance Sheet at December 31, 2003. 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.

$7^3/_8$% Notes

The Company's $7^3/_8$% notes, with a face value of $1.2 billion, were issued in January 2003 for net proceeds of $1,181 million. The notes are redeemable at the Company's option at any time, in whole or in part, at the appropriate redemption prices plus accrued interest through the redemption date. These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

$7^1/_8$% Notes

The Company's $7^1/_8$% notes, with a face value of $250 million, were issued in March 2003 for net proceeds of $248 million. The notes are redeemable at the Company's option at any time, in whole or in part, at the appropriate redemption prices plus accrued interest through the redemption date. These notes are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

CONTINGENTLY CONVERTIBLE DEBT SECURITIES

The Company's contingently convertible debt securities, which were all issued during 2001, comprised the following:

	Issuance Date	Earliest Redemption Date	Maturity Date	Principal Amount at Issuance	Gross Proceeds Received at Issuance	CD Common Stock Conversion Rate Per $1,000 Face
Zero coupon senior convertible contingent notes	Feb. 2001	Feb. 2004	Feb. 2021	$ 1.5 billion	$ 0.9 billion	33.40
Zero coupon convertible debentures	May 2001	May 2004	May 2021	$ 1.0 billion	$ 1.0 billion	39.08
3 7/8% convertible senior debentures	Nov. 2001	Nov. 2004	Nov. 2011	$ 1.2 billion	$ 1.2 billion	41.58

The above debt securities may be converted into shares of the Company's CD common stock upon the satisfaction of certain contingencies, as described below. If these securities become convertible, it could have a material impact to the Company's total number of shares outstanding and to the number of shares utilized in performing its earnings per share calculations.

The number of shares of common stock potentially issuable for each of the Company's contingently convertible debt securities is detailed below (in millions):

	As of December 31,	
	2003	2002
Zero coupon senior convertible contingent notes	22.0	22.0
Zero coupon convertible debentures	0.3	33.5
3 7/8% convertible senior debentures	33.4	49.9
	55.7	105.4

Zero Coupon Senior Convertible Contingent Notes
These notes may be converted prior to maturity (i) during each three-month period if the closing sale price of CD common stock exceeds the contingent-conversion threshold, which is 110% of the accreted conversion price per share ($21.45 as of December 31, 2003) 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. At December 31, 2003, the accreted conversion price was $19.50, which 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. The Company concluded that it was not required to separately account for the conversion feature as an embedded derivative. These notes were issued at a discount representing a yield-to-maturity of 2.5%. During 2003, 2002 and 2001, the Company amortized $10 million, $17 million and $20 million, respectively, of this discount, which is included as a component of non-program interest expense on the Consolidated Statements of Income.

During 2002, the Company redeemed $821 million (par value) of these notes, with a carrying value of $517 million, for $548 million in cash. In connection with such redemptions, the Company recorded a pre-tax charge of approximately $41 million, which included a write-off of $10 million related to deferred financing costs. In 2004, the Company called these notes for redemption. As a result, virtually all holders elected to convert their notes into shares of CD common stock. See Note 30—Subsequent Events for more information regarding this conversion.

Zero Coupon Convertible Debentures
These debentures may be converted prior to maturity (i) during each three-month period if the closing

sale price of CD common stock exceeds the contingent-conversion threshold, which is 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 ($28.15 as of December 31, 2003); (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 ratings assigned to the debentures; or (v) in the event of certain material distributions to holders of CD common stock, excluding payments of dividends in the normal course. The Company concluded that it was not required to separately account for the conversion feature as an embedded derivative.

The debentures will not be redeemable by the Company prior to May 4, 2004, but will be redeemable thereafter at the issue price plus accrued interest, if any. During 2003, the Company redeemed $850 million of these debentures for approximately $851 million in cash. In connection with such redemption, the Company recorded a pre-tax charge of approximately $12 million. During 2002, the Company redeemed $143 million of these notes for $141 million in cash. In connection with such redemption, the Company recorded a nominal pre-tax charge, which included a write-off of $2 million related to deferred financing costs. The Company intends to redeem the remaining debentures in May 2004. These debentures are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future senior unsecured indebtedness.

3 7/8% Convertible Senior Debentures
These debentures may be converted prior to maturity (i) during each three-month period if the closing sale price of CD common stock exceeds the

contingent-conversion threshold, which is 117.76% through November 2004 and declines ratably to 110% in November 2011, of the accreted conversion price per share ($24.05) for at least 20 trading days in the period of 30 trading days ending on the first day of such three-month period ($28.32 as of December 31, 2003); (ii) if the debentures 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 Company concluded that it was not required to separately account for the conversion feature as an embedded derivative.

The debentures 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 debentures may require the Company to repurchase the debentures on November 27, 2004 and 2008 at the issue price plus accrued interest, if any. In such circumstance, the Company has the option of paying the repurchase price in cash, shares of its CD common stock, or any combination thereof. During 2003, the Company redeemed $396 million of these debentures for approximately $408 million in cash. In connection with such redemption, the Company recorded a pre-tax charge of approximately $19 million. These debentures are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future senior unsecured indebtedness.

Beginning in November 2004, the Company may be required to pay additional interest on these debentures if the average of the sales prices of 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 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. Additionally, the accreted conversion price of the debentures would increase (ratably with the accreted value of debentures) if an upward interest adjustment occurs as it is calculated as 100% of the principal amount of the debentures, 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. This upward interest adjustment is considered an embedded derivative under SFAS No. 133. The embedded derivative had a de minimis value at the time of issuance and at December 31, 2003 and 2002.

UPPER DECS

At December 31, 2003 and 2002, the Company had 17 million Upper DECS outstanding. The Upper DECS are a hybrid instrument consisting of both equity linked and debt securities. Each Upper DECS consists of both a senior note and a forward contract to purchase shares of CD common stock. The senior note is owned by the holder but is pledged to the Company as collateral for the forward purchase contracts. 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.

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 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 Sheets. Upon settlement of the forward purchase contracts in August 2004, the Company would 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, the Company would be required to repay $863 million in cash.

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.

DEBT MATURITIES

Aggregate maturities of debt (excluding the Upper DECS) based upon maturity or earliest mandatory redemption dates are as follows:

	Amount
2004[(a)]	$ 1,629
2005	22
2006[(b)]	913
2007	2
2008	805
Thereafter	1,768
	$ 5,139

(a) Includes $1,241 million of convertible debt, which may be converted into shares of the Company's common stock rather than be redeemed in cash if the price of such stock exceeds the stipulated thresholds or upon the Company's exercise of its call provisions.

(b) Excludes $863 million of Upper DECS. If the Upper DECS are not successfully remarketed in May or August 2004, the senior notes would be retired (without any payment of cash by the Company) in August 2004 in satisfaction of the related forward purchase contracts, whereby holders of the Upper DECS are required to purchase shares of common stock (based upon the price of such common stock on December 31, 2003, approximately 39 million shares would be purchased).

COMMITTED CREDIT FACILITIES AND AVAILABLE FUNDING ARRANGEMENTS

At December 31, 2003, the committed credit facilities available to the Company at the corporate level were as follows:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Maturing in December 2005	$ 2,900	$ —	$ 1,169	$ 1,731

Borrowings under this facility bear interest at LIBOR plus a margin of 107.5 basis points. In addition, the Company is required to pay a per annum facility fee of 17.5 basis points under this facility. In the event that the credit ratings assigned to the Company by nationally recognized debt rating agencies are downgraded to a level below its ratings as of December 31, 2003 but still investment grade, the interest rate and facility fees on this 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 57.5 and 17.5 basis points, respectively. In addition to the $1,169 million of letters of credit issued as of December 31, 2003, this facility contains the committed capacity to issue an additional $581 million in letters of credit. The letters of credit outstanding under this facility at December 31, 2003 were issued primarily to support the Company's vehicle rental businesses.

As of December 31, 2003, the Company also had $400 million of availability for public debt or equity issuances under a shelf registration statement.

DEBT COVENANTS

Certain of the Company's 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, 2003, the Company was in compliance with all restrictive and financial covenants.

16. Debt Under Management and Mortgage Programs and Borrowing Arrangements

Debt under management and mortgage programs (including related party debt due to AESOP Funding) consisted of:

	As of December 31, 2003	As of December 31, 2002
Asset-Backed Debt:		
Vehicle rental program		
AESOP Funding	$ 5,644	$ 4,029
Other	651	2,053
Vehicle management program	3,118	3,058
Mortgage program		
Bishop's Gate	1,651	—
Other	—	871
Timeshare program		
Sierra	774	—
Other	335	145
Relocation program		
Apple Ridge	400	—
Other	—	80
	12,573	10,236
Unsecured Debt:		
Term notes	1,916	1,421
Commercial paper	164	866
Bank loans	—	107
Other	132	117
	2,212	2,511
Total debt under management and mortgage programs	$ 14,785	$ 12,747

ASSET-BACKED DEBT

Vehicle Rental Program

AESOP Funding. AESOP Funding was established by the Company as a bankruptcy remote special purpose limited liability company that issues private placement notes and uses the proceeds from such issuances to make loans to a wholly-owned subsidiary of the Company, AESOP Leasing LP ("AESOP Leasing") on a continuing basis. AESOP Leasing uses these proceeds to acquire or finance the acquisition of vehicles used in the Company's rental car operations. Prior to December 31, 2003, both AESOP Funding and AESOP Leasing were consolidated by the Company and, as such, the intercompany transactions between these two entities were eliminated causing only the third-party debt issued by AESOP Funding and the vehicles purchased by AESOP Leasing to be presented within the Company's Consolidated Financial Statements. However, in connection with the adoption of FIN 46R, the Company determined that it was not the primary beneficiary of AESOP Funding. Accordingly, the Company deconsolidated AESOP Funding on December 31, 2003. As a result, AESOP

Leasing's obligation to AESOP Funding is reflected as related party debt on the Company's Consolidated Balance Sheet as of December 31, 2003. The Company also recorded an asset within vehicle- related, net assets under management and mortgage programs on its Consolidated Balance Sheet at December 31, 2003, which represented the equity issued by AESOP Funding to the Company. The vehicles purchased by AESOP Leasing remain on the Company's Consolidated Balance Sheet as AESOP Leasing continues to be consolidated by the Company. Such vehicles, which approximate $5.5 billion, collateralize the debt issued by AESOP Funding and are not available to pay the general obligations of the Company.

The business activities of AESOP Funding are limited primarily to issuing indebtedness and using the proceeds thereof to make loans to AESOP Leasing for the purpose of acquiring or financing the acquisition of vehicles to be leased to the Company's rental car subsidiary and pledging its assets to secure the indebtedness. As the deconsolidation of AESOP Funding occurred on December 31, 2003, the income statement and cash flow activity of the Company were not impacted for 2003. Beginning on January 1, 2004, the results of operations and cash flows of AESOP Funding will no longer be reflected within the Company's Consolidated Financial Statements.

Borrowings under the AESOP Funding program primarily represent floating rate term notes with a weighted average interest rate of 3% for both 2003 and 2002.

Other. Borrowings under the Company's other vehicle rental programs represent amounts issued under financing facilities that provide for the issuance of notes to support the acquisition of vehicles used in the Company's international vehicle rental operations under its Avis and Budget brands. The debt issued is collateralized by the vehicles purchased and primarily represents floating rate bank loans and commercial paper for which the weighted average interest rate was 2% for both 2003 and 2002.

Vehicle Management Program

Borrowings under the Company's vehicle management program primarily represent amounts issued under a domestic financing facility that provides for the issuance of variable rate term notes to unrelated third parties ($2.7 billion) and the issuance of preferred membership interests to an unconsolidated related party ($408 million). The variable rate term notes and preferred membership interests were issued to support the acquisition of vehicles used in the Company's fleet leasing operations. The debt issued is collateralized by the leased vehicles purchased, which are not available to pay the general obligations of the Company. The titles to all the vehicles collateralizing the debt issued under this program are held in a bankruptcy remote trust and the Company acts as a servicer of all such vehicles. The bankruptcy remote trust also acts as lessor under both operating and financing lease agreements. The debt issued under this program primarily represents floating rate term notes for which the weighted average interest rate was 2% for both 2003 and 2002.

Mortgage Program

Bishop's Gate. Bishop's Gate is a bankruptcy remote SPE that is utilized to warehouse mortgage loans originated by the Company's mortgage business prior to their sale into the secondary market, which is customary practice in the mortgage industry. The debt issued by Bishop's Gate is collateralized by $149 million of cash and approximately $1.6 billion of underlying mortgage loans, which are serviced by the Company and recorded within mortgage loans held for sale on the Company's Consolidated Balance Sheet as of December 31, 2003. Prior to the adoption of FIN 46, sales of mortgage loans to Bishop's Gate were treated as off-balance sheet sales. The activities of Bishop's Gate are limited to (i) purchasing mortgage loans from the Company's mortgage subsidiary, (ii) issuing commercial paper or other debt instruments and/or borrowing under a liquidity agreement to effect such purchases, (iii) entering into interest rate swaps to hedge interest rate risk and certain

non-credit related market risk on the purchased mortgage loans, (iv) selling and securitizing the acquired mortgage loans to third parties and (v) engaging in certain related transactions. The assets of Bishop's Gate are not available to pay the general obligations of the Company. The debt issued under Bishop's Gate primarily represents term notes for which the weighted average interest rate was 2% for 2003.

Other. Borrowings under the Company's other mortgage program primarily represent short-term debt issued under a repurchase facility, which is used to warehouse mortgage loans originated by the Company before they are ultimately sold into the secondary market. This facility is renewable on an annual basis at the discretion of the lender. The debt issued under this program is collateralized by underlying mortgage loans held in safekeeping by the custodian to the repurchase agreement. The weighted average interest rate on borrowings under this program was 3% for 2002.

Timeshare Program

Sierra Receivables Funding Entities. The Sierra Receivables Funding entities (the "Sierra entities") are bankruptcy remote SPEs that are utilized to securitize timeshare receivables generated from the sale of vacation ownership interests by the Company's timeshare businesses. The debt issued by the Sierra entities is collateralized by $63 million of cash and $957 million of underlying timeshare receivables, which are serviced by the Company and recorded within timeshare-related assets under management and mortgage programs on the Company's Consolidated Balance Sheet as of December 31, 2003. Prior to September 1, 2003, sales of timeshare receivables to the Sierra entities were treated as off-balance sheet sales, as these entities were

structured as bankruptcy remote QSPEs and, therefore, excluded from the scope of FIN 46. However, on September 1, 2003, the underlying structures of the Sierra entities were amended in a manner that resulted in these entities no longer meeting the criteria to qualify as QSPEs pursuant to SFAS No. 140. Consequently, the Company began consolidating the account balances and activities of the Sierra entities on September 1, 2003 pursuant to FIN 46. The activities of the Sierra entities are limited to (i) purchasing timeshare receivables from the Company's timeshare subsidiaries, (ii) issuing debt securities and/or borrowing under a conduit facility to effect such purchases and (iii) entering into derivatives to hedge interest rate exposure. The assets of the Sierra entities are not available to pay the general obligations of the Company. The debt issued under the Sierra entities primarily represents fixed rate term notes for which the weighted average interest rate was 3% for 2003.

Other. Borrowings under the Company's other timeshare programs represent bank debt, which is collateralized by timeshare receivables and inventory. The weighted average interest rate on borrowings under this program was 3% and 4% for 2003 and 2002, respectively.

Relocation Program

Apple Ridge Funding LLC. Apple Ridge Funding LLC ("Apple Ridge") is a bankruptcy remote SPE that is utilized to securitize relocation receivables generated from advancing funds to clients of the Company's relocation business. The debt issued by Apple Ridge is collateralized by cash and underlying relocation receivables aggregating $519 million, which are serviced by the Company and recorded on the Company's Consolidated Balance Sheet as of December 31, 2003. Prior to November 26, 2003, sales of relocation receivables to Apple Ridge were treated as off-balance sheet sales, as this entity was structured as a bankruptcy remote QSPE and, therefore, excluded from the scope of FIN 46. However, on November 26, 2003, the underlying structure of Apple Ridge was amended in a manner that resulted in it no longer meeting the criteria to qualify as a QSPE pursuant to SFAS No. 140. Consequently, the Company began consolidating the account balances and activities of Apple Ridge on November 26, 2003 pursuant to FIN 46. Prior to consolidation, the Company recognized

gains upon the sale of relocation receivables to Apple Ridge. However, such gains were not material for the period January 1, 2003 through November 25, 2003 and for the years ended December 31, 2002 and 2001. The activities of Apple Ridge are limited to (i) purchasing relocation receivables from the Company's relocation subsidiary, (ii) issuing debt securities and/or borrowing under a conduit facility to effect such purchases and (iii) entering into, terminating or modifying certain derivative transactions. The assets of Apple Ridge are not available to pay the general obligations of the Company. The debt issued under Apple Ridge represents a floating rate term note for which the weighted average interest rate was 1% for 2003.

Other. Borrowings under the Company's other relocation program represent bank debt issued by a domestic relocation conduit, which is collateralized by relocation receivables. The weighted average interest rate on borrowings under this program was 4% for 2002.

UNSECURED DEBT

Term Notes

These term notes were issued by and are for the exclusive use of the Company's PHH subsidiary. The balance at December 31, 2003 consists of (i) $982 million of publicly issued medium-term notes bearing interest at a blended rate of 7%, (ii) $460 million of privately-placed medium-term notes bearing interest at a blended rate of 8% and (iii) $474 million of short-term notes bearing interest at a blended rate of 7%. Such amounts include aggregate hedging losses of $11 million. The balance at December 31, 2002 consists of (i) $663 million of publicly issued medium-term notes bearing interest at 8.125%, (ii) $466 million of privately-placed medium-term notes bearing interest at a blended rate of 8% and (iii) $292 million of short-term notes bearing interest at a blended rate of 7%. Such amounts include aggregate hedging gains of $32 million. The proceeds from the issuance of these term notes were used to finance the purchase of various assets under management and mortgage programs.

Commercial Paper

The Company's policy is to maintain available capacity under its two committed PHH revolving credit facilities (described below) to fully support its outstanding commercial paper. The weighted average interest rates on the outstanding commercial paper, which matures within 270 days from issuance, at December 31, 2003 and 2002 was 1% and 2%, respectively. The proceeds from the issuance of commercial paper are used to finance the purchase of various assets under management and mortgage programs.

Bank Loans

Unsecured bank loans primarily represent borrowings under revolving credit facilities related to management and mortgage programs. The weighted average interest rates of outstanding bank loans at December 31, 2002 was 4%. The proceeds from these borrowings are used to finance the purchase of various assets under management and mortgage programs.

DEBT MATURITIES

The following table provides the contractual maturities for debt under management and mortgage programs (including related party debt due to AESOP Funding) at December 31, 2003 (except for notes issued under the Company's vehicle management and Sierra timeshare programs, where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management and mortgage programs and for which estimates of repayments have been used):

	Asset-Backed	Unsecured (*)	Total
2004	$ 2,532	$ 114	$ 2,646
2005	3,479	405	3,884
2006	3,047	—	3,047
2007	1,262	190	1,452
2008	1,748	432	2,180
Thereafter	505	1,071	1,576
	$ 12,573	$ 2,212	$ 14,785

(*) Unsecured commercial paper borrowings of $164 million are assumed to be repaid with borrowings under committed credit facilities at the Company's PHH subsidiary, which expire in February 2005, as such amount is fully supported by these committed credit facilities, which are detailed below.

AVAILABLE FUNDING ARRANGEMENTS AND COMMITTED CREDIT FACILITIES

As of December 31, 2003, available funding under the Company's on-balance sheet asset-backed debt programs and committed credit facilities (including related party debt due to AESOP Funding) related to the Company's management and mortgage programs consisted of:

	Total Capacity	Outstanding Borrowings	Available Capacity
Asset-Backed Funding Arrangements [a]			
Vehicle rental program			
AESOP Funding	6,514	5,644	870
Other	911	651	260
Vehicle management program	3,917	3,118	799
Mortgage program			
Bishop's Gate	3,151	1,651	1,500
Other	500	—	500
Timeshare program			
Sierra	1,242	774	468
Other	425	335	90
Relocation program			
Apple Ridge	500	400	100
Other	100	—	100
	17,260	12,573	4,687
Committed Credit Facilities [b]			
Maturity in February 2005	1,250	—	1,250
	$ 18,510	$ 12,573	$ 5,937

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.
(b) These committed credit facilities were entered into by and are for the exclusive use of PHH.

Borrowings under the Company's $500 million and $750 million credit facilities maturing in February 2005 bear interest at LIBOR plus a margin of 72.5 basis points. In addition, the Company is

required to pay a per annum facility fee of 15 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, 2003, the interest rate and facility fees are subject to a maximum upward adjustment of approximately 65.0 and 22.5 basis points, respectively.

As of December 31, 2003, the Company also had $874 million of availability for public debt issuances under a shelf registration statement at its PHH subsidiary.

DEBT COVENANTS

Certain of the Company's debt instruments and credit facilities related to its management and mortgage programs 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, 2003, the Company was in compliance with all such restrictive and financial covenants.

17. Securitizations

The Company sells residential mortgage loans in securitization transactions typically retaining one or more of the following: servicing rights, interest-only strips, principal-only strips and/or subordinated interests. Although the Company principally sells its originated mortgage loans directly to government sponsored entities, in limited circumstances, the Company sells loans through a wholly-owned subsidiary's public registration statement. With the exception of specific mortgage loans that are sold with recourse, the investors have no recourse to the Company's other assets for failure of debtors to pay when due (see Note 6—Mortgage Activities). Key economic assumptions used during 2003, 2002 and 2001 to measure the fair value of the Company's retained interests in mortgage loans at the time of the securitization were as follows:

2003		2002		2001	
Mortgage-Backed Securities [*]	MSRs	Mortgage-Backed Securities [*]	MSRs	Mortgage-Backed Securities [*]	MSRs

Prepayment speed	7-25%	11-50%	7-22%	12-54%	7-43%	9-42%
Weighted average life (in years)	1.9-6.9	1.3-6.8	2.1-10.6	1.3-6.3	2.9-7.2	2.5-9.1
Discount rate	5-15%	6-21%	5-18%	6-14%	5-26%	6-16%

(*) Represents interest-only strips, principal-only strips, as well as subordinated interests.

Additionally, in 2001, the Company sold timeshare receivables to multiple bankruptcy remote QSPEs retaining the servicing rights and a subordinated interest. As these entities are QSPEs and precluded from consolidation pursuant to generally accepted accounting principles, the debt issued by these entities and the collateralizing assets, which are serviced by the Company, are not reflected on the Company's Consolidated Balance Sheets. The assets of these QSPEs are not available to pay the Company's obligations. Additionally, the creditors of these QSPEs have no recourse to the Company's credit. However, the Company has made representations and warranties customary for securitization transactions, including eligibility characteristics of the receivables and servicing responsibilities, in connection with the securitization of these assets. Sales of timeshare receivables to these entities in 2003 and 2002 were insignificant since substantially all timeshare receivables were securitized during such years through the Sierra entities, which are consolidated on the Company's Consolidated

Balance Sheets as of December 31, 2003. Presented below is detailed information for these QSPEs (to which timeshare receivables were sold prior to the establishment of the Sierra entities):

	Assets Serviced	Funding Capacity	Debt Issued [b]	Available Capacity [c]
Timeshare QSPEs [a]	$ 390	$ 340	$ 340	$ —

(a) Assets serviced does not include cash of $28 million as of December 31, 2003.
(b) Represents term notes.
(c) Subject to maintaining sufficient assets to collateralize debt.

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

	2001
Prepayment speed	13-21%
Weighted average life (in years)	7.1-7.4
Discount rate	12-17%
Anticipated credit losses	8-12%

Key economic assumptions used in subsequently measuring the fair value of the Company's retained interests in securitized mortgage loans and timeshare receivables (sold prior to the establishment of the Sierra entities) at December 31, 2003 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 (*)	Timeshare Receivables
Fair value of retained interests	$ 102	$ 1,641	$ 81
Weighted average life (in years)	4.2	5.7	7.5-8.4
Annual servicing fee	—	0.33%	0.75-1.75%
Prepayment speed (annual rate)	9-88%	10-47%	7-13.5%
Impact of 10% adverse change	$ (12)	$ (93)	$ —
Impact of 20% adverse change	$ (15)	$ (178)	$ (1)
Discount rate (annual rate)	2-26%	10.5%	15%
Impact of 10% adverse change	$ (14)	$ (63)	$ (2)
Impact of 20% adverse change	$ (17)	$ (121)	$ (3)
Anticipated credit losses (annual rate)	—	—	9.5-11.9%
Impact of 10% adverse change	$ —	$ —	$ (1)
Impact of 20% adverse change	$ —	$ —	$ (3)

(*) Does not include the derivatives related to mortgage servicing rights, which approximated $85 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 following table presents information about delinquencies and components of securitized residential mortgage loans and timeshare receivables (those sold prior to the establishment of the Sierra entities) as of and for the year ended December 31, 2003:

	Total Principal Amount	Principal Amount 60 Days or More Past Due [a]	Net Credit Losses [c]	Average Principal Balance
Residential mortgage loans [b]	$ 273	$ 35	$ 2	$ 275
Timeshare receivables	390	11	—	448
Total securitized assets	$ 663	$ 46	$ 2	$ 723

(a) Amounts are based on total securitized assets at December 31, 2003.
(b) Excludes securitized mortgage loans that the Company continues to service but to which it has no other continuing involvement.
(c) There are no net credit losses on securitized timeshare receivables since the Company has typically repurchased such receivables from the QSPEs prior to delinquency although it is not obligated to do so. Accordingly, credit losses associated with securitized timeshare receivables are reflected within the Company's Consolidated Statements of Income.

As discussed in Note 16—Debt Under Management and Mortgage Programs and Borrowing Arrangements, the Company sold financial assets to Bishop's Gate, the Sierra entities and Apple Ridge prior to its consolidation of these securitization structures on July 1, 2003, September 1, 2003 and November 26, 2003, respectively. The cash flow activity presented below covers the period up to and including the date of consolidation of these structures in addition to the full year activity between the Company and securitization trusts that remain off-balance sheet as of December 31, 2003.

	Mortgage Loans		
	2003	2002	2001
Proceeds from new securitizations	$ 59,511	$ 38,722	$ 35,776
Servicing fees received	444	411	352
Other cash flows received on retained interests [a]	24	25	31
Purchases of delinquent or foreclosed loans [b]	(677)	(681)	(228)
Servicing advances	(512)	(161)	(498)
Repayment of servicing advances	473	139	495

	Timeshare Receivables		
	2003	2002	2001
Proceeds from new securitizations	$ 620	$ 345	$ 259
Proceeds from collections reinvested in securitizations	39	33	—
Servicing fees received	10	10	4
Other cash flows received on retained interests [a]	28	50	16
Purchases of delinquent or foreclosed loans [b]	(57)	(52)	(16)
Cash received upon release of reserve account	12	2	2
Purchases of defective contracts	(55)	(40)	(23)

	Relocation Receivables		
	2003	2002	2001
Proceeds from new securitizations	$ 35	$ 770	$ 1,964
Proceeds from collections reinvested in securitizations	2,717	2,433	1,984
Servicing fees received	3	4	5
Other cash flows received on retained interests [a]	38	48	(6)
Cash (paid)/received upon (funding)/release of reserve account	(17)	1	3

(a) Represents cash flows received (paid) on retained interests other than servicing fees.
(b) The purchase of delinquent or foreclosed loans/timeshare receivables is primarily at the Company's option and not based on a contractual relationship with the securitization trust.

During 2003, 2002 and 2001, the Company recognized pre-tax gains of $850 million, $493 million and $483 million, respectively, related to the securitization of residential mortgage loans. During 2003, the Company recognized pre-tax gains of $39 million on the securitization of timeshare receivables through the Sierra entities (prior to the Company's consolidation thereof on September 1, 2003), which were calculated using the following key economic assumptions: 7-15% prepayment speed; 7.0-7.6 weighted average life (in years); 15% discount rate; 9.5-13.7% anticipated credit losses. During 2002, the Company recognized pre-tax gains of $43 million on the securitization of timeshare receivables through the Sierra entities, which were calculated using the following key economic assumptions: 7.7-13% prepayment speed; 6.0-7.4 weighted average life (in years); 15% discount rate; 9-14.7% anticipated credit losses. During 2001, the Company recognized pre-tax gains of $8 million on the securitization of timeshare receivables through the QSPEs discussed above (refer to the key economic assumptions detailed in the table above). Gains recognized on the securitization of relocation receivables were not material during 2003, 2002 and 2001. All gains on the securitization of financial assets are recorded within net revenues on the Company's Consolidated Statements of Income.

The Company has made representations and warranties customary for securitization transactions, including eligibility characteristics of the mortgage loans, timeshare receivables, and relocation receivables and servicing responsibilities, in connection with the securitization of these assets.

18. 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. This mandatorily redeemable preferred interest in a subsidiary (which was presented between the liability and equity sections on the Consolidated Balance Sheet at December 31, 2002) was reclassified to long-term debt on July 1,

2003 in connection with the adoption of SFAS No. 150. The Company is precluded from reclassifying prior period amounts pursuant to this standard. In September 2003, the Company prepaid this amount at par. In connection with this prepayment, the Company recorded a pre-tax charge of approximately $3 million to reflect the write-off of related debt issuance costs.

The Company was required to pay distributions on the senior preferred equity interest based on the three-month LIBOR plus a margin of 1.77%, which were reflected as minority interest in the Consolidated Statements of Income prior to the reclassification. During 2003 (through June 2003), 2002 and 2001, such pre-tax minority interest expense approximated $6 million, $14 million and $23 million, respectively.

19. Commitments and Contingencies

Lease Commitments

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, 2003 are as follows:

Year	Amount
2004	$ 547
2005	435
2006	353
2007	288
2008	193
Thereafter	877
	$ 2,693

Commitments under capital leases are not significant.

During 2003, 2002 and 2001, the Company incurred total rental expense of $730 million, $524 million and $331 million, respectively, inclusive of contingent rental expense of $93 million, $69 million and $56 million in 2003, 2002 and 2001, respectively, principally based on car rental volume. Included within the Company's total rental expense for 2003, 2002 and 2001 are fees paid by the Company in connection with 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. The Company has also included the future minimum payments to be made in connection with these guarantees in the above table.

Commitments to Purchase Vehicles

The Company maintains agreements with vehicle manufacturers whereby the Company is required to purchase approximately $4.9 billion of vehicles from these manufacturers during 2004. The Company's featured suppliers for the Avis and Budget brands are General Motors Corporation and Ford Motor Company, respectively. The purchase of such vehicles is financed through the issuance of debt under management and mortgage programs in addition to cash received upon the sale of vehicles primarily under repurchase programs.

Other Purchase Commitments

In the normal course of business, the Company makes various commitments to purchase goods or services from specific suppliers, including those related to capital expenditures. None of the purchase commitments made by the Company as of December 31, 2003 (aggregating approximately $2.2 billion) was individually significant with the exception of the Company's commitments under service contracts for information technology (aggregating $1.2 billion, of which $136 million relates to 2004) and telecommunications (aggregating $376 million, of which $123 million relates to 2004).

Contingencies

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 subsequently 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 upon final determination, the transaction is not considered a tax-free reorganization, the Company may have to record a non-cash tax charge of up to $270 million, depending upon certain factors. The non-cash tax charge primarily results from the utilization of net operating loss carryforwards. 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 accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation. While the Company has an accrued liability of approximately $90 million recorded on its Consolidated Balance Sheet as of December 31, 2003 for these claims based upon its best estimates, it 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 other pending litigation, which, in the opinion of management, should not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company

indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing (i) purchases, sales or outsourcing of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) development of timeshare properties, (v) access to credit facilities and use of derivatives, (vi) sales of mortgage loans, (vii) issuances of debt or equity securities, (viii) licensing of computer software and (ix) GDS subscriber services. The guarantees or indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in a licensing agreements, (iv) developers in timeshare development agreements, (v) financial institutions in credit facility arrangements and derivative contracts, (vi) purchasers and insurers of the loans in sales of mortgage loans, (vii) underwriters in debt or equity security issuances and (viii) travel agents or other users in GDS subscriber services. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability. With respect to certain of the aforementioned guarantees, such as indemnifications of landlords against third party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates any potential payments to be made.

The Company also provides guarantees for the benefit of landlords in lease contracts where the lease was assigned to a third party due to the sale of a business which occupied the leased facility. These guarantees extend only the duration of the underlying lease contract. The maximum potential amount of future payments that the Company may be required to make under these guarantees is approximately $30 million in the aggregate. As of December 31, 2003, the Company had accrued approximately $12 million of this amount on its Consolidated Balance Sheet. If the Company were required to make payments under these guarantees, it would have similar recourse against the tenant (third party to which the lease was assigned).

Other Guarantees

The Company's timeshare businesses provide guarantees to certain owners' associations for funds required to operate and maintain timeshare properties in excess of assessments collected from owners of the timeshare interests. The Company may be required to fund such excess as a result of unsold

Company-owned timeshare interests or failure by owners to pay such assessments. These guarantees extend for the duration of the underlying service agreements (which approximate one year and are renewable on an annual basis) or until a stipulated percentage (typically 80% or higher) of related timeshare interests are sold. The maximum potential future payments that the Company could be required to make under these guarantees was approximately $85 million as of December 31, 2003. The Company would only be required to pay this maximum amount if none of the owners assessed paid their maintenance fees. Any fees collected from the owners of the timeshare interests would reduce the maximum potential amount of future payments to be made by the Company. Additionally, should the Company be required to fund the deficit through the payment of any owners' fees under these guarantees, the Company would be permitted access to the property for its own use and may use that property to engage in revenue producing activities, such as advertising or rental. Historically, the Company has not been required to make material payments under these guarantees as the fees collected from owners of timeshare interests have been sufficient to support the operation and maintenance of the timeshare properties. As of December 31, 2003, the liability recorded by the Company in connection with these guarantees was de minimis.

The Company coordinates numerous events for it franchisees and thus reserves a number of venues with certain minimum guarantees, such as room rentals at hotels local to the conference center. However, such room rentals are paid by each individual franchisee. If the franchisees do not meet the minimum guarantees, the Company is obligated to fulfill the minimum guaranteed fees. As of December 31, 2003, these guarantees extended into 2006 and the maximum potential amount of future payments that the Company may be required to make under such guarantees was approximately $20 million. The Company would only be required to pay this maximum amount if none of the franchisees conducted their planned events at the reserved venues. Historically, the Company has not been required to make material payments under these guarantees. As of December 31, 2003, the liability recorded by the Company in connection with these guarantees was de minimis.

20. Stockholders' Equity

CD Common Stock Transactions

During 2003, 2002 and 2001, the Company repurchased approximately $1.1 billion (64.5 million shares), $291 million (19.8 million shares) and $226 million (12.3 million shares), respectively, of CD common stock under its board-authorized common share repurchase program. As of December 31, 2003, the Company had approximately $321 million of remaining availability for repurchases under a Board- approved share repurchase program. See Note 30—Subsequent Events for additional information.

As discussed in Note 4—Acquisitions, the Company issued approximately 59 million shares of CD common stock in connection with the acquisitions of Trendwest (47.4 million shares) and NRT (11.5 million shares) during 2002 and, in 2001, the Company issued approximately 117 million shares of CD common stock in connection with the acquisition of Galileo. Additionally, during 2001, the Company issued approximately 61 million shares of CD common stock to settle the purchase contracts underlying the PRIDES in non-cash transactions. The Company also issued 46 million shares of CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million in cash during 2001.

Move.com Common Stock Transactions

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. There are no shares of Move.com common stock outstanding.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

	Currency Translation Adjustments	Unrealized Gains/(Losses) on Cash Flow Hedges	Unrealized Gains/(Losses) on Available-for-Sale Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income/(Loss)

Balance, January 1, 2001	$ (165)	$ —	$ (69)	$ —	$ (234)
Current period change	(65)	(33)	89	(21)	(30)
Balance, December 31, 2001	(230)	(33)	20	(21)	(264)
Current period change	311	(8)	(16)	(37)	250
Balance, December 31, 2002	81	(41)	4	(58)	(14)
Current period change	143	38	42	—	223
Balance, December 31, 2003	$ 224	$ (3)	$ 46	$ (58)	$ 209

All components of accumulated other comprehensive income are net of tax except currency translation adjustments, which exclude income taxes related to indefinite investments in foreign subsidiaries.

21. Stock-Based Compensation

The Company may grant stock options, stock appreciation rights, restricted shares and restricted stock units ("RSUs") to its employees, including directors and officers of the Company and its affiliates. Beginning in 2003, the Company changed the method by which it provides stock-based compensation to its employees by significantly reducing the number of stock options granted and instead, issuing RSUs as a form of compensation. The Company is authorized to grant up to 314 million shares of its common stock under its active stock plans and at December 31, 2003, approximately 145 million shares were available for future grants under the terms of these plans.

Stock Options

Options granted during 2003, although minimal in comparison to prior years, vest ratably over a four-year period and have a ten-year term. Prior to 2003, options granted to employees generally had a ten-year term and vested ratably over periods ranging from two to five years. The Company's policy is to grant options with exercise prices at then-current fair market value. The annual activity of the Company's CD common stock option plans consisted of:

	2003		2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at beginning of year	237	$ 16.23	218	$ 15.82	187	$ 16.90
Granted at fair market value	1	13.40	42	18.45	59	10.96
Granted in connection with acquisitions	1	15.02	3	10.05	16	12.70
Exercised	(40)	10.77	(10)	10.35	(28)	9.19
Forfeited	(11)	19.45	(16)	17.59	(16)	18.46
Balance at end of year	188	$ 17.21	237	$ 16.23	218	$ 15.82

During 2003, the Company recorded approximately $1 million of pre-tax compensation expense related to the issuance of common stock options to its employees since January 1, 2003. See Note 2—

Summary of Significant Accounting Policies for the effect on net income and earnings per share had the Company elected to recognize and measure compensation expense for all of its stock option grants to its employees based on the fair value method.

During 2002, the Company's Board of Directors accelerated the vesting of certain options previously granted with exercise prices greater than or equal to $15.1875. In connection with such action, approximately 43 million options (with a weighted average exercise price of $19.08), substantially all of which were scheduled to become exercisable by January 2004, became exercisable as of August 27, 2002. In addition, the post-employment exercise period for the modified options was reduced from one year to thirty days. However, if the employee remains employed by the Company through the date on which the option was originally scheduled to become vested, the post-employment exercise period will be one year. The Company's senior executive officers were not eligible for this modification. In accordance with the provisions of the FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation (an Interpretation of APB Opinion No. 25)," there was no charge associated with this modification since none of the modified options had intrinsic value because the market price of the underlying CD common stock on August 27, 2002 was less than the exercise price of the modified options.

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of December 31, 2003:

	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	50	4.6	$ 9.16	44	$ 9.13

$10.01 to $20.00	91	6.0	17.20	82	17.50
$20.01 to $30.00	30	4.4	22.37	30	22.37
$30.01 to $40.00	17	3.8	31.92	17	31.92
	188	5.2	$ 17.21	173	$ 17.65

The weighted-average grant-date fair value of CD common stock options granted during 2003, 2002 and 2001 were $5.19, $8.43 and $5.27, respectively. The fair values of these stock options are estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for CD common stock options granted in 2003, 2002 and 2001:

	2003	2002	2001
Dividend yield	—	—	—
Expected volatility	49.0%	50.0%	50.0%
Risk-free interest rate	2.4%	4.2%	4.4%
Expected holding period (years)	3.6	4.5	4.5

All options related to Move.com common stock (which are not reflected in the above tables) were forfeited during 2001. Such options, which approximated six million, had a weighted average exercise price of $18.59.

Restricted Stock Units

Each RSU granted by the Company entitles the employee to receive one share of CD common stock upon vesting, which occurs ratably over a four-year period. As of December 31, 2003, the Company had approximately 6.3 million RSUs outstanding with a weighted-average grant-date fair value of $13.98. During 2003, the Company recorded pre-tax compensation expense of approximately $15 million in connection with these RSUs, which is included within general and administrative expenses on

the Company's Consolidated Statement of Income. The related deferred compensation balance, which is recorded on the Company's Consolidated Balance Sheet as a reduction to additional paid-in capital, was $73 million as of December 31, 2003. This deferred compensation balance will be amortized to expense over the remaining vesting period of the RSUs.

Employee Stock Purchase Plan

The Company is also authorized to sell up to 8.5 million shares of its CD common stock to eligible employees under its current non-compensatory employee stock purchase plan ("ESPP"). Under the terms of the ESPP, employees may authorize the Company to withhold up to 10% of their compensation from each paycheck for the purchase of CD common stock. For amounts withheld during 2003, the purchase price of the stock was calculated as 95% of the fair market value of CD common stock as of the first day of each month. For amounts withheld during 2002 and prior periods, the purchase price of the stock was calculated as 85% of the lower of the fair market value of CD common stock on the first or the last trade date of each calendar quarter. During 2003, the Company issued approximately 1.1 million shares under the ESPP, bringing the cumulative issuances to approximately 3.6 million shares. As of December 31, 2003, approximately 4.9 million shares were available for issuance under the ESPP.

22. Two Flags Joint Venture LLC

In 2002, the Company formed Two Flags Joint Venture LLC ("Two Flags") through the contribution of its domestic Days Inn trademark and related license agreements. The Company did not contribute any other assets to Two Flags. The Company then sold 49.9999% of Two Flags to Marriott International, Inc. ("Marriott") in exchange for the domestic Ramada trademark and related license agreements. The Company retained a 50.0001% equity interest in Two Flags, continues to control Two Flags and, therefore, consolidates Two Flags. Marriott's equity interest in Two Flags, which approximated $100 million as of December 31, 2003 and 2002, is recorded as minority interest (within accounts payable and other current liabilities in 2003 and within non-current liabilities in 2002) on the Company's Consolidated Balance Sheets. Both Marriott and the Company have the right, but are not obligated, to cause the sale of Marriott's interest at any time after March 1, 2004 for approximately $200 million, which represents the projected fair market value of Marriott's interest at such time. Upon exercise of this right by either party, the Company would own 100% of Two Flags and have exclusive rights to the domestic Ramada and Days Inn trademarks and the related license agreements. The Company expects to loan Two Flags such amount to enable it to redeem Marriott's interest in 2004. Pursuant to the terms of the venture, the Company and Marriott share income from Two Flags on a substantially equal basis. By consent of both parties, Two Flags can be dissolved at any time and will otherwise terminate in accordance with the terms of its governing documents in March 2012. In the event of dissolution, Two Flags' assets will be distributed to the Company and Marriott in amounts that are in proportion to their relative capital accounts, with the Days Inn trademarks and related license agreement reverting back to the Company and the Ramada trademark and related license agreement reverting back to Marriott.

During 2003 and 2002, the Company recorded pre-tax minority interest expense of $25 million and $20 million, respectively, in connection with Two Flags.

23. Trilegiant Corporation

On July 2, 2001, the former management of the Company's individual membership businesses (Cendant Membership Services and Cendant Incentives subsidiaries) purchased 100% of the common stock of a newly-created company, Trilegiant, for $2.7 million in cash. Trilegiant operates membership-based clubs and programs and other incentive-based programs through an outsourcing arrangement with Cendant. The account balances and results of operations of Trilegiant were not reflected within the Company's Consolidated Financial Statements during 2001, 2002 or for the first six months of

2003 as the Company's ownership interest in Trilegiant did not exceed fifty percent of the outstanding voting shares of Trilegiant and the Company did not have the ability to control the financial or operating policies of Trilegiant through its voting rights, board representation or other similar rights. However, as discussed in Note 2—Summary of Significant Accounting Policies, the Company consolidated Trilegiant on July 1, 2003 in connection with FIN 46. Accordingly, the account balances and results of operations of Trilegiant have been included within the Company's Consolidated Financial Statements since July 1, 2003. Although the Company is now recording Trilegiant's profits and losses in its consolidated results of operations, Cendant is not obligated to infuse capital or otherwise fund or cover any losses incurred by Trilegiant. Therefore, Cendant's maximum exposure to loss as of December 31, 2003 as a result of its involvement with Trilegiant was substantially limited to the advances and loans made to Trilegiant, as well as any receivables due from Trilegiant (collectively aggregating $100 million as of December 31, 2003), as such amounts may not be recoverable if Trilegiant were to cease operations. The creditors of Trilegiant have no recourse to Cendant's credit and the assets of Trilegiant are not available to pay Cendant's obligations. Cendant is not obligated or contingently liable for any debt incurred by Trilegiant. Cendant does not manage or operationally control Trilegiant. As of December 31, 2003, Cendant's equity ownership interest in Trilegiant approximated 37% on a fully diluted basis; however, after giving consideration to the applicable stockholders agreement, Cendant's management believed that Cendant has the right to acquire an additional 6% ownership interest at December 31, 2003. See Note 30—Subsequent Events for modifications made to this relationship subsequent to December 31, 2003.

Pursuant to the outsourcing arrangement between Cendant and Trilegiant, Cendant retained substantially all of the assets and liabilities of its existing membership business and licensed Trilegiant the right to market products to new members utilizing its intellectual property. Accordingly, Cendant continues to collect membership fees from, and is obligated to provide membership benefits to, members of its individual membership business that existed as of July 2, 2001 (referred to as "existing members"), including their renewals, and Trilegiant provides fulfillment services for these members in exchange for a servicing fee paid by Cendant. Furthermore, Trilegiant collects the membership fees from, and is obligated to provide membership benefits to, any members who joined the membership-based clubs and programs and all other incentive programs subsequent to July 2, 2001 (referred to as "new members") and recognizes the related revenue and expenses. Similar to Cendant's other franchise businesses, Cendant receives a royalty from Trilegiant on all future revenue generated by the new members.

As referred to above, Trilegiant is licensing and/or leasing from Cendant the assets of Cendant'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 Cendant was leased to Trilegiant on a monthly basis at rates that approximated Cendant's depreciation expense.

In connection with the foregoing arrangements, during 2001, Cendant 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. Cendant also received warrants to purchase up to 2.1 million shares of Trilegiant's common stock. Cendant accounted for the entire advance to Trilegiant as a prepaid expense at the date of advance (prior to consolidation). The purpose of the advance was to assist Trilegiant in funding qualified marketing costs associated with obtaining new members whose revenue would become subject to royalties paid to Cendant. Prior to consolidation, Cendant expensed such advance when Trilegiant incurred qualified marketing expenses (pursuant to the terms of the advance).

Cendant's preferred stock investment is mandatorily redeemable and, therefore, was (prior to consolidation) classified as an available-for-sale debt security and accounted for at fair value. The preferred stock investment is convertible, at any time at Cendant's option, into approximately 37% of Trilegiant's common stock on a fully diluted basis. Cendant is entitled to receive a 12% cumulative non-cash dividend annually through July 2006 on its preferred stock investment and also entitled to vote its stock on an as-converted basis in proportion to its ownership percentage with the holders of the common stock on all matters. During third quarter 2001, Cendant wrote-off the entire $20 million 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 Income during 2001. The warrants are exercisable, at Cendant'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.

The Company also provided Trilegiant with a $35 million revolving line of credit under which advances were at the sole and unilateral discretion of Cendant. The $35 million revolving line of credit was amended on July 1, 2003. The amended agreement provides that commencing October 1, 2003, Trilegiant may borrow up to $10 million under certain circumstances which are not at the sole and unilateral discretion of Cendant. As of December 31, 2003, Trilegiant had not drawn on this line.

During August 2001, Trilegiant entered into marketing agreements with a third party whereby Trilegiant provided certain marketing services to the third party in exchange for a commission. As part of its royalty arrangement with Trilegiant, Cendant receives 13% of the commissions paid by the third party to Trilegiant. In connection with these marketing agreements, Cendant provided Trilegiant with a $75 million loan facility bearing interest at a rate of 9%, under which Cendant advanced funds to Trilegiant for marketing performed by Trilegiant on behalf of the third party. Such advance was classified as a receivable from Trilegiant on the Company's Consolidated Balance Sheet as of December 31, 2002 (prior to consolidation).

For the period July 1, 2003 through December 31, 2003, Trilegiant contributed revenues and expenses of $241 million and $256 million, respectively (on a stand-alone basis before eliminations of intercompany entries in consolidation). As previously discussed, the consolidation of Trilegiant resulted in a non-cash charge of $293 million ($0.28 per diluted share) recorded on July 1, 2003 as a cumulative effect of accounting change. The 2003 results further reflect revenues and expenses recorded by the Company in connection with the outsourcing arrangement prior to the consolidation of Trilegiant (for the period January 1, 2003 through June 30, 2003). The Company recorded revenues of $33 million (representing royalties and licensing and leasing fees) and expenses of $78 million (relating to fulfillment services and the amortization of the marketing advance made in 2001) for the period January 1 through June 30, 2003.

During 2002 and 2001, the Company's Consolidated Statements of Income reflect (i) revenues of $60 million and $17 million, respectively, representing royalties and licensing and leasing fees and (ii) expenses of $190 million and $214 million, respectively, relating to both fulfillment services and the amortization of the marketing advance made in 2001.

Trilegiant's Board of Directors at December 31, 2003 was comprised of two directors elected by the Trilegiant management (as the common shareholders) and two directors elected by Cendant (as the sole preferred shareholder).

24. Employee Benefit Plans

Defined Contribution Savings Plans

The Company sponsors several defined contribution savings 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 by the plans. The Company's cost for contributions to these plans was $71 million, $63 million and $49 million during 2003, 2002 and 2001, respectively.

Defined Benefit Pension Plans

The Company sponsors domestic non-contributory defined benefit pension plans, which cover certain eligible employees. The majority of the employees participating in these plans are no longer accruing benefits. 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 or as otherwise described by the plan. As of December 31, 2003 and 2002, the aggregate projected benefit obligation of these plans was $499 million and $466 million, respectively, and the aggregate fair value of the plans' assets was $337 million and $291 million, respectively. Accordingly, the plans were underfunded by $162 million and $175 million as of December 31, 2003 and 2002, respectively, primarily due to the downturn in the financial markets and a decline in interest rates. However, the net pension liability recorded by the Company (primarily as a component of other non-current liabilities) as of December 31, 2003 and 2002 approximated $159 million and $158 million, respectively, of which approximately $94 million as of both December 31, 2003 and 2002, represents additional minimum pension liability recorded as a charge to other comprehensive income. The Company's policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts the Company determines to be appropriate. During 2003 and 2002, the Company recorded pension expense of $16 million and $9 million, respectively. The expense recorded during 2001 was not material.

Other Employee Benefit Plans

The Company also maintains health and welfare plans for certain domestic subsidiaries. As of December 31, 2003 and 2002, the related projected benefit obligation, which was fully accrued for on the Company's Consolidated Balance Sheets (included primarily within other non-current liabilities), was $60 million and $71 million, respectively. During 2003 and 2002, the Company recorded post-retirement income of $18 million (including $23 million of post-retirement income resulting from plan amendments, partially offset by $5 million of expense) and post-retirement expense of $7 million, respectively, related to these plans. The expense recorded during 2001 was not material. The $23 million of post-retirement income recorded in 2003 (discussed above) resulted from amendments made to the plan whereby coverage for all retirees over age 65 and for certain employees under the age of 50 was eliminated and the participant premiums were increased. All post-retirement income (expense) is recorded within general and administrative expenses on the Company's Consolidated Statements of Income.

25. Financial Instruments

RISK MANAGEMENT

Following is a description of the Company's risk management policies.

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, Australian 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, largely 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, nor is the amount of gains or losses the Company expects to reclassify from other comprehensive income to earnings over the next 12 months.

Interest Rate Risk

Mortgage Servicing Rights. The Company's mortgage servicing rights asset is subject to substantial interest rate risk as the mortgage notes underlying the MSR asset permit the borrower to prepay the loan. Therefore, the value of the MSR asset tends to diminish in periods of declining interest rates and increase in periods of rising interest rates. The Company uses a combination of derivative instruments (including option contracts, interest rate swaps and constant maturity floors) and other investment securities to offset unexpected changes in fair value on its MSR asset that could affect reported earnings. These derivatives are designated as either freestanding derivatives or fair value hedging instruments and recorded at fair value with changes in fair value recorded to current earnings. The change in fair value for the hedged portion of the MSR asset is also recorded to current earnings.

During 2003, 2002 and 2001, the net impact of the Company's derivative activity related to its MSR asset after giving effect to the offsetting changes in fair value of the MSR asset was a gain of $163 million, $115 million and $3 million, respectively. The 2003 amount consists of gains of $155 million to reflect the ineffective portion of the fair value hedges and gains of $8 million resulting from the component of the derivatives' fair value excluded from the assessment of effectiveness (as such amount relates to freestanding derivatives). The 2002 amount consists of gains of $48 million to reflect the

ineffective portion of the fair value hedges and gains of $67 million resulting from the component of the derivatives' fair value excluded from the assessment of effectiveness (as such amount relates to freestanding derivatives). The 2001 amount consists of losses of $57 million to reflect the ineffective portion of the fair value hedges and gains of $60 million resulting from the component of the derivatives' fair value excluded from the assessment of effectiveness (as such amount relates to freestanding derivatives).

Other Mortgage Related Assets. The Company's other mortgage-related assets are subject to interest rate risk created by (i) its commitments to finance mortgages to borrowers who have applied for loan funding and (ii) loans held in inventory awaiting sale into the secondary market. The Company uses derivative instruments (including futures, options and forward delivery contracts) to economically hedge its commitments to fund mortgages. Commitments to fund mortgages and related hedges are classified and accounted for as freestanding derivatives. Accordingly, these positions are recorded at fair value with changes in fair value recorded to current earnings and generally offset the fair value changes recorded relating to the underlying assets. During 2003, 2002 and 2001, the net impact of these freestanding derivatives was a loss of $24 million and gains of $14 million and $5 million, respectively. Such amounts are recorded within net revenues in the Consolidated Statements of Income.

Interest rate and price risk stemming from loans held in inventory awaiting sale into the secondary market (which are classified on the Company's Consolidated Balance Sheets as mortgage loans held for sale) may be hedged with mortgage forward delivery contracts. These forward delivery contracts fix the forward sales price which will be realized in the secondary market and thereby substantially eliminate the interest rate and price risk to the Company. Such forward delivery contracts are either classified and accounted for as fair value hedges or freestanding derivatives. Those contracts that were designated as fair value hedges had no net impact on the Company's results of operations during 2003,

2002 and 2001. For the forward delivery contracts that were designated as freestanding derivatives, the Company recorded a loss of $6 million in 2003 (there were no freestanding contracts in 2002 and 2001). Such amount is recorded within net revenues on the Consolidated Statement of Income.

Debt. The debt used to finance much of the Company's operations is also 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. Derivative instruments currently used in these hedging strategies include swaps and instruments with purchased option features. The derivatives used to manage the risk associated with the Company's fixed rate debt were designated as fair value hedges and were perfectly effective resulting in no net impact on the Company's results of operations during 2003, 2002 and 2001, except to create the accrual of interest expense at variable rates. During 2003 and 2002, the Company terminated certain of its fair value hedges, which resulted in cash gains of $200 million and $65 million, respectively. Such gains are deferred and being recognized over future periods as an offset to interest expense. During 2003 and 2002, the Company recorded $50 million and $14 million, respectively, of such amortization. Accordingly, as of December 31, 2003 and 2002, the Company's long-term debt balance included $201 million and $51 million, respectively, of such deferred gains.

The derivatives used to manage the risk associated with the Company's floating rate debt were designated as cash flow hedges. During 2003, 2002 and 2001, the Company recorded a net gain of $36 million and net losses of $8 million and $33 million, respectively, to other comprehensive income. 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 for cash flow hedges during 2003, 2002 and 2001 was not material. The Company expects to reclassify losses of $19 million from other comprehensive income to earnings during the next 12 months.

Homestore Price Risk

During fourth quarter 2003, the Company entered into an equity range forward contract to facilitate the sale of 3.4 million shares of Homestore common stock in January and February 2004 at prices between $3.33 and $3.89. This derivative is intended to protect the Company from fluctuations in the market price of such stock until the sales occur. Accordingly, the Company designated the equity range forward contract as a cash flow hedge of a forecasted transaction (the sale of stock in January and February 2004). During 2003, the Company recorded $2 million of net losses to other comprehensive income in connection with this cash flow hedge, which will be reclassified to earnings upon sale of the underlying shares in January and February 2004. See Note 30—Subsequent Events for additional details regarding the sale of Homestore shares pursuant to this equity range forward.

Credit Risk and Exposure

The Company is exposed to counterparty credit risks in the event of nonperformance by counterparties to various agreements and sales transactions. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties and for requiring collateral in instances in which financing is provided. The Company mitigates counterparty credit risk associated with its derivative contracts by monitoring the amount for which it is at risk with each counterparty to such contracts, periodically evaluating counterparty creditworthiness and financial position, and where possible, dispersing its risk among multiple counterparties.

As of December 31, 2003, there were no significant concentrations of credit risk with any individual counterparty or groups of counterparties other than risks related to the Company's repurchase agreements with automobile manufacturers (see Note 2—Summary of Significant Accounting Policies). Concentrations of credit risk associated with receivables are considered minimal due to the Company's diverse customer base. Bad debts associated with trade receivables have been minimal. With the exception of the financing provided to customers of its timeshare and mortgage businesses, the Company does not normally require collateral or other security to support credit sales.

FAIR VALUE

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 of cash and cash equivalents, restricted cash, available-for-sale securities, accounts receivable, program cash, relocation receivables and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The carrying amounts and estimated fair values of all financial instruments at December 31, are as follows:

	2003	2002

	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 840	$ 840	$ 126	$ 126
Restricted cash	448	448	307	307
Preferred stock investments in related parties	—	—	87	87
Investment in Homestore [a]	81	81	—	—
Other preferred stock investments and marketable securities	16	16	14	14
Debt				
Current portion of long-term debt	1,629	1,791	30	30
Long-term debt, excluding Upper DECS	3,510	3,892	5,571	5,554
Upper DECS	863	864	863	556
Mandatorily redeemable preferred interest in a subsidiary	—	—	375	375
Derivatives [c]				
Foreign exchange forwards	1	1	(4)	(4)
Equity range forward	(3)	(3)	—	—
Interest rate swaps	(170)	(170)	38	38
Assets under management and mortgage programs				
Program cash	542	542	354	354
Mortgage loans held for sale	2,494	2,528	1,923	1,958
Relocation receivables	534	534	148	148
Timeshare contract receivables	1,372	1,372	401	401
Mortgage servicing rights, net	1,641	1,641	1,380	1,380
Derivatives related to mortgage servicing rights	316	316	385	385
Mortgage-backed securities [a]	102	102	114	114
Retained interest in securitization of timeshare receivables [b]	81	81	274	274
Retained interest in securitization of relocation receivables [a]	—	—	91	91
Derivatives [c] [d]				
Commitments to fund mortgages	18	18	63	63
Forward delivery commitments	(27)	(27)	(82)	(82)
Interest rate swaps	(39)	(39)	—	—
Option contracts	132	132	309	309
Constant maturity floors	1	1	124	124
Liabilities under management and mortgage programs				
Debt	14,702	14,917	12,639	12,688
Derivatives related to mortgage servicing rights [c]	(231)	(231)	—	—
Derivatives [c]				
Interest rate swaps	(83)	(83)	(108)	(108)
Interest rate swaps	18	18	58	58

(a) Available-for-sale securities.
(b) Trading securities.
(c) Derivative instruments in gain (loss) positions.
(d) Carrying amounts and gains (losses) on mortgage-related positions are already included in the above balances of mortgage loans held for sale. Forward delivery commitments are used to manage price risk on sales of all mortgage loans to end investors.

26. Dispositions of Businesses

During 2001, the Company recognized gains aggregating $443 million on the dispositions of several non-strategic businesses ($436 million related to the disposition of the former move.com business and ancillary businesses—see discussion below, and $7 million related to the disposition of several other non-strategic businesses). During 2001, the Company also recognized losses of $26 million on the disposition of several non-strategic businesses. None of these businesses were material to the Company's results of operations, financial position or cash flows.

Sale of 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 in exchange for approximately 21 million shares (representing a 20.2% ownership interest on such date) of Homestore common stock, then-valued at $718 million.

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 within the Consolidated Statement of Income. During 2001, the Company recognized $35 million of this deferred gain, which is reflected as a component of losses related to equity in Homestore, net of tax on the Company's Consolidated Statement of Income. 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 within the Consolidated Statement of Income. Such difference was reduced by $135 million during 2001, of which $66 million represented amortization, which is reflected as a component of losses related to equity in Homestore, net of tax on the Company's Consolidated Statement of Income. The remaining $69 million primarily related to (i) the contribution of approximately 1.5 million shares of Homestore common stock to Trip Network, Inc., 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 28—Related Party Transactions for a detailed discussion of the Company's relationship with Trip Network).

See Note 2—Summary of Significant Accounting Policies for a detailed discussion of the Company's accounting for its investment in Homestore. The Company's relationship with Homestore is primarily limited to its equity ownership interest and commercial agreements, which are not material to the Company.

27. Segment Information

Management evaluates the operating results of each of its reportable segments based upon revenue and "EBITDA," which is defined as income from continuing operations before non-program related depreciation and amortization, non-program related interest, amortization of pendings and listings, income taxes and minority interest. On January 1, 2003, the Company changed its performance measure used to evaluate the operating results of its reportable segments and, as such, the information presented below for 2002 and 2001 has been revised to reflect this change. The Company's presentation of EBITDA may not be comparable to similar measures used by other companies.

Year Ended December 31, 2003

	Real Estate Services	Hospitality Services	Travel Distribution Services	Vehicle Services
Net revenues [(a)]	$ 6,720	$ 2,523	$ 1,659	$ 5,851
EBITDA	1,272	633	459	442
Non-program depreciation and amortization	121	103	110	90
Segment assets exclusive of assets under programs	4,786	4,531	4,000	5,111
Assets under management and mortgage programs	5,266	1,869	—	10,450
Capital expenditures	83	88	100	139

	Financial Services	Corporate and Other [(b)]	Total
Net revenues [(a)]	$ 1,401	$ 38	$ 18,192
EBITDA	363	(35)	3,134
Non-program depreciation and amortization	62	32	518
Segment assets exclusive of assets under programs	1,668	1,348	21,444
Assets under management and mortgage programs	—	8	17,593
Capital expenditures	16	37	463

Year Ended December 31, 2002

	Real Estate Services	Hospitality Services	Travel Distribution Services	Vehicle Services
Net revenues [(a)]	$ 4,687	$ 2,180	$ 1,695	$ 4,274
EBITDA	832	625	526	408
Non-program depreciation and amortization	113	96	92	64
Segment assets exclusive of assets under programs	4,673	4,680	4,088	5,134
Assets under management and mortgage programs	4,041	685	—	10,421
Capital expenditures	74	67	97	100

	Financial Services	Corporate and Other [(b)]	Total
Net revenues [(a)]	$ 1,325	$ 26	$ 14,187
EBITDA	450	(198)	2,643
Non-program depreciation and amortization	65	36	466
Segment assets exclusive of assets under programs	1,615	527	20,717
Assets under management and mortgage programs	—	33	15,180
Capital expenditures	27	34	399

Year Ended December 31, 2001

	Real Estate Services	Hospitality Services	Travel Distribution Services	Vehicle Services
Net revenues [(a)]	$ 1,859	$ 1,522	$ 437	$ 3,402
EBITDA	719	450	78	226
Non-program depreciation and amortization	116	119	26	102
Capital expenditures	41	70	22	74

	Financial Services	Corporate and Other [(b)]	Total
Net revenues [(a)]	$ 1,402	$ 71	$ 8,693
EBITDA	299	(380)	1,392
Non-program depreciation and amortization	73	41	477

Capital expenditures	64	58	329

(a) Inter-segment net revenues were not significant to the net revenues of any one segment.
(b) Includes the results of operations of the Company's non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

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

	Year Ended December 31,		
	2003	2002	2001
EBITDA	$ 3,134	$ 2,643	$ 1,392
Non-program related depreciation and amortization	(518)	(466)	(477)
Non-program related interest expense, net	(307)	(262)	(252)
Early extinguishments of debt	(58)	(42)	—
Amortization of pendings and listings	(20)	(256)	—
Income before income taxes, minority interest and equity in Homestore	$ 2,231	$ 1,617	$ 663

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
2003				
Net revenues	$ 15,997	$ 429	$ 1,766	$ 18,192
Total assets	35,657	1,021	2,359	39,037
Net property and equipment	1,601	57	145	1,803
2002				
Net revenues	$ 12,256	$ 389	$ 1,542	$ 14,187
Total assets	32,771	860	2,266	35,897
Net property and equipment	1,611	50	119	1,780
2001				
Net revenues	$ 7,837	$ 240	$ 616	$ 8,693

28. Related Party Transactions

During 2003, the Company acquired 100% ownership of Trip Network and FFD. In 2002, the Company acquired 100% ownership of NRT and Tax Services of America, Inc. and, in 2001, the Company acquired 100% ownership of Avis. See Note 4—Acquisitions for more detailed information on these acquisitions. Prior to the Company's acquisition of these businesses, the Company and these businesses were engaged in certain related party transactions. Certain of the Company's officers may have served on the Board of Directors of these entities, but in no instances did they constitute a majority of the Board.

Trip Network, Inc.

As previously discussed in Note 4—Acquisitions, the Company acquired a majority interest in Trip Network on March 31, 2003. Accordingly, Trip Network has been included in the Company's consolidated results of operations, cash flows and financial position since March 31, 2003. Trip Network was created in March 2001 through the Company's contribution of assets valued at approximately $20 million in exchange for all of the common and preferred stock of Trip Network. At such time, Cendant unilaterally transferred all of the common shares of Trip Network to the Hospitality Technology Trust ("HTT") and retained the preferred stock of Trip Network and warrants to purchase up to 28,250 shares of Trip Network's common stock. Trip Network provided travel services to both Cendant's franchisees as well as non-franchisees and, as such, Cendant's initial contribution of the Trip Network common stock to HTT supported its lodging franchise business model whereby Cendant endeavored to avoid direct competition with its franchisees for the sale of transient hotel rooms. HTT was an independent technology trust that was controlled by three independent trustees who are not officers, directors or employees of Cendant or relatives of officers, directors or employees of Cendant. HTT 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 agreed to link their brand and property web sites to Trip.com because of, for among other reasons, their beneficial interest in HTT. After Cendant's acquisition of Trip Network, HTT was dissolved pursuant to the original trust agreement. A hotel franchise chain was not required to make any contributions to Trip Network in order for the franchisee's brand and property to be included on Trip Network's web site. Trip Network earned a commission on all hotel rooms sold on its web site, including those sold by Cendant's hotel franchise chains, at market rates ranging from 8 to 10%. Management believed that the enhanced functionality for the brand and property web-pages provided by Trip.com links would help build customer loyalty and avoid the problem of viewers leaving the brand and property web sites for the sites of competitors. Additionally, management believed that the aggregate links of all franchisee properties would create critical mass and web-traffic for Trip Network, further enhancing its ability to be successful. If Trip Network were successful, management believed the common shares would likely have appreciated in value. The liquidation of shares (representing HTT's equity stake, which approximated 20% of Trip Network's common stock on a fully diluted basis as of December 31, 2002) would have provided HTT with further resources to pursue its stated objectives.

In 2001, 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 for the purpose of pursuing the development of an online travel business for the benefit of certain of its current and future franchisees. This arrangement was 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 did not have the in-house expertise to develop new technology for Internet web sites, the Company outsourced the development of certain Internet assets and website features to Trip Network through the existing arrangement. Since the advance was repayable to the Company only if the development resulted in the achievement of certain financial results, such amount was expensed

by the Company during 2001 and was included as a component of restructuring and other unusual charges in the Consolidated Statement of Income.

During 2003 (from January through March) and 2002, the Company derived revenues of $1 million and $3 million, respectively, from two separate lease and licensing agreements with Trip Network, which were entered into during October 2001 (the revenue recorded during 2001 was insignificant). In connection with these agreements, 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 had a one-year term and was renewable at Trip Network's option for 40 additional one-year periods. The Cheaptickets.com license agreement had a 40-year term. Under these agreements, the Company received a license fee of 3% of revenues generated by Trip.com and Cheaptickets.com during the term of the agreements. The royalty rate was negotiated with and approved by Trip Network's board of directors. The Company proposed this royalty rate based upon market rate analysis of similar licensing type agreements. In connection with this agreement, the Company also received warrants to purchase up to 46,000 shares of Trip Network common stock, which were 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 warrants were also negotiated with and approved by Trip Network's board of directors.

During 2002, the Company also recognized $5 million of revenue in connection with a travel services agreement with Trip Network (the revenue recorded during 2003 and 2001 was de minimis). In connection with this agreement, the Company provided Trip Network with call center services, processed and supported Trip Network's booking and fulfillment of travel transactions and provided travel-related products and services to maintain and develop relationships, discounts and favorable commissions with travel vendors. For these services, the Company received a fee of cost plus an applicable mark-up (6%), which was determined based upon an examination of profit margins in the travel agency industry.

Additionally, during October 2001, the Company entered into a 40-year global distribution services subscriber agreement with Trip Network, whereby the Company provided all global distribution services for Trip Network. Pursuant to such agreement, the Company, through its Galileo subsidiary, received payments from airlines, car rental agencies and hoteliers each time Trip Network booked a reservation using the Galileo global distribution system. 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 $42 million as compensation for booking segments through Galileo. Accordingly, on the date of commitment, the Company recorded an asset of $42 million for prepaid incentive fees, which was being amortized over 40 years. 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 during 2003 (prior to the acquisition), 2002 and 2001 was not material. As of December 31, 2002, the prepaid asset approximated $41 million and was included within other non-current assets on the Consolidated Balance Sheet.

The preferred stock investment, which was convertible into approximately 80% of Trip Network's common stock on a fully diluted basis, was non-voting and accounted for using the cost method. The preferred stock investment was not convertible prior to March 31, 2003, except upon a change of control of Trip Network. As of December 31, 2002, the Company's preferred equity interest in Trip Network approximated $17 million and was included within other non-current assets on our Consolidated Balance Sheet. During the years ended December 31, 2003, 2002 and 2001, the Company did not record any dividend income relating to its preferred equity interest in Trip Network. The warrants were exercisable, at the Company's option, 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. The Company was not obligated or contingently liable for any debt incurred by Trip Network.

FFD Development Company, LLC

As previously discussed in Note 4—Acquisitions, the Company acquired FFD on February 3, 2003. Accordingly, FFD has been included within the Company's consolidated results of operations, cash flows and financial position since February 3, 2003. Prior to the Company's acquisition of Fairfield in April 2001, Fairfield operated its own property acquisition, planning, design and construction functions. These functions were transferred by Fairfield to FFD immediately prior to the Company's acquisition of Fairfield, along with Fairfield employees who were responsible for these functions. FFD was created by Fairfield to acquire real estate for construction of vacation ownership units that are sold to Fairfield upon completion.

Upon creation of FFD, Fairfield contributed approximately $60 million of timeshare inventory and $4 million of cash to FFD in exchange for all of the common and preferred equity interests of FFD. Fairfield then contributed all the common equity interests of FFD to an independent trust, FFD Trust, and retained a convertible preferred equity interest in FFD and a warrant to purchase FFD's common equity. In connection with the Company's acquisition of Fairfield, the Company (through its Fairfield subsidiary) acquired the preferred equity interest, which approximated $70 million as of December 31, 2002 and the warrant to purchase a common equity interest in FFD. The convertible preferred equity interest was convertible at any time. The warrant was not exercisable until April 2004 except upon the occurrence of specified events, including the Company's conversion of more than half of the preferred equity interest into common equity interests. The warrant was 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 was 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 2003 (prior to the acquisition), 2002 and 2001, the Company recognized dividend income on its preferred interest of $1 million, $11 million and $6 million, respectively, which was paid-in-kind on a quarterly basis based on 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 FFD Trust. Upon the conversion of such 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.

Under the development contracts with FFD, the Company was obligated to purchase resort properties from FFD. However, the Company was not obligated to purchase the resort properties until construction was completed to the contractual specifications, a certificate of occupancy was delivered and clear title was obtained. During 2002 and 2001, the Company purchased $87 million and $40 million, respectively, of timeshare interval inventory and land from FFD. FFD was 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 allowed for FFD to charge cost plus an applicable mark-up, which was 16.3% and 17.4% in 2002 and 2001, respectively, including the sale of land. Such fee arrangement was provided for in the operating agreement

between Fairfield and FFD. During 2002 and 2001, such fees approximated $13 million and $7 million, respectively, and were included within operating expenses on the

Company's Consolidated Statements of Income. The purchase price, which included FFD's fee, was agreed upon by Fairfield and FFD based upon the cost of construction. The delivery date was agreed upon by Fairfield and FFD based upon the time necessary to complete construction and when Fairfield required the completed inventory for sale and deeding to its customers. During 2003 (prior to the acquisition), the Company's purchases of timeshare interval inventory and land were de minimis. The Company also leased office space to FFD and provided various services to FFD (including general management services, information and technology support and human resources administration) in exchange for a fee, which approximated $1 million, $7 million and $5 million during 2003 (prior to the acquisition), 2002 and 2001, respectively.

Pursuant to the operating agreement, Fairfield had the right to appoint three persons to the six person board of managers of FFD and the remaining three members were appointed by the FFD Trust. As of December 31, 2002, the Company was not obligated or contingently liable for any obligations incurred by FFD.

NRT Incorporated

As previously discussed in Note 4—Acquisitions, on April 17, 2002, the Company purchased all the outstanding common stock of NRT from Apollo Management, L.P. ("Apollo"). Accordingly, NRT has been included in the Company's consolidated results of operations and financial position since April 17, 2002. Prior to the Company's acquisition of NRT, the Company maintained a preferred stock investment in NRT and NRT operated as a joint venture between the Company and Apollo that acquired independent real estate brokerages, converted them to one of the Company's real estate brands and operated the brand under a 50-year franchise agreement with the Company. Reflected in the Company's Consolidated Statements of Income within net revenues are the following amounts associated with the Company's relationship with NRT prior to its acquisition:

	Year Ended December 31,	
	2002 [a]	2001
Royalty and marketing fees	$ 66	$ 220
Real estate referral fees [b]	9	37
Dividend income	10	27
Other fees [c]	16	16

(a) From the period January 1, 2002 through April 17, 2002 (the date of acquisition of NRT by the Company).
(b) Represents fees received in connection with clients referred to NRT by the Company's relocation business.
(c) Primarily represents fees paid by NRT in connection with the partial termination of franchise agreements under which NRT operated brokerage offices under the Company's ERA (2002) and Century 21 (2001) real estate brands.

Also reflected in the Company's Consolidated Statements of Income within non-program related depreciation and amortization expense during 2002 (prior to the acquisition) and 2001 was $7 million and $18 million, respectively, of amortization expense relating to the 50-year franchise agreements.

Tax Services of America, Inc.

On January 18, 2002, the Company acquired all the common stock of TSA for $4 million. Accordingly, TSA has been included in the Company's consolidated results of operations and financial position since January 18, 2002. Prior to the Company's acquisition of TSA, the Company maintained a preferred stock investment in TSA and TSA operated as a joint venture between the Company and two of its Jackson Hewitt subsidiary 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 tax preparation locations 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 tax preparation locations to TSA in exchange for shares of common stock of TSA. Reflected in the Company's Consolidated Statement of Income within net revenues is

$9 million during 2001 of revenue generated from the Company's relationship with TSA. Revenues recorded by the Company during 2002 prior to its acquisition of TSA on January 18, 2002 were de minimis.

Avis Group Holdings, Inc.

As discussed in Note 4—Acquisitions, on March 1, 2001, the Company purchased all the outstanding common stock of Avis. Accordingly, Avis has been included in the Company's consolidated results of operations and financial position since March 1, 2001. Prior to the Company's acquisition of Avis, the Company maintained both a common and preferred equity interest in Avis and licensed its Avis trademark to Avis pursuant to a license agreement. 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. Reflected in the Company's Consolidated Statements of Income within net revenues for the period January 1, 2001 through March 1, 2001 (the date of acquisition) are royalty fees of $16 million, reservation and data processing fees of $17 million and equity in earnings of $5 million.

Entertainment Publications, Inc.

At December 31, 2002, the Company had a $5 million (approximately 15%) common equity ownership interest in Entertainment Publications, Inc., which was accounted for using the equity method. On November 21, 2002, Entertainment Publications, Inc. entered into a definitive agreement to merge with a third party unrelated to the Company. On March 25, 2003, the Company sold its common stock investment in Entertainment Publications, Inc. for

approximately $33 million in cash. The Company recorded a gain of approximately $30 million on this disposition, which is included within other revenue on the Consolidated Statement of Income for 2003.

29. Selected Quarterly Financial Data—(unaudited)

Provided below is selected unaudited quarterly financial data for 2003 and 2002. 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 Income.

	2003 (*)			
	First	Second	Third	Fourth
Net revenues	$ 4,128	$ 4,617	$ 5,098	$ 4,349
EBITDA	$ 729	$ 801	$ 951	$ 653
Non-program related depreciation and amortization	129	129	129	131
Non-program related interest expense, net	79	80	75	73
Early extinguishments of debt	48	6	4	—
Amortization of pendings and listings	3	4	5	8
Income before income taxes and minority interest	$ 470	$ 582	$ 738	$ 441
Income from continuing operations	$ 309	$ 382	$ 486	$ 288
Cumulative effect of accounting change	—	—	(293)	—
Net income	$ 309	$ 382	$ 193	$ 288
CD common stock per share information:				
Basic				
Income from continuing operations	$ 0.30	$ 0.38	$ 0.48	$ 0.29
Net income	$ 0.30	$ 0.38	$ 0.19	$ 0.29
Weighted average shares	1,028	1,017	1,013	1,011
Diluted				
Income from continuing operations	$ 0.30	$ 0.37	$ 0.47	$ 0.28
Net income	$ 0.30	$ 0.37	$ 0.19	$ 0.28
Weighted average shares	1,040	1,039	1,039	1,042
CD common stock market prices:				
High	$ 13.95	$ 18.39	$ 19.30	$ 22.30
Low	$ 10.56	$ 12.67	$ 16.94	$ 18.37

(*) Income from continuing operations for first, second, third and fourth quarters includes charges of $7 million ($5 million, after tax), $8 million ($5 million, after tax), $15 million ($10 million, after tax) and $4 million ($3 million, after tax), respectively, primarily related to the acquisition and integration of Budget (principally consisting of costs related to the integration of Budget's technology systems with the Company's platform).

	2002			
	First	Second (a)	Third (b)	Fourth (c)
Net revenues	$ 2,637	$ 3,811	$ 3,863	$ 3,876
EBITDA	$ 651	$ 778	$ 617	$ 597
Non-program related depreciation and amortization	105	111	121	129
Non-program related interest expense, net	65	60	68	69
Early extinguishments of debt	—	38	4	—
Amortization of pendings and listings	—	194	45	17
Income before income taxes and minority interest	$ 481	$ 375	$ 379	$ 382
Income from continuing operations	$ 315	$ 239	$ 250	$ 247
Income from discontinued operations, net of tax	27	24	—	—
Loss on disposal from discontinued operations, net of tax	—	(256)	—	—
Net income	$ 342	$ 7	$ 250	$ 247

CD common stock per share information:				
Basic				
Income from continuing operations	$ 0.32	$ 0.23	$ 0.24	$ 0.24
Net income	$ 0.35	$ 0.01	$ 0.24	$ 0.24
Weighted average shares	979	1,023	1,039	1,034
Diluted				
Income from continuing operations	$ 0.31	$ 0.23	$ 0.24	$ 0.24
Net income	$ 0.34	$ 0.01	$ 0.24	$ 0.24
Weighted average shares	1,018	1,053	1,058	1,045
CD common stock market prices:				
High	$ 19.99	$ 19.03	$ 15.66	$ 12.88
Low	$ 15.35	$ 15.15	$ 10.75	$ 9.04

(a) Income from continuing operations includes $13 million ($8 million, after tax or $0.01 per diluted share) of acquisition and integration charges primarily related to the acquisition of NRT and subsequent acquisitions made by NRT and an outsourcing agreement with IBM.

(b) Income from continuing operations includes $11 million ($7 million, after tax or $0.01 per diluted share) of acquisition and integration charges primarily related to the acquisition of NRT and subsequent acquisitions made by NRT and the acquisitions of Trendwest and Equivest Finance Inc.

(c) Income from continuing operations includes (i) $5 million ($3 million, after tax) of acquisition and integration charges primarily related to the acquisition of NRT and subsequent acquisitions made by NRT and (ii) $119 million ($75 million, after tax or $0.07 per diluted share) of litigation settlement and related costs; partially offset by a credit of $42 million ($26 million, after tax or $0.02 per diluted share) related to the recovery under the Company's directors' and officers' liability insurance policy in connection with derivative actions arising from former CUC-related litigation.

30. Subsequent Events

Trilegiant

After completing a strategic review of the Trilegiant membership business and the Company's existing membership business and its Progeny Marketing Innovations ("Progeny") business during 2003 and as a result of the impact of adopting FIN 46, the Company negotiated with Trilegiant to terminate the contractual rights and intellectual property license the Company had previously granted Trilegiant in 2001. The Company paid $13 million in cash on January 30, 2004 as consideration for such termination. The Company believes that it can achieve revenue and expense synergies by combining Progeny with the new-member marketing performed by Trilegiant. Additionally, as a result of the application of FIN 46, the Company has been consolidating the results of Trilegiant since July 1, 2003 even though it did not have managerial control of the entity. As a result of this transaction, the Company now has managerial control of Trilegiant through its majority representation on the Trilegiant board of directors. Immediately following consummation of this transaction, Cendant owned approximately 43% on a fully diluted basis.

In connection with the transaction, the Company has regained access to the various tradenames, trademarks, logos, service marks and other intellectual property that it had previously licensed to Trilegiant for its use in marketing to new members. Trilegiant will continue to collect membership fees from their members that existed as of January 30, 2004, including their renewals. The Company will provide fulfillment services (including collecting cash, paying commissions, processing refunds, providing membership services and benefits and maintaining specified service level standards) for Trilegiant's members in exchange for a servicing fee. Trilegiant will no longer have the ability to market to new members.

In connection with this new relationship, the Company executed the following contracts: (i) termination of leases of the Company's assets by Trilegiant, (ii) termination of the original third party administration agreement, (iii) a new third party administration agreement whereby the Company will perform fulfillment services for Trilegiant, (iv) leasing of certain Trilegiant fixed assets from Trilegiant, (v) offer of employment to substantially all of Trilegiant's employees and (vi) other incidental agreements. These contracts were negotiated on an arms-length basis and have terms that the Company's management believes are reasonable from an economic standpoint and consistent with what management would expect from similar arrangements with other parties. None of these contracts will have an impact on the Company's consolidated financial statements as the Company will continue to consolidate Trilegiant subsequent to this transaction. In connection with the Trilegiant transaction, the parties agreed to liquidate and dissolve Trilegiant in an orderly fashion when and if the number of Trilegiant members decreases below 1.3 million, provided that such dissolution may not occur prior to January 2007.

On January 30, 2004, Trilegiant had net deferred tax assets of approximately $121 million, which were mainly comprised of net operating loss carryforwards expiring in years 2021, 2022 and 2023. These deferred tax assets were fully reserved for by Trilegiant through a valuation allowance, as Trilegiant had not been able to demonstrate future profitability due to the large marketing expenditures incurred (new member marketing has historically been Trilegiant's single largest expenditure). However, given the fact that Trilegiant will no longer incur marketing expenses (as they no longer have the ability to market to new members as a result of this transaction) and any subsequent marketing will be conducted by the Company, the Company now believes that it is more likely than not that Trilegiant will generate sufficient taxable income (as it will continue to recognize revenue from Trilegiant's existing membership base in the form of renewals and the lapsing of the refund privilege period) to utilize its net operating loss carryforwards within the statutory periods. Accordingly, Trilegiant reversed the entire valuation allowance of $121 million in January 2004, which will result in a reduction to the Company's consolidated tax provision during first quarter 2004 of $121 million, with a corresponding increase in consolidated net income. The $13 million cash payment the Company made

to Trilegiant to terminate the contractual rights and other intellectual property was also recorded by the Company as a component of its provision for income taxes line item on the Consolidated Statement of Income for first quarter 2004 and partially offsets the $121 million reversal of Trilegiant's valuation allowance.

On January 30, 2004, Trilegiant changed its legal name to TRL Group, Inc.

In connection with the above transaction, the Company also acquired Trilegiant Loyalty Solutions, Inc., a wholly-owned subsidiary of Trilegiant, for $20 million in cash. Trilegiant Loyalty Solutions offers wholesale loyalty enhancement services primarily to credit card issuers.

Sale of Homestore Common Stock

During January and February 2004, the Company sold 3.4 million shares of Homestore common stock in exchange for approximately $13 million in cash, pursuant to the equity range forward contract. Also, in January and February 2004, the Company sold 4.3 million shares of Homestore common stock in exchange for $19 million in cash.

Redemption of Zero Coupon Senior Convertible Contingent Notes

In connection with the Company's intention to redeem its outstanding zero coupon senior convertible contingent notes, virtually all holders elected to convert their notes into shares of CD common stock. Accordingly, the Company issued approximately 22 million shares in exchange for approximately $430 million in notes (carrying value) during February 2004 and intends to use available cash that otherwise would have been used to redeem these notes to repurchase a corresponding number of shares in the open market.

Share Repurchases

During January and February 2004, the Company repurchased 20.7 million shares of its CD common stock at an average price of $22.79 for aggregate cash of approximately $471 million. On February 11, 2004, the Company's Board of Directors approved a $750 million increase in the common stock repurchase program. As of February 27, 2004, the Company had $737 million availability under the Board-approved repurchase program.

Declaration of Dividend

On February 11, 2004, the Company's Board of Directors declared a quarterly cash dividend of $0.07 per common share, payable March 16, 2004 to stockholders of record February 23, 2004.

Sotheby's International Realty

On February 17, 2004, the Company acquired the domestic residential real estate brokerage operations of Sotheby's International Realty ("Sotheby's") and obtained the rights to create a Sotheby's franchise system pursuant to an agreement to lease the Sotheby's name. Such license agreement has a 100-year term, which consists of an initial 50-year term and a 50-year renewal option. The Company will pay a licensing fee to Sotheby's Holdings, Inc., the former parent of Sotheby's, for the use of the Sotheby's name. The total cash purchase price for these transactions was approximately $100 million.

* * * *

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, dated as of February 24, 1998, between the Company and The Bank of Nova Scotia Trust Company of New York, as Trustee (Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 filed on January 29, 1998).
4.3	Form of $6^{7}/_{8}$% 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).
4.4	Indenture, dated as of January 13, 2003, between Cendant Corporation and The Bank of Nova Scotia Trust Company of New York, as Trustee (Incorporated by reference to the Company's Current Report on Form 8-K dated January 17, 2003).
4.5	Form of 6.250% Senior Note due 2013 and Form of 7.375% Senior Note due 2008 (Incorporated by reference to Exhibits 4.2 and 4.3, respectively, to the Company's Current Report on Form 8-K dated January 17, 2003).
4.6	Indenture, dated as of 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).
4.7	First Supplemental Indenture, dated as of May 1, 2002, to the Indenture, dated as of May 4, 2001, between the Company and The Bank of New York, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 1, 2002).
4.8	Fourth Supplemental Indenture, dated as of July 27, 2001, to the Indenture, dated as of February 24, 1998, between Cendant Corporation and The Bank of Nova Scotia Trust Company of New York, as Trustee (pursuant to which the 6.75% 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 dated July 31, 2001).
4.9	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 by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated July 31, 2001).
4.10	Form of Upper DECS Certificate (included in Exhibit 4.9).
4.11	Form of 6.75% Senior Note (included in Exhibit 4.8).
4.12	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 dated July 31, 2001).

4.13	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 dated December 6, 2001).
4.14	Form of $3^{7}/_{8}$% Convertible Senior Debenture due 2011 (included in Exhibit 4.13).
4.15	Indenture, dated as of 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).
4.16	Supplemental Indenture No. 1, dated as of November 6, 2000, to the Indenture, dated as of 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).
4.17	Supplemental Indenture No. 3, dated as of May 30, 2002, to the Indenture dated, as of 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 June 4, 2002).
4.18	Form of 6.000% Note due 2008 of PHH Corporation (Incorporated by reference to Exhibit 4.4 of PHH Corporation's Current Report on Form 8-K dated February 24, 2003).
4.19	Form of 7.125% Note due 2013 of PHH Corporation (Incorporated by reference to Exhibit 4.5 of PHH Corporation's Current Report on Form 8-K dated February 24, 2003).
4.20	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 for the quarterly period ended June 30, 2002 dated August 14, 2002).
4.21	Form of PHH Corporation Internote (Incorporated by reference to PHH Corporation's Form 10-K for the year ended December 31, 2002 dated March 5, 2003).
4.22(a)	Indenture, dated as of June 30, 1999, among Avis Group Holdings, Inc., the Subsidiary Guarantors and The Bank of New York, as Trustee (Incorporated by reference to Avis Group Holdings, Inc.'s Registration Statement on Form S-4 filed on August 31, 1999).
4.22(b)	Form of 11% Senior Subordinated Note due 2009 of Avis Group Holdings. (Included in Exhibit 4.22(a).
4.22(c)	Supplemental Indenture, dated as of April 2, 2001, to the Indenture, dated as of June 30, 1999, among Avis Group Holdings, Inc., the Subsidiary Guarantors and The Bank of New York, as Trustee (Incorporated by reference to Avis Group Holdings, Inc.'s Current Report on Form 8-K dated April 13, 2001).
10.1(a)	Amended and Extended Employment Agreement dated as of July 1, 2002 by and between Cendant Corporation and Henry R. Silverman (Incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.1(b)	First Amendment to Amended and Extended Employment Agreement of Henry R. Silverman, dated July 28, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).

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 dated March 29, 1999).
10.2(c)	Amendment to Agreement with Stephen P. Holmes, dated January 3, 2001 (Incorporated by reference to Exhibit 10.2(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 dated April 1, 2002).
10.2(d)	Letter Agreement of Stephen P. Holmes, dated May 2, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
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 dated March 29, 1999).
10.3(c)	Amendment to Agreement with James E. Buckman, dated January 3, 2001 (Incorporated by reference to Exhibit 10.3(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 dated April 1, 2002).
10.3(d)	Letter Agreement of James E. Buckman, dated May 2, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.4(a)	Agreement with Richard A. Smith, dated June 2, 2001 (Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 dated April 1, 2002).
10.4(b)	Letter Agreement of Richard A. Smith, dated May 2, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.5	Agreement with Samuel L. Katz, dated October 1, 2003.
10.6(a)	Employment Agreement with Kevin M. Sheehan, dated April 1, 2003 (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on From 10-Q for the quarterly period ended March 31, 2003 dated May 9, 2003).
10.6(b)	Letter Agreement of Kevin M. Sheehan, dated May 2, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.7(a)	Agreement with Scott E. Forbes, dated April 1, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 dated May 9, 2003).
10.7(b)	Letter Agreement of Scott E. Forbes, dated May 2, 2003 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.8	Agreement with Ronald L. Nelson, dated April 14, 2003 (Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated April 16, 2003).

10.9(a)	1987 Stock Option Plan, as amended (Incorporated by reference to Exhibit 10.16 to the Company's Form 10-Q for the quarterly period ended October 31, 1996 dated December 13, 1996).
10.9(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).
10.10	Galileo International 1999 Equity and Performance Incentive Plan (Incorporated by reference to the Company's Registration Statement on Form S-8, File No. 333-64738, dated October 2, 2001).
10.11	Trendwest Resorts, Inc. 1997 Employee Stock Option Plan (Incorporated by reference to the Company's Registration Statement on Form S-8, File No. 333-89686, dated June 3, 2002).
10.12(a)	1997 Stock Option Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 1997 dated June 16, 1997).
10.12(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(c)	Amendment to 1997 Stock Option Plan dated March 19, 2002 (Incorporated by reference to Exhibit 10.11(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 dated March 5, 2003).
10.13(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).
10.13(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).
10.13(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).
10.13(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).
10.14(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).
10.14(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).
10.14(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).
10.14(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).

10.14(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).
10.14(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).
10.14(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).
10.14(h)	Seventh Amendment to the Amended and Restated 1993 Stock Option Plan dated 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).
10.14(i)	Eighth Amendment to the Amended and Restated 1993 Stock Option Plan dated 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).
10.15(a)	1997 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).
10.15(b)	Amendment to 1997 Employee Stock Plan dated January 3, 2001.
10.16(a)	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 dated March 29,1999).
10.16(b)	1999 Directors Deferred Compensation Plan (Incorporated by reference to Exhibit 10.16(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 dated March 5, 2003).
10.16(c)	Amendment to Certain Stock Plans (Incorporated by reference to Exhibit 10.16(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 dated March 5, 2003).
10.17	1999 Broad-Based Employee Stock Option Plan, including the Third Amendment dated March 19, 2002, Second Amendment dated April 2, 2001 and First Amendment dated March 29, 1999 (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form10-K for the year ended December 31, 2002 dated March 5, 2003).
10.18(a)	Three Year Competitive Advance and Revolving Credit Agreement dated as of December 10, 2002 among Cendant Corporation, as Borrower, the lenders referred to therein, JPMorgan Chase Bank, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and The Bank of Nova Scotia, Citibank, N.A. and Barclays Bank Plc, as Co-Documentation Agents (Incorporated by reference to the Company's Current Report on Form 8-K dated December 11, 2002).
10.18(b)	First Amendment, dated as of June 26, 2003, to the Three Year Competitive Advance and Revolving Credit Agreement dated as of December 10, 2002 among Cendant Corporation and the financial institutions parties thereto (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 dated November 6, 2003).

10.18(c)	Second Amendment, dated as of October 29, 2003, to the Three Year Competitive Advance and Revolving Credit Agreement dated as of December 10, 2002 among Cendant Corporation and the financial institutions parties thereto (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 dated November 6, 2003).
10.19	Amended and Restated Competitive Advance and Revolving Credit Agreement, dated as of March 4, 1997, as amended and restated through July 3, 2003, among PHH Corporation, the lenders thereto, and JPMorgan Chase Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.1 to PHH Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.20(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 financial institutions parties thereto and The Chase Manhattan Bank, as Administrative Agent (Incorporated by reference to Exhibit 10.24(b) to PHH Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).
10.20(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).
10.20(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 dated March 29, 2002).
10.21	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 dated March 1, 2000).
10.22	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).
10.23	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 dated July 31, 2001).
10.24	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).
10.25	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 dated November 14, 2000).
10.26	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).

10.27	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).
10.28	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).
10.29	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).
10.30	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).
10.31	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).
10.32	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).
10.33	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).
10.34	Amended and Restated Administration Agreement, dated as of September 15, 1998, between 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 dated March 29, 2002).
10.35	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 dated March 29, 2002).

10.36	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 dated March 29, 2002).
10.37	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 dated March 29, 2002).
10.38	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 dated March 29, 2002).
10.39	Series 2002-1 Supplement, dated as of July 25, 2002, between AESOP Funding II L.L.C., as issuer, and The Bank of New York, as trustee and Series 2002-1 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, 2002 dated March 6, 2003).
10.40	Amended and Restated Series 2002-2 Supplement, dated as of November 22, 2002, among AESOP Funding II L.L.C., as issuer, Avis Rent A Car System, Inc., as servicer, JPMorgan Chase Bank, as administrative agent, certain CP Conduit Purchasers, certain Funding Agents, certain APA banks, and The Bank of New York, as trustee and Series 2002-2 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, 2002 dated March 6, 2003).
10.41	Series 2003-5 Supplement, dated as of October 9, 2003, among AESOP Funding II L.L.C., as issuer and The Bank of New York, as trustee and Series 2003-5 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, as trustee.
10.42	Series 2003-1 Indenture Supplement, dated as of August 14, 2003, between Chesapeake Funding LLC, as issuer and JPMorgan Chase Bank, as indenture trustee (Incorporated by reference to Exhibit 10.2 of Chesepeake Funding LLC's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 dated November 13, 2003).
10.43	Series 2003-2 Indenture Supplement, dated as of November 19, 2003, between Chesapeake Funding LLC, as issuer and JPMorgan Chase Bank, as indenture trustee.
10.44	Series 2003-4 Supplement, dated as of June 19, 2003, 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, as Trustee and Series 2003-4 Agent (Incorporated by reference to Avis Group Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 13, 2003).

10.45	Supplemental Indenture No. 1, dated as of October 28, 1999, between Greyhound Funding LLC and The Chase Manhattan Bank, as Indenture Trustee, 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, File No. 333-40708, filed on March 19, 2001).*
10.46	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).*
10.47	Series 2002-1 Indenture Supplement, between Chesapeake Funding LLC (formerly known as Greyhound Funding LLC), as issuer and JPMorgan Chase Bank, as indenture trustee, dated as of June 10, 2002 (Incorporated by reference to Chesapeake Funding LLC's Annual Report on Form 10-K for the year ended December 31, 2002).
10.48	Series 2002-2 Indenture Supplement, between Chesapeake Funding LLC (formerly known as Greyhound Funding LLC), as issuer and JPMorgan Chase Bank, as indenture trustee, dated as of December 16, 2002 (Incorporated by reference to Chesapeake Funding LLC's Annual Report on Form 10-K for the year ended December 31, 2002).
10.49	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).*
10.50(a)	Supplemental Indenture No. 2, dated as of May 27, 2003, to Base Indenture, dated as of June 30, 1999, as supplemented by Supplemental Indenture No. 1, dated as of October 28, 1999, between Chesapeake Funding LLC (formerly known as Greyhound Funding LLC) and JPMorgan Chase Bank, as trustee (Incorporated by reference to Chesapeake Funding LLC's Quarterly Report on Form 10-Q for the period ended June 30, 2003).
10.50(b)	Series 2003-2 Supplement dated as of March 6, 2003 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, as Trustee and Series 2003-2 Agent (Incorporated by reference to Avis Group Holdings, Inc.'s quarterly report on Form 10-Q for the quarterly period ended March 31, 2003 dated May 14, 2003).
10.50(c)	Series 2003-1 Supplement dated as of January 28, 2003 to the Amended and Restated Base Indenture dated as of July 30, 1997 between AESOP Funding II LLC, as Issuer, Avis Rent A Car System, Inc., as Administrator, Cendant Corporation, as Purchaser and The Bank of New York, as Trustee and Series 2003-1 Agent (Incorporated by reference to Avis Group Holdings, Inc.'s quarterly report on Form 10-Q for the quarterly period ended March 31, 2003 dated May 14, 2003).
10.51	Supplemental Indenture No. 3, dated as of June 18, 2003, to Base Indenture, dated as of June 30, 1999, as supplemented by Supplemental Indenture No. 1, dated as of October 28, 1999, and Supplemental Indenture No. 2, dated as of May 27, 2003, between Chesapeake Funding LLC (formerly known as Greyhound Funding LLC) and JPMorgan Chase Bank, as trustee (Incorporated by reference to Exhibit 10.2 to Chesapeake Funding LLC's Quarterly Report on Form 10-Q for the period ended June 30, 2003).

10.52	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 dated March 29, 2002).
10.53	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 dated March 29, 2002).
10.54	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 dated March 29, 2002).
10.55	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 (Incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.56	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 (Incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.57	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 (Incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated on November 4, 2002).
10.58(a)	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 (Incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.58(b)	Master Loan Purchase Agreement dated as of August 29, 2002 between Trendwest Resorts, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser (Incorporated by reference to Exhibit 10.65 to the Company's Annual Report on Form10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.58(c)	Series 2001 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 (Incorporated by reference to Exhibit 10.66 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).

10.59	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 (Incorporated by reference to Exhibit 10.68 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.60	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 (Incorporated by reference to Exhibit 10.69 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.61	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 (Incorporated by reference to Exhibit 10.70 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002).
10.62	First Amendment, dated as of July 17, 2003, to Master Indenture and Servicing Agreement, dated as of August 29, 2002, among Sierra Receivables Funding Company, LLC, Fairfield Acceptance Corporation—Nevada, as Master Servicer, Wachovia Bank, National Association, as Trustee and as Collateral Agent (Incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.63(a)	Third Amendment, dated as of July 17, 2003, to Series 2002-1 Supplement to Master Indenture and Servicing Agreement, dated as of August 29, 2002, among Sierra Receivables Funding Company, LLC, Fairfield Acceptance Corporation—Nevada, as Master Servicer, Wachovia Bank, National Association, as Trustee and as Collateral Agent (Incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.63(b)	Fourth Amendment, dated as of October 14, 2003, to Series 2002-1 Supplement to Master Indenture and Servicing Agreement, dated as of August 19, 2002 among Sierra Receivables Funding Company, LLC, Fairfield Acceptance Corporation-Nevada, as Master Servicer, Wachovia Bank, National Association, as Trustee and as Collateral Agent (Incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2003).
10.64	Second Amendment, dated as of July 17, 2003, to Master Loan Purchase Agreement, dated as of August 29, 2002, among Fairfield Acceptance Corporation-Nevada, as Seller, Fairfield Resorts, Inc. and Fairfield Myrtle Beach, Inc., as Co-Orginators, Kona Hawaiian Vacation Ownership, LLC, as an Originator, each VB Subsidiary referred to therein and each VB Partnership referred to therein and Sierra Deposit Company, LLC (Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.65	Second Amendment, dated as of July 17, 2003, to Series 2002-1 Supplement to Master Loan Purchase Agreement, dated as of August 29, 2002, among Fairfield Acceptance Corporation—Nevada, as Seller, Fairfield Resorts, Inc. and Fairfield Myrtle Beach, Inc., as Co-Originators, Kona Hawaiian Vacation Ownership, LLC, as an Originator, each VB Subsidiary referred to therein and each VB Partnership referred to therein and Sierra Deposit Company, LLC, as Purchaser (Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).

10.66	First Amendment, dated as of July 17, 2003, to Master Loan Purchase Agreement, dated as of August 29, 2002, between Trendwest Resorts, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser (Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.67	First Amendment, dated as of July 17, 2003, to Series 2002-1 Supplement to Master Loan Purchase Agreement, dated as of August 29, 2002, between Trendwest Resorts, Inc., as Seller, and Sierra Deposit Company, LLC, as Purchaser (Incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.68	First Amendment, dated as of July 17, 2003, to Pool Purchase Agreement Supplement, dated as of August 29, 2002, between Sierra Deposit Company, LLC, as Depositor and Sierra Receivables Funding Company, LLC, as Issuer (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 dated August 7, 2003).
10.69	Indenture and Servicing Agreement dated as of March 31, 2003 by and among Sierra 2003-1 Receivables Funding Company, LLC, as Issuer and Fairfield Acceptance Corporation—Nevada, as Servicer and Wachovia Bank, National Association, as Trustee and

	Wachovia Bank, National Association, as Collateral Agent (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 dated May 14, 2003).
10.70	Indenture and Servicing Agreement dated as of December 5, 2003 by and among Sierra 2003-2 Receivables Funding Company, LLC, as Issuer and Fairfield Acceptance Corporation -Nevada, as Servicer and Wachovia Bank, National Association, as Trustee and Wachovia Bank, National Association, as Collateral Agent.
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 (Incorporated by reference to Exhibit 10.71 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001dated November 4, 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 (Incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 dated November 4, 2002 dated November 4, 2002).
10.73	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 quarterly period ended September 30, 2002 dated November 4, 2002).
10.74	Second Amended and Restated Mortgage Loan Repurchase and Servicing Agreement dated as of December 16, 2002 among Sheffield Receivables Corporation, as Purchaser, Barclays Bank Plc, New York Branch, as Administrative Agent, Cendant Mortgage Corporation, as Seller and Servicer and PHH Corporation, as Guarantor (Incorporated by reference to PHH Corporation's Form 10-K for the year ended December 31, 2002 dated March 5, 2003).

10.75	Agreement with Thomas D. Christopoul, dated October 1, 2003.
10.76	Cendant Corporation Executive Officer Supplemental Life Insurance Program.
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Registrant.
23	Consent of Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Greyhound Funding LLC is now known as Chesapeake Funding LLC.

QuickLinks

Exhibit 10.5

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Employment Agreement dated as of April 1, 1999 and amended and restated as of June 5, 2000, by and between Cendant Corporation, a Delaware corporation ("Cendant") and Samuel L. Katz (the "Executive"), is hereby further amended and restated as of October 1, 2003 (this "Agreement").

WHEREAS, Cendant desires to employ the Executive as Chairman and Chief Executive Officer of Cendant's Travel Distribution Services Division, and Co-Chairman of Cendant's Financial Services Division, and the Executive desires to serve Cendant in such capacities.

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

SECTION I
EMPLOYMENT

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

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as Chairman and Chief Executive Officer of Cendant's Travel Distribution Services Division ("TDSD"), and Co-Chairman of Cendant's Financial Services Division ("FSD"), and subject to the direction of the Chief Executive Officer of Cendant (the "CEO"), will perform such duties and exercise such supervision with regard to the business of Cendant as are associated with such position, as well as such additional duties as may be prescribed from time to time by the CEO. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant. The Executive will be required to certify the accuracy of financial statements and results applicable to business units under his control, subject to and in accordance with Cendant policy in effect from time to time. The Executive will maintain a primary office and conduct his business in New York, New York, except for normal and reasonable business travel in connection with his duties hereunder.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will begin on the date hereof and end on December 31, 2005, subject to extension or termination as provided in this Agreement.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of Cendant or any subsidiary or affiliate thereof, the Executive will be compensated as follows:

i. Base Salary.

Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than $762,500 per year. From time to time, the Executive will be eligible to receive annual increases as the Compensation Committee of the Board of Directors of Cendant (the "Committee") deems appropriate, in accordance with Cendant's customary procedures regarding the salaries of senior officers, but with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area. Base Salary will be payable according to the customary payroll practices of Cendant, but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus opportunity in respect of each fiscal year of Cendant during the Period of Employment based upon a target bonus ("Target Bonus") equal to not less than 100% of Base Salary, subject to Cendant's, TDSD's and/or FSD's attainment of applicable performance targets established and certified by the Committee. The parties acknowledge that it is currently contemplated that such performance targets will be stated in terms of "earnings before interest and taxes" of Cendant, TDSD and/or FSD, however such targets may relate to such other financial and business criteria of Cendant, or any of their respective subsidiaries or business units, as determined by the Committee in its sole discretion (each such annual bonus, an "Incentive Compensation Award"). The Target Bonus in respect of each Incentive Compensation Award will be no less favorable (with respect to the opportunity to

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earn a percentage of Base Salary) than the Target Bonus applicable to other similarly situated senior executive officers who report directly to the CEO.

iii. Long-Term Incentive Awards

The Executive will be eligible for annual equity incentive awards, subject to the sole discretion of the Committee. To the extent any such awards are granted pursuant to a company-wide grant or award program, the aggregate compensatory opportunity to be granted to the Executive will be

targeted to provide an aggregate compensatory opportunity to the Executive which is no less favorable than the aggregate compensatory opportunity granted to other similarly situated senior executive officers who report to the CEO; provided, however, that (i) the actual value of the award granted to the Executive may be modified based upon the past performance of the Executive and/or his managed business units and (ii) the vesting of such award may be subject to the future performance of the Executive and/or his managed business units and; further, provided, that in both cases the application of such performance considerations (whether past or future, and whether individual or business unit related) is applied to each other similarly situation senior executive officer in a comparable manner.

iv. Additional Benefits

The Executive will be entitled to participate in all other employee benefit plans or programs generally provided to active full time employees of Cendant, and will be entitled to receive such other executive benefits and perquisites generally provided to similarly situated senior executive officers of Cendant, under any plan, program or arrangement now in effect, or later established by Cendant. The Executive will participate to the extent permissible under the terms and provisions of such plans, programs or arrangements, and in accordance with the terms of such plans, programs and arrangements.

Pursuant to prior agreement by letter dated May 2, 2003, the Executive agrees that Cendant may terminate the Executive's existing split dollar insurance policy and that the Executive will transfer, immediately upon request by Cendant, all of his rights pursuant to such policy (including rights to the cash surrender value) to Cendant. The Executive will execute such documents necessary to effectuate the foregoing.

SECTION V
BUSINESS EXPENSES

Cendant will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive will comply with such limitations and reporting requirements with respect to expenses as may be established

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by Cendant from time to time and will promptly provide all appropriate and requested documentation in connection with such expenses.

SECTION VI
DISABILITY

If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for Base Salary and Incentive Compensation Awards earned but unpaid as of the date of such termination. In addition, upon such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after June 5, 2000 will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such option to the contrary, shall remain exercisable until the first to occur of the third (3rd) anniversary of the date of such termination and the original expiration date of such option. In addition, upon such event, the restricted stock units granted to the Executive on May 15, 2003 will become immediately and fully vested. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder as a result of serious physical or mental illness or injury for a period of no less than 90 days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of 180 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VII
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for Base Salary and Incentive Compensation Awards earned but unpaid through the date of death, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable. In addition, upon such event, each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after June 5, 2000 will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such options to the contrary, shall remain exercisable (by the Executive's beneficiary or estate, as provided in any applicable option plan or agreement) until the first to occur of the third (3rd) anniversary of such date of termination and the original expiration date of such option. In addition, upon such event, the restricted stock units granted to the Executive on May 15, 2003 will become immediately and fully vested.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates during the Period of Employment due to either a Without Cause Termination or a Constructive Discharge, as defined below, Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge (i) a lump sum amount equal to the sum of the Executive's then current Base Salary, plus the Executive's then current target Incentive Compensation Award, multiplied by three (3); provided, however, that in no event will the Incentive Compensation Award exceed 100% of the Executive's then current Base Salary for purposes of such calculation and (ii) any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination. In addition, in the event of the termination of the Executive's employment due to a Without Cause Termination or a Constructive Discharge (i) each of the Executive's then outstanding options to purchase shares of Cendant common stock which were granted on or after June 5, 2000 will become immediately and fully vested and exercisable and, notwithstanding any term or provision of such option to the contrary, shall remain exercisable until the first to occur of the third (3rd) anniversary of the date of such termination, and the original expiration date of such option and (ii) the restricted stock units granted to the Executive on May 15, 2003 will become immediately and fully vested.

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

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

i. "Termination for Cause" means (i) the Executive's willful failure to substantially perform his duties as an employee of Cendant or any subsidiary thereof (other than any such failure resulting from incapacity due to physical or mental illness), (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against Cendant or any subsidiary, (iii) the Executive's conviction of a felony or any crime involving moral turpitude (which conviction, due to the passage of time or otherwise, is not subject to further appeal), (iv) the Executive's gross negligence in the performance of his duties or (v) the Executive purposefully or negligently makes (or has been found to have made) a false certification to Cendant pertaining to its financial statements.

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ii. "Constructive Discharge" means (i) any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other element of compensation), (ii) a material and adverse change to the Executive's duties and responsibilities to Cendant; provided, that the foregoing (A) includes, without limitation, the Executive no longer directly reporting to the CEO and (B) excludes, without limitation, the Executive no longer serving as Co-Chairman (or Chairman) of FSD in connection with an FSD Sale (as defined below), (iii) the occurrence of a Change of Control Transaction (as defined below), (iv) the occurrence of a Business Unit Event (as defined below), or (v) the Period of Employment expires on December 31, 2005 and Cendant does not offer to extend such Period of Employment on substantially similar professional and economic terms by at least two, and not more than three, additional year(s). The Executive will provide Cendant a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

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

iv. "Resignation" means a termination of the Executive's employment (and each applicable officer and director position held by the Executive) by the Executive, other than in connection with a Constructive Discharge.

v. "Change of Control Transaction" means any transaction or series of transactions pursuant to or as a result of which (i) during any period of not more than 24 months, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a third party who has entered into an agreement to effect a transaction described in clause (ii), (iii) or (iv) of this paragraph (v)) whose election by the Board or nomination for election by Cendant's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (other than approval given in connection with an actual or threatened proxy or election contest), cease for any reason to constitute at least a majority of the members of the Board, (ii) beneficial ownership of 50% or more of the shares of Cendant common stock (or other securities having generally the right to vote for election of the Board) ("Shares") shall be sold, assigned or otherwise transferred, directly or indirectly, other than pursuant to a public offering, to a third party, whether by sale or issuance of Shares or other securities or otherwise, (iii) Cendant or any subsidiary thereof shall sell, assign or otherwise transfer, directly or indirectly, assets (including stock or other securities of subsidiaries) having a fair market or book value or earning power (in terms of current budgeted net income) of 50% or more of the assets or earning power of Cendant and

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its subsidiaries (taken as a whole) to any third party, other than Cendant or a wholly-owned subsidiary thereof or (iv) control over management or operations with respect to 50% or more of the business of Cendant shall be sold, assigned or otherwise transferred directly or indirectly to any third party.

vi. "Business Unit Event" means (i) the sale or disposition by Cendant of all or substantially all of the assets of TDSD or (ii) the Executive is no longer both the Chairman of TDSD and the Co-Chairman (or Chairman) of FSD; provided, however, that a Business Unit Event will not occur in the event of a sale or disposition by Cendant of all or substantially all of the assets of FSD ("FSD Sale"), or in the event that the Executive is no longer Co-Chairman (or Chairman) of FSD in connection with an FSD Sale.

D. Conditions to Payment and Acceleration. All payments due to the Executive under this Section VIII shall be made as soon as practicable; provided, however, that such payments, as well as the modification of the terms of any Cendant options provided under this Section VIII, shall be subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form reasonably agreed to by the parties. The payments due to the Executive under this Section VIII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates. To the extent any term or condition of any option to purchase Cendant common stock conflicts with any term or condition of this Agreement applicable to such option, the term or condition set forth in this Agreement shall govern.

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

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

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of

Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental

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agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

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

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

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

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iv. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 10% of any class of equity interest in a publicly-held company and the term "affiliate" will include without limitation all subsidiaries and licensees of Cendant.

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

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

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

SECTION X
INDEMNIFICATION

Cendant will indemnify the Executive to the fullest extent permitted by the laws of the state of Cendant's incorporation in effect at that time, or the certificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive.

SECTION XI
MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XII
WITHHOLDING TAXES

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

SECTION XIII

EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation and this Agreement will continue in full force and effect.

In the event of any corporate transaction, restructuring or similar event pursuant to which Cendant no longer owns at least 50% of the stock of TDSD or no longer owns substantially all of the assets of TDSD, then Cendant shall have the unilateral right to assign this Agreement to the entity which becomes the successor entity in interest to the business of TDSD in connection with such transaction or event, but only if and to the extent that such successor entity agrees in writing to assume this Agreement and all obligations and undertakings of Cendant hereunder. Upon such event, the term "Cendant" will mean successor entity and this Agreement will continue in full force and effect. Nothing contained in this paragraph is intended to reduce or alter the Executive's right hereunder to claim a Constructive Discharge pursuant to Sections VIII.A and VIII.C.ii above.

SECTION XV
MODIFICATION

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

SECTION XVI
GOVERNING LAW

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

SECTION XVII
ARBITRATION

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

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

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

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

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

SECTION XVIII
SURVIVAL

Sections IX, X, XI, XII, and XVII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XIX
SEPARABILITY

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

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

CENDANT CORPORATION

/s/ Terry Conley

By: Terry Conley
Title: Executive Vice President,
Human Resources

SAMUEL L. KATZ

/s/ Samuel L. Katz

Exhibit 10.15(b)

AMENDMENT TO
AMENDED AND RESTATED 1997 EMPLOYEE STOCK PLAN
OF CENDANT CORPORATION

The Amended and Restated 1997 Employee Stock Plan of Cendant Corporation (the "Plan") is hereby amended as follows:

1. The first paragraph of Section 3 of the Plan is hereby amended and restated to read, in its entirety, as follows:

> The total number of shares of Common Stock reserved and available for grant under the Plan shall be **[the sum of (i)]** twenty-five million (25,000,000) **and (ii) two million, three hundred and seventy eight thousand, nine hundred (2,378,900).** Shares subject to an Award under the Plan may be authorized and unissued shares or may be treasury shares; **[provided however that no less than 2,378,900 shares shall be treasury shares.]**

2. *Ratification.* Except as expressly set forth in this Amendment, the Plan is hereby ratified and confirmed without modification.

3. *Effective Date.* This Amendment shall be effective as of January 3, 2001.

Exhibit 10.41

CONFORMED COPY

AESOP FUNDING II L.L.C.,
as Issuer

and

THE BANK OF NEW YORK,
as Trustee and Series 2003-5 Agent

SERIES 2003-5 SUPPLEMENT
dated as of October 9, 2003

to

AMENDED AND RESTATED BASE INDENTURE
dated as of July 30, 1997

SERIES 2003-5 SUPPLEMENT, dated as of October 9, 2003 (this "Supplement"), among AESOP FUNDING II L.L.C., a special purpose limited liability company established under the laws of Delaware ("AFC-II"), THE BANK OF NEW YORK, a New York banking corporation, as successor in interest to the corporate trust administration of Harris Trust and Savings Bank, as trustee (together with its successors in trust thereunder as provided in the Base Indenture referred to below, the "Trustee"), and THE BANK OF NEW YORK, a New York banking corporation, as agent for the benefit of the Series 2003-5 Noteholders and the Surety Provider (the "Series 2003-5 Agent"), to the Amended and Restated Base Indenture, dated as of July 30, 1997, between AFC-II and the Trustee (as amended, modified or supplemented from time to time, exclusive of Supplements creating a new Series of Notes, the "Base Indenture").

PRELIMINARY STATEMENT

WHEREAS, Sections 2.2 and 12.1 of the Base Indenture provide, among other things, that AFC-II and the Trustee may at any time and from time to time enter into a supplement to the Base Indenture for the purpose of authorizing the issuance of one or more Series of Notes;

NOW, THEREFORE, the parties hereto agree as follows:

DESIGNATION

There is hereby created a Series of Notes of two classes to be issued pursuant to the Base Indenture and this Supplement and such Series of Notes shall be designated generally as Series 2003-5 Rental Car Asset Backed Notes.

The Series 2003-5 Notes will be issued in two classes: one of which shall be designated as the Series 2003-5 2.78% Rental Car Asset Backed Notes, Class A-1 and one of which shall be designated as the Series 2003-5 Floating Rate Rental Car Asset Backed Notes, Class A-2.

The proceeds from the sale of the Series 2003-5 Notes shall be deposited in the Collection Account and shall be paid to AFC-II and used to make Loans under the Loan Agreements to the extent that the Borrowers have requested Loans thereunder and Eligible Vehicles are available for acquisition or refinancing thereunder on the date hereof. Any such portion of proceeds not so used to make Loans shall be deemed to be Principal Collections.

The Series 2003-5 Notes are a non-Segregated Series of Notes (as more fully described in the Base Indenture). Accordingly, all references in this Supplement to "all" Series of Notes (and all references in this Supplement to terms defined in the Base Indenture that contain references to "all" Series of Notes) shall refer to all Series of Notes other than Segregated Series of Notes.

ARTICLE I

DEFINITIONS

(a) All capitalized terms not otherwise defined herein are defined in the Definitions List attached to the Base Indenture as Schedule I thereto. All Article, Section or Subsection references herein shall refer to Articles, Sections or Subsections of this Supplement, except as otherwise provided

herein. Unless otherwise stated herein, as the context otherwise requires or if such term is otherwise defined in the Base Indenture, each capitalized term used or defined herein shall relate only to the Series 2003-5 Notes and not to any other Series of Notes issued by AFC-II.

(b) The following words and phrases shall have the following meanings with respect to the Series 2003-5 Notes and the definitions of such terms are applicable to the singular as well as the plural form of such terms and to the masculine as well as the feminine and neuter genders of such terms:

"AGH" means Avis Group Holdings, Inc., a Delaware corporation.

"Authorized Newspaper" means the *Luxemburger Wort* or other daily newspaper of general circulation in Luxembourg (or if publication is not practical in Luxembourg, in Europe).

"Business Day" means any day other than (a) a Saturday or a Sunday or (b) a day on which the Surety Provider or banking institutions in New York City or in the city in which the corporate trust office of the Trustee is located are authorized or obligated by law or executive order to close.

"Certificate of Lease Deficit Demand" means a certificate in the form of Annex A to the Series 2003-5 Letters of Credit.

"Certificate of Termination Date Demand" means a certificate in the form of Annex D to the Series 2003-5 Letters of Credit.

"Certificate of Termination Demand" means a certificate in the form of Annex C to the Series 2003-5 Letters of Credit.

"Certificate of Unpaid Demand Note Demand" means a certificate in the form of Annex B to the Series 2003-5 Letters of Credit.

"Class" means a class of the Series 2003-5 Notes, which may be the Class A-1 Notes or the Class A-2 Notes.

"Class A-1 Carryover Controlled Amortization Amount" means, with respect to each Related Month during the Class A-1 Controlled Amortization Period, the amount, if any, by which the portion of the Monthly Total Principal Allocation paid to the Class A-1 Noteholders pursuant to Section 2.5(e) for the previous Related Month was less than the Class A-1 Controlled Distribution Amount for the previous Related Month; provided, however, that for the first

Related Month in the Class A-1 Controlled Amortization Period, the Class A-1 Carryover Controlled Amortization Amount shall be zero.

"Class A-1 Controlled Amortization Amount" means with respect to each Related Month during the Class A-1 Notes Controlled Amortization Period $33,333,333.33 ($33,333,333.35 on the Class A-1 Notes Expected Final Distribution Date).

"Class A-1 Controlled Amortization Period" means the period commencing at the opening of business June 1, 2006 (or, if such day is not a Business Day, the Business Day immediately preceding such day) and continuing to the earliest of (i) the commencement of the Series 2003-5 Rapid Amortization Period, (ii) the date on which the Class A-1 Notes are fully paid and (iii) the termination of the Indenture.

"Class A-1 Controlled Distribution Amount" means, with respect to any Related Month during the Class A-1 Notes Controlled Amortization Period, an amount equal to the sum of the Class A-1 Controlled Amortization Amount and any Class A-1 Carryover Controlled Amortization Amount for such Related Month.

"Class A-1 Expected Final Distribution Date" means the December 2006 Distribution Date.

"Class A-1 Final Distribution Date" means the December 2007 Distribution Date.

"Class A-1 Initial Invested Amount" means the aggregate initial principal amount of the Class A-1 Notes, which is $200,000,000.

"Class A-1 Invested Amount" means, when used with respect to any date, an amount equal to the Class A-1 Outstanding Principal Amount plus the sum of (a) the amount of any principal payments made to the Class A-1 Noteholders on or prior to such date with the proceeds of a demand on the Surety Bond and (b) the amount of any principal payments made to Class A-1 Noteholders that have been rescinded or otherwise returned by the Class A-1 Noteholders for any reason.

"Class A-1 Monthly Interest" means, with respect to (i) the initial Series 2003-5 Interest Period, an amount equal to $633,222.22 and (ii) any other Series 2003-5 Interest Period, an amount equal to the product of (A) one-twelfth of the Class A-1 Note Rate and (B) the Class A-1 Invested Amount on the first day of such Series 2003-5 Interest Period, after giving effect to any principal payments made on such date.

"Class A-1 Noteholder" means the Person in whose name a Class A-1 Note is registered in the Note Register.

"Class A-1 Note Rate" means 2.78% per annum.

"Class A-1 Notes" means any one of the Series 2003-5 2.78% Rental Car Asset Backed Notes, Class A-1, executed by AFC-II and authenticated by or on behalf of the Trustee,

substantially in the form of Exhibit A-1-1, Exhibit A-1-2 or Exhibit A-1-3. Definitive Class A-1 Notes shall have such insertions and deletions as are necessary to give effect to the provisions of Section 2.18 of the Base Indenture.

"Class A-1 Outstanding Principal Amount" means, when used with respect to any date, an amount equal to (a) the Class A-1 Initial Invested Amount minus (b) the amount of principal payments made to Class A-1 Noteholders on or prior to such date.

"Class A-2 Carryover Controlled Amortization Amount" means, with respect to any Related Month during the Class A-2 Controlled Amortization Period, the amount, if any, by which the portion of the Monthly Total Principal Allocation paid to the Class A-2 Noteholders pursuant to Section 2.5(e) for the previous Related Month was less than the Class A-2 Controlled Distribution Amount for the previous Related Month; provided, however, that for the first Related Month in the Class A-2 Notes Controlled Amortization Period, the Class A-2 Carryover Controlled Amortization Amount shall be zero.

"Class A-2 Controlled Amortization Amount" means with respect to each Related Month during the Class A-2 Notes Controlled Amortization Period, $50,000,000.

"Class A-2 Controlled Amortization Period" means the period commencing at the opening of business on June 1, 2008 (or, if such day is not a Business Day, the Business Day immediately preceding such day) and continuing to the earliest of (i) the commencement of the Series 2003-5 Rapid Amortization Period, (ii) the date on which the Class A-2 Notes are fully paid and (iii) the termination of the Indenture.

"Class A-2 Controlled Distribution Amount" means, with respect to any Related Month during the Class A-2 Notes Controlled Amortization Period, an amount equal to the sum of the Class A-2 Controlled Amortization Amount and any Class A-2 Carryover Controlled Amortization Amount for such Related Month.

"Class A-2 Expected Final Distribution Date" means the December 2008 Distribution Date.

"Class A-2 Final Distribution Date" means the December 2009 Distribution Date.

"Class A-2 Initial Invested Amount" means the aggregate initial principal amount of the Class A-2 Notes, which is $300,000,000.

"Class A-2 Invested Amount" means, when used with respect to any date, an amount equal to the Class A-2 Outstanding Principal Amount plus the sum of (a) the amount of any principal payments made to the Class A-2 Noteholders on or prior to such date with the proceeds of a demand on the Surety Bond and (b) the amount of any principal payments made to Class A-2 Noteholders that have been rescinded or otherwise returned by the Class A-2 Noteholders for any reason.

"Class A-2 Monthly Interest" means, with respect to any Series 2003-5 Interest Period, an amount equal to the product of (A) the Class A-2 Invested Amount on the first day of such Series 2003-5 Interest Period, after giving effect to any principal payments made on such

date, (B) the Class A-2 Note Rate for such Series 2003-5 Interest Period and (C) the number of days in such Series 2003-5 Interest period divided by 360.

"Class A-2 Noteholder" means the Person in whose name a Class A-2 Note is registered in the Note Register.

"Class A-2 Note Rate" means, for (i) the initial Series 2003-5 Interest Period 1.50% per annum and (ii) any other Series 2003-5 Interest Period, the sum of 0.38% plus LIBOR for such Series 2003-5 Interest Period.

"Class A-2 Notes" means any one of the Series 2003-5 Floating Rate Rental Car Asset Backed Notes, Class A-2, executed by AFC-II and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-2-1, Exhibit A-2-2 or Exhibit A-2-3. Definitive Class A-2 Notes shall have such insertions and deletions as are necessary to give effect to the provisions of Section 2.18 of the Base Indenture.

"Class A-2 Outstanding Principal Amount" means, when used with respect to any date, an amount equal to (a) the Class A-2 Initial Invested Amount minus (b) the amount of principal payments made to Class A-2 Noteholders on or prior to such date.

"Clearstream" is defined in Section 5.2.

"Consent" is defined in Article IV.

"Consent Period Expiration Date" is defined in Article IV.

"Demand Note Issuer" means each issuer of a Series 2003-5 Demand Note.

"Designated Amounts" is defined in Article IV.

"Disbursement" means any Lease Deficit Disbursement, any Unpaid Demand Note Disbursement, any Termination Date Disbursement or any Termination Disbursement under a Series 2003-5 Letter of Credit, or any combination thereof, as the context may require.

"Excess Collections" is defined in Section 2.3(f)(i).

"Euroclear" is defined in Section 5.2.

"Insurance Agreement" means the Insurance Agreement, dated as of October 9, 2003, among the Surety Provider, the Trustee and AFC-II, which shall constitute an "Enhancement Agreement" with respect to the Series 2003-5 Notes for all purposes under the Indenture.

"Insured Principal Deficit Amount" means, with respect to any Distribution Date, the excess, if any, of (a) the Series 2003-5 Outstanding Principal Amount on such Distribution Date (after giving effect to the distribution of the Monthly Total Principal Allocation for the Related Month) over (b) the sum of the Series 2003-5 Available Reserve Account Amount on such Distribution Date, the Series 2003-5 Letter of Credit Amount on such Distribution Date and

the Series 2003-5 AESOP I Operating Lease Loan Agreement Borrowing Base on such Distribution Date.

"Lease Deficit Disbursement" means an amount drawn under a Series 2003-5 Letter of Credit pursuant to a Certificate of Lease Deficit Demand.

"LIBOR" means, with respect to each Series 2003-5 Interest Period, a rate per annum to be determined by the Trustee as follows:

(i) On each LIBOR Determination Date, the Trustee will determine the London interbank offered rate for U.S. dollar deposits for one month that appears on Telerate Page 3750 as it relates to U.S. dollars as of 11:00 a.m., London time, on such LIBOR Determination Date:

(ii) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750, the Trustee will request that the principal London offices of each of four major banks in the London interbank market selected by the Trustee provide the Trustee with offered quotations for deposits in U.S. dollars for a period of one month, commencing on the first day of such Series 2003-5 Interest Period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such LIBOR Determination Date and in a principal amount equal to an amount of not less than $250,000 that is representative of a single transaction in such market at such time. If at least two such quotations are provided, "LIBOR" for such Series 2003-5 Interest Period will be the arithmetic mean of such quotations; or

(iii) If fewer than two such quotations are provided, "LIBOR" for such Series 2003-5 Interest Period will be the arithmetic mean of rates quoted by three major banks in the City of New York selected by the Trustee at approximately 11:00 a.m., New York City time, on such LIBOR Determination Date for loans in U.S. dollars to leading European banks, for a period of one month, commencing on the first day of such Series 2003-5 Interest Period, and in a principal amount equal to an amount of not less than $250,000 that is representative of a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by such Trustee are not quoting rates as mentioned in this sentence, "LIBOR" for such Series 2003-5 Interest Period will be the same as "LIBOR" for the immediately preceding Series 2003-5 Interest Period.

"LIBOR Determination Date" means, with respect to any Series 2003-5 Interest Period, the second London Banking Day preceding the first day of such Series 2003-5 Interest Period.

"London Banking Day" means any business day on which dealings in deposits in United States dollars are transacted in the London interbank market.

"Monthly Total Principal Allocation" means for any Related Month the sum of all Series 2003-5 Principal Allocations with respect to such Related Month.

"Moody's" means Moody's Investors Service.

"Past Due Rent Payment" is defined in Section 2.2(g).

"Permanent Global Class A-1 Note" is defined in Section 5.2.

"Permanent Global Class A-2 Note" is defined in Section 5.2.

"Pre-Preference Period Demand Note Payments" means, as of any date of determination, the aggregate amount of all proceeds of demands made on the Series 2003-5 Demand Notes included in the Series 2003-5 Demand Note Payment Amount as of the Series 2003-5 Letter of Credit Termination Date that were paid by the Demand Note Issuers more than one year before such date of determination; provided, however, that if an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60) consecutive days) with respect to a Demand Note Issuer occurs during such one year period, (x) the Pre-Preference Period Demand Note Payments as of any date during the period from and including the date of the occurrence of such Event of Bankruptcy to and including the conclusion or dismissal of the proceedings giving rise to such Event of Bankruptcy without continuing jurisdiction by the court in such proceedings shall equal the Pre-Preference Period Demand Note Payments as of the date of such occurrence for all Demand Note Issuers and (y) the Pre-Preference Period Demand Note Payments as of any date after the conclusion or dismissal of such proceedings shall equal the Series 2003-5 Demand Note Payment Amount as of the date of the conclusion or dismissal of such proceedings.

"Principal Deficit Amount" means, as of any date of determination, the excess, if any, of (i) the Series 2003-5 Invested Amount on such date (after giving effect to the distribution of the Monthly Total Principal Allocation for the Related Month if such date is a Distribution Date) over (ii) the Series 2003-5 AESOP I Operating Lease Loan Agreement Borrowing Base on such date; provided, however the Principal Deficit Amount on any date occurring during the period commencing on and including the date of the filing by any of the Lessees of a petition for relief under Chapter 11 of the Bankruptcy Code to but excluding the date on which each of the Lessees shall have resumed making all payments of the portion of Monthly Base Rent relating to Loan Interest required to be made under the AESOP I Operating Lease, shall mean the excess, if any, of (x) the Series 2003-5 Invested Amount on such date (after giving effect to the distribution of Monthly Total Principal Allocation for the Related Month if such date is a Distribution Date) over (y) the sum of (1) the Series 2003-5 AESOP I Operating Lease Loan Agreement Borrowing Base on such date and (2) the lesser of (a) the Series 2003-5 Liquidity Amount on such date and (b) the Series 2003-5 Required Liquidity Amount on such date.

"Pro Rata Share" means, with respect to any Series 2003-5 Letter of Credit Provider as of any date, the fraction (expressed as a percentage) obtained by dividing (A) the available amount under such Series 2003-5 Letter of Credit Provider's Series 2003-5 Letter of Credit as of such date by (B) an amount equal to the aggregate available amount under all Series 2003-5 Letters of Credit as of such date; provided, that only for purposes of calculating the Pro Rata Share with respect to any Series 2003-5 Letter of Credit Provider as of any date, if such Series 2003-5 Letter of Credit Provider has not complied with its obligation to pay the Trustee the amount of any draw under its Series 2003-5 Letter of Credit made prior to such date, the available amount under such Series 2003-5 Letter of Credit Provider's Series 2003-5 Letter of Credit as of such date shall be treated as reduced (for calculation purposes only) by the amount

of such unpaid demand and shall not be reinstated for purposes of such calculation unless and until the date as of which such Series 2003-5 Letter of Credit Provider has paid such amount to the Trustee and been reimbursed by the Lessee or the applicable Demand Note Issuer, as the case may be, for such amount (provided that the foregoing calculation shall not in any manner reduce the undersigned's actual liability in respect of any failure to pay any demand under its Series 2003-5 Letter of Credit).

"Qualified Interest Rate Cap Counterparty" means a counterparty to any Series 2003-5 Interest Rate Cap (A) who is acceptable to the Surety Provider and (B) who is a bank or other financial institution, which is acceptable to each Rating Agency or has (i) a short-term senior unsecured debt, deposit or credit (as the case may be) rating of at least "A-1" from Standard & Poor's and of "P-1" from Moody's and (ii) (a) on the date such Series 2003-5 Interest Rate Cap is executed, a long-term senior unsecured debt, deposit or credit (as the case may be) rating of at least "AA-" from Standard & Poor's and of at least "Aa3" from Moody's and (b) on any other date, a long-term senior unsecured debt, deposit or credit (as the case may be) rating of at least "A+" from Standard & Poor's and of at least "A1" from Moody's.

"Requisite Noteholders" means Series 2003-5 Noteholders holding more than 50% of the Series 2003-5 Invested Amount.

"Restricted Global Class A-1 Note" is defined in Section 5.1.

"Restricted Global Class A-2 Note" is defined in Section 5.1.

"Series 1998-1 Notes" means the Series of Notes designated as the Series 1998-1 Notes.

"Series 2000-2 Notes" means the Series of Notes designated as the Series 2000-2 Notes.

"Series 2000-3 Notes" means the Series of Notes designated as the Series 2000-3 Notes.

"Series 2000-4 Notes" means the Series of Notes designated as the Series 2000-4 Notes.

"Series 2001-1 Notes" means the Series of Notes designated as the Series 2001-1 Notes.

"Series 2001-2 Notes" means the Series of Notes designated as the Series 2001-2 Notes.

"Series 2002-1 Notes" means the Series of Notes designated as the Series 2002-1 Notes.

"Series 2002-2 Notes" means the Series of Notes designated as the Series 2002-2 Notes.

"Series 2002-3 Notes" means the Series of Notes designated as the Series 2002-3 Notes.

"Series 2002-4 Notes" means the Series of Notes designated as the Series 2002-4 Notes.

"Series 2003-1 Notes" means the Series of Notes designated as the Series 2003-1 Notes.

"Series 2003-2 Notes" means the Series of Notes designated as the Series 2003-2 Notes.

"Series 2003-3 Notes" means the Series of Notes designated as the Series 2003-3 Notes.

"Series 2003-4 Notes" means the Series of Notes designated as the Series 2003-4 Notes.

"Series 2003-5 Accounts" means each of the Series 2003-5 Distribution Account, the Series 2003-5 Reserve Account, the Series 2003-5 Collection Account, the Series 2003-5 Excess Collection Account and the Series 2003-5 Accrued Interest Account.

"Series 2003-5 Accrued Interest Account" is defined in Section 2.1(b).

"Series 2003-5 Adjusted Monthly Interest" means (a) for the initial Distribution Date, an amount equal to $1,158,222.22 and (b) for any other Distribution Date, the sum of (i) the sum of (A) for the Series 2003-5 Interest Period ending on the day preceding such Distribution Date, an amount equal to the product of (1) the Class A-1 Note Rate and (2) the Class A-1 Outstanding Principal Amount on the first day of such Series 2003-5 Interest Period, divided by twelve and (B) an amount equal to the product of (1) the Class A-2 Note Rate for such Series 2003-5 Interest Period, (2) the Class A-2 Outstanding Principal Amount on the first day of such Series 2003-5 Interest Period and (3) a fraction, the numerator of which is the number of days in such Series 2003-5 Interest Period and the denominator of which is 360 and (ii) any amount described in clause (b)(i) with respect to a prior Distribution Date that remains unpaid as of such Distribution Date (together with any accrued interest on such amount).

"Series 2003-5 Agent" is defined in the recitals hereto.

"Series 2003-5 AESOP I Operating Lease Loan Agreement Borrowing Base" means, as of any date of determination, the product of (a) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of such date and (b) the AESOP I Operating Lease Loan Agreement Borrowing Base as of such date.

"Series 2003-5 AESOP I Operating Lease Vehicle Percentage" means, as of any date of determination, a fraction, expressed as a percentage (which percentage shall never exceed 100%), the numerator of which is the Series 2003-5 Required AESOP I Operating Lease Vehicle Amount as of such

date and the denominator of which is the sum of the Required AESOP I Operating Lease Vehicle Amounts for all Series of Notes as of such date.

"Series 2003-5 Available Cash Collateral Account Amount" means, as of any date of determination, the amount on deposit in the Series 2003-5 Cash Collateral Account (after giving effect to any deposits thereto and withdrawals and releases therefrom on such date).

"Series-2003-5 Available Reserve Account Amount" means, as of any date of determination, the amount on deposit in the Series 2003-5 Reserve Account (after giving effect to any deposits thereto and withdrawals and releases therefrom on such date).

"Series 2003-5 Cash Collateral Account" is defined in Section 2.8(f).

"Series 2003-5 Cash Collateral Account Collateral" is defined in Section 2.8(a).

"Series 2003-5 Cash Collateral Account Surplus" means, with respect to any Distribution Date, the lesser of (a) the Series 2003-5 Available Cash Collateral Account Amount and (b) the lesser of (A) the excess, if any, of the Series 2003-5 Liquidity Amount (after giving effect to any withdrawal from the Series 2003-5 Reserve Account on such Distribution Date) over the Series 2003-5 Required Liquidity Amount on such Distribution Date and (B) the excess, if any, of the Series 2003-5 Enhancement Amount (after giving effect to any withdrawal from the Series 2003-5 Reserve Account on such Distribution Date) over the Series 2003-5 Required Enhancement Amount on such Distribution Date; provided, however that, on any date after the Series 2003-5 Letter of Credit Termination Date, the Series 2003-5 Cash Collateral Account Surplus shall mean the excess, if any, of (x) the Series 2003-5 Available Cash Collateral Account Amount over (y) the Series 2003-5 Demand Note Payment Amount minus the Pre-Preference Period Demand Note Payments as of such date.

"Series 2003-5 Cash Collateral Percentage" means, as of any date of determination, the percentage equivalent of a fraction, the numerator of which is the Series 2003-5 Available Cash Collateral Amount as of such date and the denominator of which is the Series 2003-5 Letter of Credit Liquidity Amount as of such date.

"Series 2003-5 Closing Date" means October 9, 2003.

"Series 2003-5 Collateral" means the Collateral, each Series 2003-5 Letter of Credit, each Series 2003-5 Demand Note, the Series 2003-5 Distribution Account Collateral, the Series 2003-5 Interest Rate Cap Collateral, the Series 2003-5 Cash Collateral Account Collateral and the Series 2003-5 Reserve Account Collateral.

"Series 2003-5 Collection Account" is defined in Section 2.1(b).

"Series 2003-5 Controlled Amortization Period" means the Class A-1 Controlled Amortization Period and/or the Class A-2 Controlled Amortization Period, as the case may be.

"Series 2003-5 Demand Note" means each demand note made by a Demand Note Issuer, substantially in the form of Exhibit C to this Supplement, as amended, modified or restated from time to time.

"Series 2003-5 Demand Note Payment Amount" means, as of the Series 2003-5 Letter of Credit Termination Date, the aggregate amount of all proceeds of demands made on the

Series 2003-5 Demand Notes pursuant to Section 2.5(b) or (c) that were deposited into the Series 2003-5 Distribution Account and paid to the Series 2003-5 Noteholders during the one year period ending on the Series 2003-5 Letter of Credit Termination Date; provided, however, that if an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60) consecutive days) with respect to a Demand Note Issuer shall have occurred during such one year period, the Series 2003-5 Demand Note Payment Amount as of the Series 2003-5 Letter of Credit Termination Date shall equal the Series 2003-5 Demand Note Payment Amount as if it were calculated as of the date of such occurrence.

"Series 2003-5 Deposit Date" is defined in Section 2.2.

"Series 2003-5 Distribution Account" is defined in Section 2.9(a).

"Series 2003-5 Distribution Account Collateral" is defined in Section 2.9(d).

"Series 2003-5 Eligible Letter of Credit Provider" means a person satisfactory to ARAC, the Demand Note Issuers and the Surety Provider and having, at the time of the issuance of the related Series 2003-5 Letter of Credit, a long-term senior unsecured debt rating (or the equivalent thereof in the case of Moody's or Standard & Poor's, as applicable) of at least "A+" from Standard & Poor's and at least "Al" from Moody's and a short-term senior unsecured debt rating of at least "A-1" from Standard & Poor's and "P-1" from Moody's that is (a) a commercial bank having total assets in excess of $500,000,000, (b) a finance company, insurance company or other financial institution that in the ordinary course of business issues letters of credit and has total assets in excess of $200,000,000 or (c) any other financial institution; provided, however, that if a person is not a Series 2003-5 Letter of Credit Provider (or a letter of credit provider under the Supplement for any other Series of Notes), then such person shall not be a Series 2003-5 Eligible Letter of Credit Provider until AFC-II has provided ten (10) days' prior notice to the Rating Agencies that such person has been proposed as a Series 2003-5 Letter of Credit Provider.

"Series 2003-5 Enhancement" means the Series 2003-5 Cash Collateral Account Collateral, the Series 2003-5 Letters of Credit, the Series 2003-5 Demand Notes, the Series 2003-5 Overcollateralization Amount and the Series 2003-5 Reserve Account Amount.

"Series 2003-5 Enhancement Amount" means, as of any date of determination, the sum of (i) the Series 2003-5 Overcollateralization Amount as of such date, (ii) the Series 2003-5 Letter of Credit Amount as of such date, (iii) the Series 2003-5 Available Reserve Account Amount as of such

date and (iv) the amount of cash and Permitted Investments on deposit in the Series 2003-5 Collection Account (not including amounts allocable to the Series 2003-5 Accrued Interest Account) and the Series 2003-5 Excess Collection Account as of such date.

"Series 2003-5 Enhancement Deficiency" means, on any date of determination, the amount by which the Series 2003-5 Enhancement Amount is less than the Series 2003-5 Required Enhancement Amount as of such date.

"Series 2003-5 Excess Collection Account" is defined in Section 2.1(b).

"Series 2003-5 Final Distribution Date" means the Class A-1 Final Distribution Date or the Class A-2 Final Distribution Date.

"Series 2003-5 Initial Invested Amount" means the sum of the Class A-1 Initial Invested Amount and the Class A-2 Initial Invested Amount.

"Series 2003-5 Interest Period" means a period commencing on and including a Distribution Date and ending on and including the day preceding the next succeeding Distribution Date; provided, however that the initial Series 2003-5 Interest Period shall commence on and include the Series 2003-5 Closing Date and end on and include November 19, 2003.

"Series 2003-5 Interest Rate Cap" is defined in Section 2.10(a).

"Series 2003-5 Interest Rate Cap Collateral" is defined in Section 2.10(c).

"Series 2003-5 Interest Rate Cap Counterparty" means AFC-II's counterparty under any Series 2003-5 Interest Rate Cap.

"Series 2003-5 Interest Rate Cap Proceeds" means the amounts received by the Trustee from a Series 2003-5 Interest Rate Cap Counterparty from time to time in respect of any Series 2003-5 Interest Rate Cap (including amounts received from a guarantor or from collateral).

"Series 2003-5 Invested Amount" means, as of any date of determination, the sum of the Class A-1 Invested Amount as of such date and the Class A-2 Invested Amount as of such date.

"Series 2003-5 Invested Percentage" means as of any date of determination:

(a) when used with respect to Principal Collections, the percentage equivalent (which percentage shall never exceed 100%) of a fraction the numerator of which shall be equal to the sum of the Series 2003-5 Invested Amount and the Series 2003-5 Overcollateralization Amount, determined during the Series 2003-5 Revolving Period as of the end of the Related Month (or, until the end of the initial Related Month, on the Series 2003-5 Closing Date), or, during the Series 2003-5 Controlled Amortization Period and the Series 2003-5 Rapid Amortization Period, as of the end of the Series 2003-5 Revolving Period, and the denominator of which shall be the greater of (I) the Aggregate Asset Amount as of the end of the Related Month or, until the end of the initial Related Month, as of the Series 2003-5 Closing Date, and (II) as of the same date as in clause (I), the sum of the numerators used to determine (i) invested percentages for allocations with respect to Principal Collections (for all Series of Notes and all classes of such Series of Notes) and (ii) overcollateralization percentages for allocations with respect to Principal Collections (for all Series of Notes that provide for credit enhancement in the form of overcollateralization); and

(b) when used with respect to Interest Collections, the percentage equivalent (which percentage shall never exceed 100%) of a fraction the numerator of which shall be

the Accrued Amounts with respect to the Series 2003-5 Notes on such date of determination, and the denominator of which shall be the aggregate Accrued Amounts with respect to all Series of Notes on such date of determination.

"Series 2003-5 Lease Interest Payment Deficit" means on any Distribution Date an amount equal to the excess, if any, of (a) the aggregate amount of Interest Collections which pursuant to Section 2.2(a), (b), (c) or (d) would have been allocated to the Series 2003-5 Accrued Interest Account if all payments of Monthly Base Rent required to have been made under the Leases from and excluding the preceding Distribution Date to and including such Distribution Date were made in full over (b) the aggregate amount of Interest Collections which pursuant to Section 2.2(a), (b), (c) or (d) have been allocated to the Series 2003-5 Accrued Interest Account (excluding any amounts paid into the Series 2003-5 Accrued Interest Account pursuant to the proviso in Sections 2.2(c)(ii) and/or 2.2(d)(ii)) from and excluding the preceding Distribution Date to and including such Distribution Date.

"Series 2003-5 Lease Payment Deficit" means either a Series 2003-5 Lease Interest Payment Deficit or a Series 2003-5 Lease Principal Payment Deficit.

"Series 2003-5 Lease Principal Payment Carryover Deficit" means (a) for the initial Distribution Date, zero and (b) for any other Distribution Date, the excess of (x) the Series 2003-5 Lease Principal Payment Deficit, if any, on the preceding Distribution Date over (y) the amount deposited in the Distribution Account on such preceding Distribution Date pursuant to Section 2.5(b) on account of such Series 2003-5 Lease Principal Payment Deficit.

"Series 2003-5 Lease Principal Payment Deficit" means on any Distribution Date the sum of (a) the Series 2003-5 Monthly Lease Principal Payment Deficit for such Distribution Date and (b) the Series 2003-5 Lease Principal Payment Carryover Deficit for such Distribution Date.

"Series 2003-5 Letter of Credit" means an irrevocable letter of credit, if any, substantially in the form of Exhibit D to this Supplement issued by a Series 2003-5 Eligible Letter of Credit Provider in favor of the Trustee for the benefit of the Series 2003-5 Noteholders and the Surety Provider in form and substance satisfactory to the Surety Provider.

"Series 2003-5 Letter of Credit Amount" means, as of any date of determination, the lesser of (a) the sum of (i) the aggregate amount available to be drawn on such date under each Series 2003-5 Letter of Credit, as specified therein, and (ii) if the Series 2003-5 Cash Collateral Account has been established and funded pursuant to Section 2.8, the Series 2003-5 Available Cash Collateral Account Amount on such date and (b) the aggregate outstanding principal amount of the Series 2003-5 Demand Notes on such date.

"Series 2003-5 Letter of Credit Expiration Date" means, with respect to any Series 2003-5 Letter of Credit, the expiration date set forth in such Series 2003-5 Letter of Credit, as such date may be extended in accordance with the terms of such Series 2003-5 Letter of Credit.

"Series 2003-5 Letter of Credit Liquidity Amount" means, as of any date of determination, the sum of (a) the aggregate amount available to be drawn on such date under

each Series 2003-5 Letter of Credit, as specified therein, and (b) if the Series 2003-5 Cash Collateral Account has been established and funded pursuant to Section 2.8, the Series 2003-5 Available Cash Collateral Account Amount on such date.

"Series 2003-5 Letter of Credit Provider" means the issuer of a Series 2003-5 Letter of Credit.

"Series 2003-5 Letter of Credit Termination Date" means the first to occur of (a) the date on which the Series 2003-5 Notes are fully paid and the Surety Provider has been paid all Surety Provider Fees and all other Surety Provider Reimbursement Amounts then due, (b) the Series 2003-5 Termination Date and (c) such earlier date consented to by the Surety Provider and the Rating Agencies which consent by the Surety Provider shall be in writing.

"Series 2003-5 Limited Liquidation Event of Default" means, so long as such event or condition continues, any event or condition of the type specified in clauses (a) through (j) of Article III; provided, however, that any event or condition of the type specified in clauses (a) through (e) and (h) through (j) of Article III shall not constitute a Series 2003-5 Limited Liquidation Event of Default if (i) within such thirty (30) day period, such Amortization Event shall have been cured and, after such cure of such Amortization Event is provided for, the Trustee shall have received the written consent of the Surety Provider waiving the occurrence of such Series 2003-5 Limited Liquidation Event of Default or (ii) the Trustee shall have received the written consent of the Surety Provider waiving the occurrence of such Series 2003-5 Limited Liquidation Event of Default.

"Series 2003-5 Liquidity Amount" means, as of any date of determination, the sum of (a) the Series 2003-5 Letter of Credit Liquidity Amount on such date and (b) the Series 2003-5 Available Reserve Account Amount on such date.

"Series 2003-5 Maximum Aggregate Kia/Isuzu/Subaru/Hyundai/Suzuki Amount" means, as of any day, with respect to Kia, Isuzu, Subaru, Hyundai and Suzuki, in the aggregate, an amount equal to 15% of the aggregate Net Book Value of all Vehicles leased under the Leases on such day or such lesser percentage as may be agreed to in writing by AFC-II and the Surety Provider of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Maximum Amount" means any of the Series 2003-5 Maximum Manufacturer Amounts, the Series 2003-5 Maximum Non-Eligible Manufacturer Amount, the Series 2003-5 Maximum Non-Program Vehicle Amount or the Series 2003-5 Maximum Specified States Amount.

"Series 2003-5 Maximum Individual Kia/Isuzu/Subaru/Hyundai/Suzuki Amount" means, as of any day, with respect to Kia, Isuzu, Subaru, Hyundai or Suzuki, individually, an amount equal to 5% of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Maximum Manufacturer Amount" means, as of any day, any of the Series 2003-5 Maximum Mitsubishi Amount, the Series 2003-5 Maximum Individual Kia/Isuzu/Subaru/Hyundai/Suzuki Amount or the Series 2003-5 Maximum Aggregate Kia/Isuzu/Subaru/Hyundai/Suzuki Amount.

"Series 2003-5 Maximum Mitsubishi Amount" means, as of any day, an amount equal to 10% of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Maximum Non-Eligible Manufacturer Amount" means, as of any day, an amount equal to 3% of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Maximum Non-Program Vehicle Amount" means, as of any day, an amount equal to the Series 2003-5 Maximum Non-Program Vehicle Percentage of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Maximum Non-Program Vehicle Percentage" means 25% or such lesser percentage as may be agreed to in writing by AFC-II and the Surety Provider on or after the Series 2003-5 Closing Date, with prompt written notice thereof delivered by AFC-II to the Trustee.

"Series 2003-5 Maximum Specified States Amount" means, as of any day, an amount equal to 7.5% of the aggregate Net Book Value of all Vehicles leased under the Leases on such day.

"Series 2003-5 Monthly Interest" means, with respect to any Series 2003-5 Interest Period, the sum of the Class A-1 Monthly Interest and the Class A-2 Monthly Interest with respect to such Series 2003-5 Interest Period.

"Series 2003-5 Monthly Lease Principal Payment Deficit" means, on any Distribution Date, an amount equal to the excess, if any, of (a) the aggregate amount of Principal Collections which pursuant to Section 2.2(a), (b), (c) or (d) would have been allocated to the Series 2003-5 Collection Account if all payments required to have been made under the Leases from and excluding the preceding Distribution Date to and including such Distribution Date

were made in full over (b) the aggregate amount of Principal Collections which pursuant to Section 2.2(a), (b), (c) or (d) have been allocated to the Series 2003-5 Collection Account (without giving effect to any amounts paid into the Series 2003-5 Accrued Interest Account pursuant to the proviso in Sections 2.2(c)(ii) and/or 2.2(d)(ii)) from and excluding the preceding Distribution Date to and including such Distribution Date.

"Series 2003-5 Non-Program Vehicle Percentage" means, as of any date of determination, a fraction, expressed as a percentage, the numerator of which is the aggregate Net Book Value of all Non-Program Vehicles leased under the AESOP I Operating Lease as of such date and the denominator of which is the aggregate Net Book Value of all Vehicles leased under the AESOP I Operating Lease as of such date.

"Series 2003-5 Note Rate" means, the Class A-1 Note Rate or the Class A-2 Rate, as the context may require.

"Series 2003-5 Noteholder" means any Class A-1 Noteholder or any Class A-2 Noteholder.

"Series 2003-5 Notes" means, collectively, the Class A-1 Notes and the Class A-2 Notes.

"Series 2003-5 Outstanding Principal Amount" means, as of any date of determination, the sum of the Class A-1 Outstanding Principal Amount and the Class A-2 Outstanding Principal Amount.

"Series 2003-5 Overcollateralization Amount" means (i) as of any date on which no AESOP I Operating Lease Vehicle Deficiency exists, the Series 2003-5 Required Overcollateralization Amount as of such date and (ii) as of any date on which an AESOP I Operating Lease Vehicle Deficiency exists, the excess, if any, of (x) the Series 2003-5 AESOP I Operating Lease Loan Agreement Borrowing Base as of such date over (y) the Series 2003-5 Invested Amount as of such date.

"Series 2003-5 Past Due Rent Payment" is defined in Section 2.2(g).

"Series 2003-5 Percentage" means, as of any date of determination, a fraction, expressed as a percentage, the numerator of which is the Series 2003-5 Invested Amount as of such date and the denominator of which is the Aggregate Invested Amount as of such date.

"Series 2003-5 Principal Allocation" is defined in Section 2.2(a)(ii).

"Series 2003-5 Program Vehicle Percentage" means, as of any date of determination, 100% minus the Series 2003-5 Non-Program Vehicle Percentage.

"Series 2003-5 Rapid Amortization Period" means the period beginning at the close of business on the Business Day immediately preceding the day on which an Amortization Event is deemed to have occurred with respect to the Series 2003-5 Notes and ending upon the earliest to occur of (i) the date on which the Series 2003-5 Notes are fully paid and the Surety Provider has been paid all Surety Provider Fees and all other Surety Provider Reimbursement Amounts then due, (ii) the Series 2003-5 Termination Date and (iii) the termination of the Indenture.

"Series 2003-5 Reimbursement Agreement" means any and each agreement providing for the reimbursement of a Series 2003-5 Letter of Credit Provider for draws under its Series 2003-5 Letter of Credit as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Series 2003-5 Repurchase Amount" is defined in Section 6.1.

"Series 2003-5 Required AESOP I Operating Lease Vehicle Amount" means, as of any date of determination, the sum of the Series 2003-5 Invested Amount and the Series 2003-5 Required Overcollateralization Amount as of such date.

"Series 2003-5 Required Enhancement Amount" means, as of any date of determination, the sum of (i) the product of the Series 2003-5 Required Enhancement Percentage as of such date and the Series 2003-5 Invested Amount as of such date, (ii) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of

the excess, if any, of the Non-Program Vehicle Amount as of such date over the Series 2003-5 Maximum Non-Program Vehicle Amount as of such date, (iii) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of the excess, if any, of the aggregate Net Book Value of all Vehicles manufactured by Mitsubishi and leased under the Leases as of such date over the Series 2003-5 Maximum Mitsubishi Amount as of such date, (iv) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of the excess, if any, of the aggregate Net Book Value of all Vehicles manufactured by Kia, Isuzu, Subaru, Hyundai or Suzuki, individually, and leased under the Leases as of such date over the Series 2003-5 Maximum Individual Kia/Isuzu/Subaru/ Hyundai/Suzuki Amount as of such date, (v) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of the excess, if any, of the aggregate Net Book Value of all Vehicles manufactured by Kia, Isuzu, Subaru, Hyundai or Suzuki, in the aggregate, and leased under the Leases as of such date over the Series 2003-5 Maximum Aggregate Kia/Isuzu/Subaru/Hyundai/Suzuki Amount as of such date, (vi) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of the excess, if any, of the Specified States Amount as of such date over the Series 2003-5 Maximum Specified States Amount as of such date and (vii) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the immediately preceding Business Day of the excess, if any, of the Non-Eligible Manufacturer Amount as of such date over the Series 2003-5 Maximum Non-Eligible Manufacturer Amount as of such date.

"Series 2003-5 Required Enhancement Percentage" means, as of any date of determination, the sum of (i) the product of (A) 14.65% times (B) the Series 2003-5 Program Vehicle Percentage as of such date and (ii) the product of (A) the Series 2003-5 Required Non-Program Enhancement Percentage as of such date times (B) the Series 2003-5 Non-Program Vehicle Percentage as of such date.

"Series 2003-5 Required Liquidity Amount" means, with respect to any Distribution Date, an amount equal to 3.0% of the Series 2003-5 Invested Amount on such Distribution Date (after giving effect to any payments of principal to be made on the Series 2003-5 Notes on such Distribution Date).

"Series 2003-5 Required Non-Program Enhancement Percentage" means, as of any date of determination, the greater of (a) 20.25% and (b) the sum of (i) 20.25% and (ii) the highest, for any calendar month within the preceding twelve calendar months, of the greater of (x) an amount (not less than zero) equal to 100% minus the Measurement Month Average for the immediately preceding Measurement Month and (y) an amount (not less than zero) equal to 100% minus the Market Value Average as of the Determination Date within such calendar month (excluding the Market Value Average for any Determination Date which has not yet occurred).

"Series 2003-5 Required Overcollateralization Amount" means, as of any date of determination, the excess, if any, of the Series 2003-5 Required Enhancement Amount over the sum of (i) the Series 2003-5 Letter of Credit Amount as of such date, (ii) the Series 2003-5 Available Reserve Account Amount on such date and (iii) the amount of cash and Permitted Investments on deposit in the Series 2003-5 Collection Account (not including amounts allocable

to the Series 2003-5 Accrued Interest Account) and the Series 2003-5 Excess Collection Account on such date.

"Series 2003-5 Required Reserve Account Amount" means, with respect to any Distribution Date, an amount equal to the greater of (a) the excess, if any, of the Series 2003-5 Required Liquidity Amount on such Distribution Date over the Series 2003-5 Letter of Credit Liquidity Amount on such Distribution Date (after giving effect to any payments of principal to be made on the Series 2003-5 Notes on such Distribution Date) and (b) the excess, if any, of the Series 2003-5 Required Enhancement Amount over the Series 2003-5 Enhancement Amount (excluding therefrom the Series 2003-5 Available Reserve Account Amount and calculated after giving effect to any payments of principal to be made on the Series 2003-5 Notes) on such Distribution Date.

"Series 2003-5 Reserve Account" is defined in Section 2.7(a).

"Series 2003-5 Reserve Account Collateral" is defined in Section 2.7(d).

"Series 2003-5 Reserve Account Surplus" means, with respect to any Distribution Date, the excess, if any, of the Series 2003-5 Available Reserve Account Amount over the Series 2003-5 Required Reserve Account Amount on such Distribution Date.

"Series 2003-5 Revolving Period" means, the period from and including the Series 2003-5 Closing Date to the earlier of (i) the commencement of the Class A-1 Controlled Amortization Period and (ii) the commencement of the Series 2003-5 Rapid Amortization Period; provided that if the Class A-1 Notes are paid in full on or prior to the December 2006 Distribution Date, then the Series 2003-5 Revolving Period shall also include the period from and including the first day of the calendar month during which the Distribution Date on which the Class A-1 Notes are paid in full occurs to the earlier of (i) the commencement of the Class A-2 Controlled Amortization Period and (ii) the commencement of the Series 2003-5 Rapid Amortization Period.

"Series 2003-5 Shortfall" is defined in Section 2.3(g).

"Series 2003-5 Termination Date" means the December 2009 Distribution Date.

"Series 2003-5 Unpaid Demand Amount" means, with respect to any single draw pursuant to Section 2.5(c) or (d) on the Series 2003-5 Letters of Credit, the aggregate amount drawn by the Trustee on all Series 2003-5 Letters of Credit.

"Shadow Rating" means the rating of the Series 2003-5 Notes by Standard & Poor's or Moody's, as applicable, without giving effect to the Surety Bond.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Supplement" is defined in the preamble hereto.

"Surety Bond" means the Note Guaranty Insurance Policy No. CA00724A, dated October 9, 2003, issued by the Surety Provider.

"Surety Default" means (i) the occurrence and continuance of any failure by the Surety Provider to pay upon a demand for payment in accordance with the requirements of the Surety Bond or (ii) the occurrence of an Event of Bankruptcy with respect to the Surety Provider.

"Surety Provider" means XL Capital Assurance Inc., a New York corporation. The Surety Provider shall constitute an "Enhancement Provider" with respect to the Series 2003-5 Notes for all purposes under the Indenture and the other Related Documents.

"Surety Provider Fee" is defined in the Insurance Agreement.

"Surety Provider Reimbursement Amounts" means, as of any date of determination, (i) an amount equal to the aggregate of any amounts due as of such date to the Surety Provider pursuant to the Insurance Agreement in respect of unreimbursed draws under the Surety Bond, including interest thereon determined in accordance with the Insurance Agreement, and (ii) an amount equal to the aggregate of any other amounts due as of such date to the Surety Provider pursuant to the Insurance Agreement.

"Telerate Page 3750" means the display page currently so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

"Temporary Global Class A-1 Note" is defined in Section 5.2.

"Temporary Global Class A-2 Note" is defined in Section 5.2.

"Termination Date Disbursement" means an amount drawn under a Series 2003-5 Letter of Credit pursuant to a Certificate of Termination Date Demand.

"Termination Disbursement" means an amount drawn under a Series 2003-5 Letter of Credit pursuant to a Certificate of Termination Demand.

"Trustee" is defined in the recitals hereto.

"Unpaid Demand Note Disbursement" means an amount drawn under a Series 2003-5 Letter of Credit pursuant to a Certificate of Unpaid Demand Note Demand.

"Waivable Amount" is defined in Article IV.

"Waiver Event" means the occurrence of the delivery of a Waiver Request and the subsequent waiver of any Series 2003-5 Maximum Amount.

"Waiver Request" is defined in Article IV.

ARTICLE II

SERIES 2003-5 ALLOCATIONS

With respect to the Series 2003-5 Notes, the following shall apply:

Section 2.1 Establishment of Series 2003-5 Collection Account, Series 2003-5 Excess Collection Account and Series 2003-5 Accrued Interest Account. (a) All Collections allocable to the Series 2003-5 Notes shall be allocated to the Collection Account.

(b) The Trustee will create three administrative subaccounts within the Collection Account for the benefit of the Series 2003-5 Noteholders and the Surety Provider: the Series 2003-5 Collection Account (such sub-account, the "Series 2003-5 Collection Account"), the Series 2003-5 Excess Collection Account (such sub-account, the "Series 2003-5 Excess Collection Account") and the Series 2003-5 Accrued Interest Account (such sub-account, the "Series 2003-5 Accrued Interest Account").

Section 2.2 Allocations with Respect to the Series 2003-5 Notes. The net proceeds from the initial sale of the Series 2003-5 Notes will be deposited into the Collection Account. On each Business Day on which Collections are deposited into the Collection Account (each such date, a "Series 2003-5 Deposit Date"), the Administrator will direct the Trustee in writing pursuant to the Administration Agreement to allocate all amounts deposited into the Collection Account in accordance with the provisions of this Section 2.2:

(a) Allocations of Collections During the Series 2003-5 Revolving Period. During the Series 2003-5 Revolving Period, the Administrator will direct the Trustee in writing pursuant to the Administration Agreement to allocate on each day, prior to 11:00 a.m. (New York City time) on each Series 2003-5 Deposit Date, all amounts deposited into the Collection Account as set forth below:

(i) allocate to the Series 2003-5 Collection Account an amount equal to the sum of (A) the Series 2003-5 Invested Percentage (as of such day) of the aggregate amount of Interest Collections on such day and (B) any amounts received by the Trustee on such day in respect of the Series 2003-5 Interest Rate Caps. All such amounts allocated to the Series 2003-5 Collection Account shall be further allocated to the Series 2003-5 Accrued Interest Account; and

(ii) allocate to the Series 2003-5 Excess Collection Account an amount equal to the Series 2003-5 Invested Percentage (as of such day) of the aggregate amount of Principal Collections on such day (for any such day, the "Series 2003-5 Principal Allocation"); provided, however, if a Waiver Event shall have occurred, then such allocation shall be modified as provided in Article IV.

(b) Allocations of Collections During any Series 2003-5 Controlled Amortization Period. With respect to any Series 2003-5 Controlled Amortization Period, the Administrator will direct the Trustee in writing pursuant to the Administration Agreement to allocate, prior to 11:00 a.m. (New York City time) on any Series 2003-5 Deposit Date, all amounts deposited into the Collection Account as set forth below:

(i) allocate to the Series 2003-5 Collection Account an amount determined as set forth in Section 2.2(a)(i) above for such day, which amount shall be further allocated to the Series 2003-5 Accrued Interest Account; and

(ii) (A) with respect to the Class A-1 Controlled Amortization Period, allocate to the Series 2003-5 Collection Account an amount equal to the Series 2003-5 Principal Allocation for such day, which amount shall be used to make principal payments in respect of the Class A-1 Notes; provided, however, that if the Monthly Total Principal Allocation exceeds the Class A-1 Controlled Distribution Amount, then the amount of such excess shall be allocated to the Series 2003-5 Excess Collection Account; and provided, further, that if a Waiver Event shall have occurred, then such allocation shall be modified as provided in Article IV and (B) with respect to the Class A-2 Controlled Amortization Period, allocate to the Series 2003-5 Collection Account an amount equal to the Series 2003-5 Principal Allocation for such day, which amount shall be used to make principal payments in respect of the Class A-2 Notes; provided, however, that if the

Monthly Total Principal Allocation exceeds the Class A-2 Controlled Distribution Amount, then the amount of such excess shall be allocated to the Series 2003-5 Excess Collection Account; and provided, further, that if a Waiver Event shall have occurred, then such allocation shall be modified as provided in Article IV.

(c) Allocations of Collections During the Series 2003-5 Rapid Amortization Period. With respect to the Series 2003-5 Rapid Amortization Period, other than after the occurrence of an Event of Bankruptcy with respect to ARAC, any other Lessee or AGH, the Administrator will direct the Trustee in writing pursuant to the Administration Agreement to allocate, prior to 11:00 a.m. (New York City time) on any Series 2003-5 Deposit Date, all amounts deposited into the Collection Account as set forth below:

(i) allocate to the Series 2003-5 Collection Account an amount determined as set forth in Section 2.2(a)(i) above for such day, which amount shall be further allocated to the Series 2003-5 Accrued Interest Account; and

(ii) allocate to the Series 2003-5 Collection Account an amount equal to the Series 2003-5 Principal Allocation for such day, which amount shall be used to make principal payments in respect of the Class A-1 Notes and the Class A-2 Notes, ratably, without preference or priority of any kind, until the Series 2003-5 Invested Amount is paid in full; provided that if on any Determination Date (A) the Administrator determines that the amount anticipated to be available from Interest Collections allocable to the Series 2003-5 Notes, any amounts payable to the Trustee in respect of the Series 2003-5 Interest Rate Caps and other amounts available pursuant to Section 2.3 to pay Series 2003-5 Adjusted Monthly Interest on the next succeeding Distribution Date will be less than the Series 2003-5 Adjusted Monthly Interest for such Distribution Date and (B) the Series 2003-5 Enhancement Amount is greater than zero, then the Administrator shall direct the Trustee in writing to reallocate a portion of the Principal Collections allocated to the Series 2003-5 Notes during the Related Month equal to the lesser

of such insufficiency and the Series 2003-5 Enhancement Amount to the Series 2003-5 Accrued Interest Account to be treated as Interest Collections on such Distribution Date.

(d) Allocations of Collections after the Occurrence of an Event of Bankruptcy. After the occurrence of an Event of Bankruptcy with respect to ARAC, any other Lessee or AGH, the Administrator will direct the Trustee in writing pursuant to the Administration Agreement to allocate, prior to 11:00 a.m. (New York City time) on any Series 2003-5 Deposit Date, all amounts attributable to the AESOP I Operating Lease Loan Agreement deposited into the Collection Account as set forth below:

(i) allocate to the Series 2003-5 Collection Account an amount equal to the sum of (A) the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the date of the occurrence of such Event of Bankruptcy of the aggregate amount of Interest Collections made under the AESOP I Operating Lease Loan Agreement for such day and (B) any amounts received by the Trustee in respect of the Series 2003-5 Interest Rate Caps on such day. All such amounts allocated to the Series 2003-5 Collection Account shall be further allocated to the Series 2003-5 Accrued Interest Account;

(ii) allocate to the Series 2003-5 Collection Account an amount equal to the Series 2003-5 AESOP I Operating Lease Vehicle Percentage as of the date of the occurrence of such Event of Bankruptcy of the aggregate amount of Principal Collections made under the AESOP I Operating Lease Loan Agreement, which amount shall be used to make principal payments in respect of the Series Class A-1 Notes and the Class A-2 Notes, ratably, without preference or priority of any kind, until the Series 2003-5 Invested Amount is paid in full; provided that if on any Determination Date (A) the Administrator determines that the amount anticipated to be available from Interest Collections allocable to the Series 2003-5 Notes, any amounts payable to the Trustee in respect of Series 2003-5 Interest Rate Caps and other amounts available pursuant to Section 2.3 to pay Series 2003-5 Adjusted Monthly Interest on the next succeeding Distribution Date will be less than the Series 2003-5 Adjusted Monthly Interest for such Distribution Date and (B) the Series 2003-5 Enhancement Amount is greater than zero, then the Administrator shall direct the Trustee in writing to reallocate a portion of the Principal Collections allocated to the Series 2003-5 Notes during the Related Month equal to the lesser of such insufficiency and the Series 2003-5 Enhancement Amount to the Series 2003-5 Accrued Interest Account to be treated as Interest Collections on such Distribution Date.

(e) Series 2003-5 Excess Collection Account. Amounts allocated to the Series 2003-5 Excess Collection Account on any Series 2003-5 Deposit Date will be (w) first, deposited in the Series 2003-5 Reserve Account in an amount up to the excess, if any, of the Series 2003-5 Required Reserve Account Amount for such date over the Series 2003-5 Available Reserve Account Amount for such date, (x) second, used to pay the principal amount of other Series of Notes that are then in amortization, (y) third, released to AESOP Leasing in an amount equal to the product of (A) the Loan

Agreement's Share with respect to the AESOP I Operating Lease Loan Agreement as of such date times (B) 100% minus the Loan Payment Allocation Percentage with respect to the AESOP I Operating Lease Loan Agreement as of such date times (C) the amount of any remaining funds and (z) fourth, paid to AFC-II for any use permitted by the Related Documents including to make Loans under the Loan Agreements to the extent the Borrowers have requested Loans thereunder and Eligible Vehicles are available for financing thereunder; provided, however, that in the case of clauses (x), (y) and (z), that no Amortization Event, Series 2003-5 Enhancement Deficiency or AESOP I Operating Lease Vehicle Deficiency would result therefrom or exist immediately thereafter. Upon the occurrence of an Amortization Event, funds on deposit in the Series 2003-5 Excess Collection Account will be withdrawn by the Trustee, deposited in the Series 2003-5 Collection Account and allocated as Principal Collections to reduce the Series 2003-5 Invested Amount on the immediately succeeding Distribution Date.

(f) Allocations From Other Series. Amounts allocated to other Series of Notes that have been reallocated by AFC-II to the Series 2003-5 Notes (i) during the Series 2003-5 Revolving Period shall be allocated to the Series 2003-5 Excess Collection Account and applied in accordance with Section 2.2(e) and (ii) during the Series 2003-5 Amortization Period shall be allocated to the Series 2003-5 Collection Account and applied in accordance with Section 2.2(b) or 2.2(c), as applicable, to make principal payments in respect of the Series 2003-5 Notes.

(g) Past Due Rent Payments. Notwithstanding the foregoing, if in the case of Section 2.2(a) or (b), after the occurrence of a Series 2003-5 Lease Payment Deficit, the Lessees shall make payments of Monthly Base Rent or other amounts payable by the Lessees under the Leases on or prior to the fifth Business Day after the occurrence of such Series 2003-5 Lease Payment Deficit (a "Past Due Rent Payment"), the Administrator shall direct the Trustee in writing pursuant to the Administration Agreement to allocate to the Series 2003-5 Collection Account an amount equal to the Series 2003-5 Invested Percentage as of the date of the occurrence of such Series 2003-5 Lease Payment Deficit of the Collections attributable to such Past Due Rent Payment (the "Series 2003-5 Past Due Rent Payment"). The Administrator shall instruct the Trustee in writing pursuant to the Administration Agreement to withdraw from the Series 2003-5 Collection Account and apply the Series 2003-5 Past Due Rent Payment in the following order:

(i) if the occurrence of such Series 2003-5 Lease Payment Deficit resulted in one or more Lease Deficit Disbursements being made under the Series 2003-5 Letters of Credit, pay to each Series 2003-5 Letter of Credit Provider who made such a Lease Deficit Disbursement for application in accordance with the provisions of the applicable Series 2003-5 Reimbursement Agreement an amount equal to the lesser of (x) the unreimbursed amount of such Series 2003-5 Letter of Credit Provider's Lease Deficit Disbursement and (y) such Series 2003-5 Letter of Credit Provider's Pro Rata Share of the Series 2003-5 Past Due Rent Payment;

(ii) if the occurrence of such Series 2003-5 Lease Payment Deficit resulted in a withdrawal being made from the Series 2003-5 Cash Collateral

Account, deposit in the Series 2003-5 Cash Collateral Account an amount equal to the lesser of (x) the amount of the Series 2003-5 Past Due Rent Payment remaining after any payment pursuant to clause (i) above and (y) the amount withdrawn from the Series 2003-5 Cash Collateral Account on account of such Series 2003-5 Lease Payment Deficit;

(iii) if the occurrence of such Series 2003-5 Lease Payment Deficit resulted in a withdrawal being made from the Series 2003-5 Reserve Account pursuant to Section 2.3(d), deposit in the Series 2003-5 Reserve Account an amount equal to the lesser of (x) the amount of the Series 2003-5 Past Due Rent Payment remaining after any payments pursuant to clauses (i) and (ii) above and (y) the excess, if any, of the Series 2003-5 Required Reserve Account Amount over the Series 2003-5 Available Reserve Account Amount on such day;

(iv) allocate to the Series 2003-5 Accrued Interest Account the amount, if any, by which the Series 2003-5 Lease Interest Payment Deficit, if any, relating to such Series 2003-5 Lease Payment Deficit exceeds the amount of the Series 2003-5 Past Due Rent Payment applied pursuant to clauses (i), (ii) and (iii) above; and

(v) treat the remaining amount of the Series 2003-5 Past Due Rent Payment as Principal Collections allocated to the Series 2003-5 Notes in accordance with Section 2.2(a)(ii) or 2.2(b)(ii), as the case may be.

Section 2.3 Payments to Noteholders. On each Determination Date, as provided below, the Administrator shall instruct the Paying Agent in writing pursuant to the Administration Agreement to withdraw, and on the following Distribution Date the Paying Agent, acting in accordance with such instructions, shall withdraw the amounts required to be withdrawn from the Collection Account pursuant to Section 2.3(a) below in respect of all funds available from Series 2003-5 Interest Rate Cap Proceeds and Interest Collections processed since the preceding Distribution Date and allocated to the holders of the Series 2003-5 Notes.

(a) Note Interest with respect to the Series 2003-5 Notes. On each Determination Date, the Administrator shall instruct the Trustee and the Paying Agent in writing pursuant to the Administration Agreement as to the amount to be withdrawn and paid pursuant to Section 2.4 from the Series 2003-5 Accrued Interest Account to the extent funds are anticipated to be available from Interest Collections allocable to the Series 2003-5 Notes and the Series 2003-5 Interest Rate Cap Proceeds processed from but not including the preceding Distribution Date through the succeeding Distribution Date in respect of (x) first, an amount equal to the Series 2003-5 Monthly Interest for the Series 2003-5 Interest Period ending on the day preceding the related Distribution Date, (y) second, an amount equal to the amount of any unpaid Series 2003-5 Shortfall as of the preceding Distribution Date (together with any accrued interest on such Series 2003-5 Shortfall) and (z) third, an amount equal to the Surety Provider Fee for such Series 2003-5 Interest Period plus any Surety Provider Reimbursement Amounts then due and owing. On the following Distribution Date, the Trustee shall withdraw the amounts described in the first sentence of this Section 2.3(a) from the Series 2003-5 Accrued Interest Account and deposit such amounts in the Series 2003-5 Distribution Account.

(b) Lease Payment Deficit Notice. On or before 10:00 a.m. (New York City time) on each Distribution Date, the Administrator shall notify the Trustee and the Surety Provider of the amount of any Series 2003-5 Lease Payment Deficit, such notification to be in the form of Exhibit E to this Supplement (each a "Lease Payment Deficit Notice").

(c) Draws on Series 2003-5 Letters of Credit For Series 2003-5 Lease Interest Payment Deficits. If the Administrator determines on any Distribution Date that there exists a Series 2003-5 Lease Interest Payment Deficit, the Administrator shall instruct the Trustee in writing to draw on the Series 2003-5 Letters of Credit, if any, and, the Trustee shall, by 12:00 noon (New York City time) on such Distribution Date draw an amount as set forth in such notice equal to the least of (i) such Series 2003-5 Lease Interest Payment Deficit, (ii) the excess, if any, of the sum of the amounts described in clauses (x), (y) and (z) of Section 2.3(a) above on such Distribution Date over the amounts available from the Series 2003-5 Accrued Interest Account and (iii) the Series 2003-5 Letter of Credit Liquidity Amount on the Series 2003-5 Letters of Credit by presenting to each Series 2003-5 Letter of Credit Provider (with a copy to the Surety Provider) a draft accompanied by a Certificate of Lease Deficit Demand and shall cause the Lease Deficit Disbursements to be deposited in the Series 2003-5 Distribution Account on such Distribution Date; provided, however, that if the Series 2003-5 Cash Collateral Account has been established and funded, the Trustee shall withdraw from the Series 2003-5 Cash Collateral Account and deposit in the Series 2003-5 Distribution Account an amount equal to the lesser of (x) the Series 2003-5 Cash Collateral Percentage on such Distribution Date of the least of the amounts described in clauses (i), (ii) and (iii) above and (y) the Series 2003-5 Available Cash Collateral Account Amount on such Distribution Date and draw an amount equal to the remainder of such amount on the Series 2003-5 Letters of Credit. During the continuance of a Surety Default, no amounts in respect of the Surety Provider Fee shall be drawn on the Series 2003-5 Letters of Credit.

(d) Withdrawals from Series 2003-5 Reserve Account. If the Administrator determines on any Distribution Date that the amounts available from the Series 2003-5 Accrued Interest Account plus the amount, if any, to be drawn under the Series 2003-5 Letters of Credit and /or withdrawn from the Series 2003-5 Cash Collateral Account pursuant to Section 2.3(c) are insufficient to pay the sum of the amounts described in clauses (x), (y) and (z) of Section 2.3(a) above on such Distribution Date, the Administrator shall instruct the Trustee in writing to withdraw from the Series 2003-5 Reserve Account and deposit in the Series 2003-5 Distribution Account on such Distribution Date an amount equal to the lesser of the Series 2003-5 Available Reserve Account Amount and such insufficiency. During the continuance of a Surety Default, no amounts in respect of the Surety Provider Fee shall be withdrawn from the Series 2003-5 Reserve Account. The Trustee shall withdraw such amount from the Series 2003-5 Reserve Account and deposit such amount in the Series 2003-5 Distribution Account.

(e) Surety Bond. If the Administrator determines on any Distribution Date that the sum of the amounts available from the Series 2003-5 Accrued Interest Account plus the amount, if any, to be drawn under the Series 2003-5 Letters of Credit and/or to be withdrawn from the Series 2003-5 Cash Collateral Account pursuant to Section 2.3(c) above plus the amount, if any, to be withdrawn from the Series 2003-5 Reserve Account pursuant to Section 2.3(d) above is insufficient to pay the Series 2003-5 Adjusted Monthly Interest for such Distribution Date, the Administrator shall instruct the Trustee in writing to make a demand on

the Surety Bond and, upon receipt of such notice by the Trustee on or prior to 11:00 a.m. (New York City time) on such Distribution Date, the Trustee shall, by 12:00 noon (New York City time) on such Distribution Date, make a demand on the Surety Bond in an amount equal to such insufficiency in accordance with the terms thereof and shall cause the proceeds thereof to be deposited in the Series 2003-5 Distribution Account.

(f) Balance. On or prior to the second Business Day preceding each Distribution Date, the Administrator shall instruct the Trustee and the Paying Agent in writing pursuant to the Administration Agreement to pay the balance (after making the payments required in Section 2.4), if any, of the amounts available from the Series 2003-5 Accrued Interest Account and the Series 2003-5 Distribution Account, plus the amount, if any, drawn under the Series 2003-5 Letters of Credit and/or withdrawn from the Series 2003-5 Cash Collateral Account pursuant to Section 2.3(c) plus the amount, if any, withdrawn from the Series 2003-5 Reserve Account pursuant to Section 2.3(d) as follows:

(i) on each Distribution Date during the Series 2003-5 Revolving Period or a Series 2003-5 Controlled Amortization Period, (1) first, to the Surety Provider, in an amount equal to (x) the Surety Provider Fee for the related Series 2003-5 Interest Period and, without duplication, (y) any Surety Provider Reimbursement Amounts then due and owing, (2) second, to the Administrator, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest Period of the portion of the Monthly Administration Fee payable by AFC-II (as specified in clause (iii) of the definition thereof) for such Series 2003-5 Interest Period, (3) third, to the Trustee, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest Period of the Trustee's fees for such Series 2003-5 Interest Period, (4) fourth, to pay any Carrying Charges (other than Carrying Charges provided for above) to the Persons to whom such amounts are owed, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest Period of such Carrying Charges (other than Carrying Charges provided for above) for such Series 2003-5 Interest Period, (5) fifth, if AFC-II is required to replace the Series 2003-5 Interest Rate Cap Counterparty pursuant to Section 2.10(b), the initial payment, if any, to be made by AFC-II to the replacement Series 2003-5 Interest Rate Cap Counterparty and (6) sixth, the balance, if any ("Excess Collections"), shall be withdrawn by the Paying Agent from the Series 2003-5 Collection Account and deposited in the Series 2003-5 Excess Collection Account; and

(ii) on each Distribution Date during the Series 2003-5 Rapid Amortization Period, (1) first, to the Surety Provider, in an amount equal to (x) the Surety Provider Fee for the related Series 2003-5 Interest Period and, without duplication, (y) any Surety Provider Reimbursement Amounts then due and owing, (2) second, to the Trustee, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest Period of the Trustee's fees for such Series 2003-5 Interest Period, (3) third, to the Administrator, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest Period of the portion of the Monthly Administration Fee (as specified in clause (iii) of the definition thereof) payable by AFC-II for such Series 2003-5 Interest Period, (4) fourth, to pay any Carrying Charges (other than Carrying Charges provided for above) to the Persons to whom such amounts are owed, an amount equal to the Series 2003-5 Percentage as of the beginning of such Series 2003-5 Interest

Period of such Carrying Charges (other than Carrying Charges provided for above) for such Series 2003-5 Interest Period, (5) fifth, if AFC-II is required to replace the Series 2003-5 Interest Rate Cap Counterparty pursuant to Section 2.10(b), the initial payment, if any, to be made by AFC-II to the replacement Series 2003-5 Interest Rate Cap Counterparty and (6) sixth, so long as the Series 2003-5 Invested Amount is greater than the Series 2003-5 Principal Allocations on such Distribution Date, an amount equal to the excess of the Series 2003-5 Invested Amount over the Series 2003-5 Principal Allocations on such Distribution Date shall be treated as Principal Collections.

(g) Shortfalls. If the amounts described in Section 2.3 are insufficient to pay the Series 2003-5 Monthly Interest on any Distribution Date, payments of interest to the Series 2003-5 Noteholders will be reduced on a pro rata basis by the amount of such deficiency. The aggregate amount, if any, of such deficiency on any Distribution Date shall be referred to as the "Series 2003-5 Shortfall." Interest shall accrue on the portion of the Series 2003-5 Shortfall allocable to the Class A-1 Notes at the Class A-1 Note Rate and on the portion of the Series 2003-5 Shortfall allocable to the Class A-2 Notes at the Class A-2 Note Rate.

(h) Listing Information Requirement. From the time of the Administrator's written notice to the Trustee that the Class A-2 Notes are listed on the Luxembourg Stock Exchange until the Administrator shall give the Trustee written notice that the Class A-2 Notes are not listed on the Luxembourg Stock Exchange, the Trustee shall, or shall instruct the Paying Agent to, cause the Class A-2 Note Rate for the next succeeding Series 2003-5 Interest Period, the number of days in such Series 2003-5 Interest Period, the Distribution Date for such Series 2003-5 Interest Period and the amount of interest payable on the Class A-2 Notes on such Distribution Date to be (A) communicated to DTC, Euroclear, Clearstream, the Paying Agent in Luxembourg and the Luxembourg Stock Exchange no later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date and (B) published in the Authorized Newspaper as soon as possible after its determination.

Section 2.4 Payment of Note Interest. On each Distribution Date, subject to Section 9.8 of the Base Indenture, the Paying Agent shall, in accordance with Section 6.1 of the Base Indenture, pay to the Series 2003-5 Noteholders from the Series 2003-5 Distribution Account the amount due to the Series 2003-5 Noteholders deposited in the Series 2003-5 Distribution Account pursuant to Section 2.3.

Section 2.5 Payment of Note Principal. (a) Monthly Payments During Controlled Amortization Period or Rapid Amortization Period. Commencing on the second Determination Date during the Class A-1 Controlled Amortization Period or the Class A-2 Controlled Amortization Period, as the case may be, or the first Determination Date after the commencement of the Series 2003-5 Rapid Amortization Period, the Administrator shall instruct the Trustee and the Paying Agent in writing pursuant to the Administration Agreement and in accordance with this Section 2.5 as to (i) the amount allocated to the Series 2003-5 Notes during the Related Month pursuant to Section 2.2(b)(ii), (c)(ii) or (d)(ii), as the case may be, (ii) any amounts to be drawn on the Series 2003-5 Demand Notes and/or on the Series 2003-5 Letters of Credit (or withdrawn from the Series 2003-5 Cash Collateral Account), (iii) any amounts to be withdrawn from the Series 2003-5 Reserve Account and deposited into the Series 2003-5 Distribution Account and (iv) the amount of any demand on the Surety Bond in accordance with

the terms thereof. On the Distribution Date following each such Determination Date, the Trustee shall withdraw the amount allocated to the Series 2003-5 Notes during the Related Month pursuant to Section 2.2(b)(ii), (c)(ii) or (d)(ii), as the case may be, from the Series 2003-5 Collection Account and deposit such amount in the Series 2003-5 Distribution Account, to be paid to the holders of the Series 2003-5 Notes.

(b) Principal Draws on Series 2003-5 Letters of Credit. If the Administrator determines on any Distribution Date during the Series 2003-5 Rapid Amortization Period that there exists a Series 2003-5 Lease Principal Payment Deficit, the Administrator shall instruct the Trustee in writing to draw on the Series 2003-5 Letters of Credit, if any, as provided below; provided, however, that the Administrator shall not instruct the Trustee to draw on the Series 2003-5 Letters of Credit in respect of a Series 2003-5 Lease Principal Payment Deficit on or after the date of the filing by any of the Lessees of a petition for relief under Chapter 11 of the Bankruptcy Code unless and until the date on which each of the Lessees shall have resumed making all payments of the portion of Monthly Base Rent relating to Loan Interest required to be made under the AESOP I Operating Lease. Upon receipt of a notice by the Trustee from the Administrator in respect of a Series 2003-5 Lease Principal Payment Deficit on or prior to 11:00 a.m. (New York City time) on a Distribution Date, the Trustee shall, by 12:00 noon (New York City time) on such Distribution Date draw an amount as set forth in such notice equal to the lesser of (i) such Series 2003-5 Lease Principal Payment Deficit and (ii) the Series 2003-5 Letter of Credit Liquidity Amount on the Series 2003-5 Letters of Credit by presenting to each Series 2003-5 Letter of Credit Provider a draft accompanied by a Certificate of Lease Deficit Demand and shall cause the Lease Deficit Disbursements to be deposited in the Series 2003-5 Distribution Account on such Distribution Date; provided, however, that if the Series 2003-5 Cash Collateral Account has been established and funded, the Trustee shall withdraw from the Series 2003-5 Cash Collateral Account and deposit in the Series 2003-5 Distribution Account an amount equal to the lesser of (x) the Series 2003-5 Cash Collateral Percentage on such Distribution Date of the Series 2003-5 Lease Principal Payment Deficit and (y) the Series 2003-5 Available Cash Collateral Account Amount on such Distribution Date and draw an amount equal to the remainder of such amount on the Series 2003-5 Letters of Credit.

(c) Final Distribution Date. The entire Class A-1 Invested Amount shall be due and payable on the Class A-1 Final Distribution Date, and the entire Class A-2 Invested Amount shall be due and payable on the Class A-2 Final Distribution Date. In connection therewith:

(i) Demand Note Draw. If the amount to be deposited in the Series 2003-5 Distribution Account in accordance with Section 2.5(a) together with any amounts to be deposited therein in accordance with Section 2.5(b) allocable to the Class A-1 Notes on the Class A-1 Final Distribution Date or the Class A-2 Notes on the Class A-2 Final Distribution Date, as the case may be, is less than the Class A-1 Invested Amount or the Class A-2 Invested Amount, as the case may be, and there are any Series 2003-5 Letters of Credit on such date, then, prior to 10:00 a.m. (New York City time) on the second Business Day prior to such Series 2003-5 Final Distribution Date, the Administrator shall instruct the Trustee in writing (with a copy to the Surety Provider) to make a demand (a "Demand Notice") substantially in the form attached hereto as Exhibit F on the Demand Note Issuers for payment under the Series 2003-5 Demand Notes in an amount equal to

the lesser of (i) such insufficiency and (ii) the Series 2003-5 Letter of Credit Amount. The Trustee shall, prior to 12:00 noon (New York City time) on the second Business Day preceding such Series 2003-5 Final Distribution Date, deliver such Demand Notice to the Demand Note Issuers; provided, however, that if an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60) consecutive days) with respect to a Demand Note Issuer shall have occurred and be continuing, the Trustee shall not be required to deliver such Demand Notice to such Demand Note Issuer. The Trustee shall cause the proceeds of any demand on the Series 2003-5 Demand Notes to be deposited into the Series 2003-5 Distribution Account.

(ii) Letter of Credit Draw. In the event that either (x) on or prior to 10:00 a.m. (New York City time) on the Business Day immediately preceding any Distribution Date next succeeding any date on which a Demand Notice has been transmitted by the Trustee to the Demand Note Issuers pursuant to clause (i) of this Section 2.5(c), any Demand Note Issuer shall have failed to pay to the Trustee or deposit into the Series 2003-5 Distribution Account the amount specified in such Demand Notice in whole or in part or (y) due to the occurrence of an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60) consecutive days) with respect to one or more of the Demand Note Issuers, the Trustee shall not have delivered such Demand Notice to any Demand Note Issuer on the second Business Day preceding such Series 2003-5 Final Distribution Date, then, in the case of (x) or (y) the Trustee shall draw on the Series 2003-5 Letters of Credit by 12:00 noon (New York City time) on such Business Day an amount equal to the lesser of (a) the amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) and (b) the Series 2003-5 Letter of Credit Amount on such Business Day by presenting to each Series 2003-5 Letter of Credit Provider (with a copy to the Surety Provider) a draft accompanied by a Certificate of Unpaid Demand Note Demand; provided, however, that if the Series 2003-5 Cash Collateral Account has been established and funded, the Trustee shall withdraw from the Series 2003-5 Cash Collateral Account and deposit in the Series 2003-5 Distribution Account an amount equal to the lesser of (x) the Series 2003-5 Cash Collateral Percentage on such Business Day of the amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) and (y) the Series 2003-5 Available Cash Collateral Account Amount on such Business Day and draw an amount equal to the remainder of the amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) on the Series 2003-5 Letters of Credit. The Trustee shall deposit, or cause the deposit of, the proceeds of any draw

on the Series 2003-5 Letters of Credit and the proceeds of any withdrawal from the Series 2003-5 Cash Collateral Account to be deposited in the Series 2003-5 Distribution Account.

(iii) Reserve Account Withdrawal. If, after giving effect to the deposit into the Series 2003-5 Distribution Account of the amount to be deposited in accordance with Section 2.5(a) and the amounts described in clauses (i) and (ii) of this Section 2.5(c), the amount to be deposited in the Series 2003-5 Distribution Account with respect to a Series

2003-5 Final Distribution Date is or will be less than the Class A-1 Invested Amount or the Class A-2 Invested Amount, as the case may be, then, prior to 12:00 noon (New York City time) on the second Business Day prior to such Series 2003-5 Final Distribution Date, the Administrator shall instruct the Trustee in writing to withdraw from the Series 2003-5 Reserve Account, an amount equal to the lesser of the Series 2003-5 Available Reserve Account Amount and such remaining insufficiency and deposit it in the Series 2003-5 Distribution Account on such Series 2003-5 Final Distribution Date.

(iv) Demand on Surety Bond. If after giving effect to the deposit into the Series 2003-5 Distribution Account of the amount to be deposited in accordance with Section 2.5(a) and all other amounts described in clauses (i), (ii) and (iii) of this Section 2.5(c), the amount to be deposited in the Series 2003-5 Distribution Account with respect to such Series 2003-5 Final Distribution Date is or will be less than the Class A-1 Outstanding Principal Amount or the Class A-2 Outstanding Principal Amount, as the case may be, then the Trustee shall make a demand on the Surety Bond by 12:00 p.m. (New York City time) on the second Business Day preceding such Distribution Date in an amount equal to such insufficiency in accordance with the terms thereof and shall cause the proceeds thereof to be deposited in the Series 2003-5 Distribution Account.

(d) Principal Deficit Amount. On each Distribution Date, other than the Class A-1 Final Distribution Date and the Class A-2 Final Distribution Date, on which the Principal Deficit Amount is greater than zero, amounts shall be transferred to the Series 2003-5 Distribution Account as follows:

(i) Demand Note Draw. If on any Determination Date, the Administrator determines that the Principal Deficit Amount with respect to the next succeeding Distribution Date will be greater than zero and there are any Series 2003-5 Letters of Credit on such date, prior to 10:00 a.m. (New York City time) on the second Business Day prior to such Distribution Date, the Administrator shall instruct the Trustee in writing (with a copy to the Surety Provider) to deliver a Demand Notice to the Demand Note Issuers demanding payment of an amount equal to the lesser of (A) the Principal Deficit Amount and (B) the Series 2003-5 Letter of Credit Amount. The Trustee shall, prior to 12:00 noon (New York City time) on the second Business Day preceding such Distribution Date, deliver such Demand Notice to the Demand Note Issuers; provided, however, that if an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60) consecutive days) with respect to a Demand Note Issuer shall have occurred and be continuing, the Trustee shall not be required to deliver such Demand Notice to such Demand Note Issuer. The Trustee shall cause the proceeds of any demand on the Series 2003-5 Demand Note to be deposited into the Series 2003-5 Distribution Account.

(ii) Letter of Credit Draw. In the event that either (x) on or prior to 10:00 a.m. (New York City time) on the Business Day prior to such Distribution Date, any Demand Note Issuer shall have failed to pay to the Trustee or deposit into the Series 2003-5 Distribution Account the amount specified in such Demand Notice in whole or in part or (y) due to the occurrence of an Event of Bankruptcy (or the occurrence of an event described in clause (a) of the definition thereof, without the lapse of a period of sixty (60)

consecutive days) with respect to any Demand Note Issuer, the Trustee shall not have delivered such Demand Notice to any Demand Note Issuer on the second Business Day preceding such Distribution Date, then, in the case of (x) or (y) the Trustee shall on such Business Day draw on the Series 2003-5 Letters of Credit an amount equal to the lesser of (i) Series 2003-5 Letter of Credit Amount and (ii) the aggregate amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) by presenting to each Series 2003-5 Letter of Credit Provider (with a copy to the Surety Provider) a draft accompanied by a Certificate of Unpaid Demand Note Demand; provided, however, that if the Series 2003-5 Cash Collateral Account has been established and funded, the Trustee shall withdraw from the Series 2003-5 Cash Collateral Account and deposit in the Series 2003-5 Distribution Account an amount equal to the lesser of (x) the Series 2003-5 Cash Collateral Percentage on such Business Day of the aggregate amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) and (y) the Series 2003-5 Available Cash Collateral Account Amount on such Business Day and draw an amount equal to the remainder of the aggregate amount that the Demand Note Issuers failed to pay under the Series 2003-5 Demand Notes (or, the amount that the Trustee failed to demand for payment thereunder) on the Series 2003-5 Letters of Credit. The Trustee shall deposit into, or cause the deposit of, the proceeds of any draw on the Series 2003-5 Letters of Credit and the proceeds of any withdrawal from the Series 2003-5 Cash Collateral Account to be deposited in the Series 2003-5 Distribution Account.

(iii) Reserve Account Withdrawal. If the Series 2003-5 Letter of Credit Amount will be less than the Principal Deficit Amount on any Distribution Date, then, prior to 12:00 noon (New York City time) on the second Business Day prior to such Distribution Date, the Administrator shall instruct the Trustee in writing to withdraw from the Series 2003-5 Reserve Account, an amount equal to the lesser of (x) the Series 2003-5 Available Reserve Account Amount and (y) the amount by which the Principal Deficit Amount exceeds the amounts to be deposited in the Series 2003-5 Distribution Account in accordance with clauses (i) and (ii) of this Section 2.5(d) and deposit it in the Series 2003-5 Distribution Account on such Distribution Date.

(iv) Demand on Surety Bond. If the sum of the Series 2003-5 Letter of Credit Amount and the Series 2003-5 Available Reserve Account Amount will be less than the Principal Deficit Amount on any Distribution Date, then the Trustee shall make a demand on the Surety Bond by 12:00 noon (New York City time) on the second Business Day preceding such Distribution Date in an amount equal to the Insured Principal Deficit Amount and shall cause the proceeds thereof to be deposited in the Series 2003-5 Distribution Account.

(e) Distribution. On each Distribution Date occurring on or after the date a withdrawal is made from the Series 2003-5 Collection Account pursuant to Section 2.5(a) or amounts are deposited in the Series 2003-5 Distribution Account pursuant to Section 2.5(b), (c) or (d) the Paying Agent

shall, in accordance with Section 6.1 of the Base Indenture, pay pro rata to each Class A-1 Noteholder or Class A-2 Noteholder, as applicable, from the Series 2003-5 Distribution Account the amount deposited therein pursuant to Section 2.5(a), (b), (c) or (d), to

the extent necessary to pay the Class A-1 Controlled Amortization Amount during the Class A-1 Controlled Amortization Period or the Class A-2 Controlled Amortization Amount during the Class A-2 Controlled Amortization Period, as the case may be, or to the extent necessary to pay the Class A-1 Invested Amount and the Class A-2 Invested Amount during the Series 2003-5 Rapid Amortization Period.

Section 2.6 Administrator's Failure to Instruct the Trustee to Make a Deposit or Payment. If the Administrator fails to give notice or instructions to make any payment from or deposit into the Collection Account required to be given by the Administrator, at the time specified in the Administration Agreement or any other Related Document (including applicable grace periods), the Trustee shall make such payment or deposit into or from the Collection Account without such notice or instruction from the Administrator, provided that the Administrator, upon request of the Trustee, promptly provides the Trustee with all information necessary to allow the Trustee to make such a payment or deposit. When any payment or deposit hereunder or under any other Related Document is required to be made by the Trustee or the Paying Agent at or prior to a specified time, the Administrator shall deliver any applicable written instructions with respect thereto reasonably in advance of such specified time.

Section 2.7 Series-2003-5 Reserve Account. (a) Establishment of Series 2003-5 Reserve Account. AFC-II shall establish and maintain in the name of the Series 2003-5 Agent for the benefit of the Series 2003-5 Noteholders and the Surety Provider, or cause to be established and maintained, an account (the "Series 2003-5 Reserve Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Reserve Account shall be maintained (i) with a Qualified Institution, or (ii) as a segregated trust account with the corporate trust department of a depository institution or trust company having corporate trust powers and acting as trustee for funds deposited in the Series 2003-5 Reserve Account; provided that, if at any time such Qualified Institution is no longer a Qualified Institution or the credit rating of any securities issued by such depositary institution or trust company shall be reduced to below "BBB-" by Standard & Poor's or "Baa2" by Moody's, then AFC-II shall, within thirty (30) days of such reduction, establish a new Series 2003-5 Reserve Account with a new Qualified Institution. If the Series 2003-5 Reserve Account is not maintained in accordance with the previous sentence, AFC-II shall establish a new Series 2003-5 Reserve Account, within ten (10) Business Days after obtaining knowledge of such fact, which complies with such sentence, and shall instruct the Series 2003-5 Agent in writing to transfer all cash and investments from the non-qualifying Series 2003-5 Reserve Account into the new Series 2003-5 Reserve Account. Initially, the Series 2003-5 Reserve Account will be established with The Bank of New York.

(b) Administration of the Series 2003-5 Reserve Account. The Administrator may instruct the institution maintaining the Series 2003-5 Reserve Account to invest funds on deposit in the Series 2003-5 Reserve Account from time to time in Permitted Investments; provided, however, that any such investment shall mature not later than the Business Day prior to the Distribution Date following the date on which such funds were received, unless any Permitted Investment held in the Series 2003-5 Reserve Account is held with the Paying Agent, then such investment may mature on such Distribution Date and such funds shall be available for withdrawal on or prior to such Distribution Date. All such Permitted Investments will be credited to the Series 2003-5 Reserve Account and any such Permitted Investments that constitute

(i) physical property (and that is not either a United States security entitlement or a security entitlement) shall be physically delivered to the Trustee; (ii) United States security entitlements or security entitlements shall be controlled (as defined in Section 8-106 of the New York UCC) by the Trustee pending maturity or disposition, and (iii) uncertificated securities (and not United States security entitlements) shall be delivered to the Trustee by causing the Trustee to become the registered holder of such securities. The Trustee shall, at the direction and expense of AFC-II, take such action as is required to maintain the Trustee's security interest in the Permitted Investments credited to the Series 2003-5 Reserve Account. AFC-II shall not direct the Trustee to dispose of (or permit the disposal of) any Permitted Investments prior to the maturity thereof to the extent such disposal would result in a loss of the purchase price of such Permitted Investments. In the absence of written investment instructions hereunder, funds on deposit in the Series 2003-5 Reserve Account shall remain uninvested.

(c) Earnings from Series 2003-5 Reserve Account. All interest and earnings (net of losses and investment expenses) paid on funds on deposit in the Series 2003-5 Reserve Account shall be deemed to be on deposit therein and available for distribution.

(d) Series 2003-5 Reserve Account Constitutes Additional Collateral for Series 2003-5 Notes. In order to secure and provide for the repayment and payment of the AFC-II Obligations with respect to the Series 2003-5 Notes, AFC-II hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Series 2003-5 Agent, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, all of AFC-II's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-5 Reserve Account, including any security entitlement thereto; (ii) all funds on deposit therein from time to time; (iii) all certificates and instruments, if any, representing or evidencing any or all of the Series 2003-5 Reserve Account or the funds on deposit therein from time to time; (iv) all investments made at any time and from time to time with monies in the Series 2003-5 Reserve Account, whether constituting securities, instruments, general intangibles, investment property, financial assets or other property; (v) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-5 Reserve Account, the funds on deposit therein from time to time or the investments made with such funds; and (vi) all proceeds of any and all of the foregoing, including, without limitation, cash (the items in the foregoing clauses (i) through (vi) are referred to, collectively, as the "Series 2003-5 Reserve Account Collateral"). The Series 2003-5 Agent shall possess all right, title and interest in and to all funds on deposit from time to time in the Series 2003-5 Reserve Account and in all proceeds thereof, and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-5 Reserve Account. The Series 2003-5 Reserve Account Collateral shall be under the sole dominion and control of the Series 2003-5 Agent for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Agent hereby agrees (i) to act as the securities intermediary (as defined in Section 8-102(a)(14) of the New York UCC) with respect to the Series 2003-5 Reserve Account; (ii) that each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Series 2003-5 Reserve Account shall be treated as a financial asset (as defined in Section 8-102(a)(9) of the New York UCC) and (iii) to comply with any entitlement order (as defined in Section 8-102(a)(8) of the New York UCC) issued by the Trustee.

(e) Series 2003-5 Reserve Account Surplus. In the event that the Series 2003-5 Reserve Account Surplus on any Distribution Date, after giving effect to all withdrawals from the Series 2003-5 Reserve Account, is greater than zero, if no Series 2003-5 Enhancement Deficiency or AESOP I Operating Lease Vehicle Deficiency would result therefrom or exist thereafter, the Trustee, acting in accordance with the written instructions of the Administrator (with a copy of such written instructions to be provided by the Administrator to the Surety Provider) pursuant to the Administration Agreement, shall withdraw from the Series 2003-5 Reserve Account an amount equal to the Series 2003-5 Reserve Account Surplus and shall pay such amount to AFC-II.

(f) Termination of Series 2003-5 Reserve Account. Upon the termination of the Indenture pursuant to Section 11.1 of the Base Indenture, the Trustee, acting in accordance with the written instructions of the Administrator, after the prior payment of all amounts owing to the Series 2003-5 Noteholders and to the Surety Provider and payable from the Series 2003-5 Reserve Account as provided herein, shall withdraw from the Series 2003-5 Reserve Account all amounts on deposit therein for payment to AFC-II.

Section 2.8 Series 2003-5 Letters of Credit and Series 2003-5 Cash Collateral Account. (a) Series 2003-5 Letters of Credit and Series 2003-5 Cash Collateral Account Constitute Additional Collateral for Series 2003-5 Notes. In order to secure and provide for the repayment and payment of the AFC-II Obligations with respect to the Series 2003-5 Notes, AFC-II hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Trustee, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, all of AFC-II's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) each Series 2003-5 Letter of Credit; (ii) the Series 2003-5 Cash Collateral Account, including any security entitlement thereto; (iii) all funds on deposit in the Series 2003-5 Cash Collateral Account from time to time; (iv) all certificates and instruments, if any, representing or evidencing any or all of the Series 2003-5 Cash Collateral Account or the funds on deposit therein from time to time; (v) all investments made at any time and from time to time with monies in the Series 2003-5 Cash Collateral Account, whether constituting securities, instruments, general intangibles, investment property, financial assets or other property; (vi) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-5 Cash Collateral Account, the funds on deposit therein from time to time or the investments made with such funds; and (vii) all proceeds of any and all of the foregoing, including, without limitation, cash (the items in the foregoing clauses (ii) through (vii) are referred to, collectively, as the "Series 2003-5 Cash Collateral Account Collateral"). The Trustee shall, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, possess all right, title and interest in all funds on deposit from time to time in the Series 2003-5 Cash Collateral Account and in all proceeds thereof, and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-5 Cash Collateral Account. The Series 2003-5 Cash Collateral Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Agent hereby agrees (i) to act as the securities intermediary (as defined in Section 8-102(a)(14) of the New York UCC) with respect to the Series 2003-5 Cash Collateral Account; (ii) that each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Series 2003-5 Cash Collateral Account shall be treated as a financial asset (as defined in Section 8-102(a)(9) of the

New York UCC) and (iii) to comply with any entitlement order (as defined in Section 8-102(a)(8) of the New York UCC) issued by the Trustee.

(b) Series 2003-5 Letter of Credit Expiration Date. If prior to the date which is ten (10) days prior to the then scheduled Series 2003-5 Letter of Credit Expiration Date with respect to any Series 2003-5 Letter of Credit, excluding the amount available to be drawn under such Series 2003-5 Letter of Credit but taking into account each substitute Series 2003-5 Letter of Credit which has been obtained from a Series 2003-5 Eligible Letter of Credit Provider and is in full force and effect on such date, the Series 2003-5 Enhancement Amount would be equal to or more than the Series 2003-5 Required Enhancement Amount and the Series 2003-5 Liquidity Amount would be equal to or greater than the Series 2003-5 Required Liquidity Amount, then the Administrator shall notify the Trustee and the Surety Provider (with the Surety Provider to be provided supporting calculations in reasonable detail) in writing no later than two Business Days prior to such Series 2003-5 Letter of Credit Expiration Date of such determination. If prior to the date which is ten (10) days prior to the then scheduled Series 2003-5 Letter of Credit Expiration Date with respect to any Series 2003-5 Letter of Credit, excluding the amount available to be drawn under such Series 2003-5 Letter of Credit but taking into account a substitute Series 2003-5 Letter of Credit which has been obtained from a Series 2003-5 Eligible Letter of Credit Provider and is in full force and effect on such date, the Series 2003-5 Enhancement Amount would be less than the Series 2003-5 Required Enhancement Amount or the Series 2003-5 Liquidity Amount would be less than the Series 2003-5 Required Liquidity Amount, then the Administrator shall notify the Trustee and the Surety Provider (with the Surety Provider to be provided supporting calculations in reasonable detail) in writing no later than two Business Days prior to such Series 2003-5 Letter of Credit Expiration Date of (x) the greater of (A) the excess, if any, of the Series 2003-5 Required Enhancement Amount over the Series 2003-5 Enhancement Amount, excluding the available amount under such expiring Series 2003-5 Letter of Credit but taking into account any substitute Series 2003-5 Letter of Credit which has been obtained from a Series 2003-5 Eligible Letter of Credit Provider and is in full force and effect, on such date, and (B) the excess, if any, of the Series 2003-5 Required Liquidity Amount over the Series 2003-5 Liquidity Amount, excluding the available amount under such expiring Series 2003-5 Letter of Credit but taking into account any substitute Series 2003-5 Letter of Credit which has been obtained from a Series 2003-5 Eligible Letter of Credit Provider and is in full force and effect, on such date, and (y) the amount available to be drawn on such expiring Series 2003-5 Letter of Credit on such date. Upon receipt of such notice by the Trustee on or prior to 10:00 a.m. (New York City time) on any Business Day, the Trustee shall, by 12:00 p.m. (New York City time) on such Business Day (or, in the case of any notice given to the Trustee after 10:00 a.m. (New York City time), by 12:00 p.m. (New York City time) on the next following Business Day), draw the lesser of the amounts set forth in clauses (x) and (y) above on such expiring Series 2003-5 Letter of Credit by presenting a draft (with a copy to the Surety Provider) accompanied by a Certificate of Termination Demand and shall cause the Termination Disbursement to be deposited in the Series 2003-5 Cash Collateral Account.

If the Trustee does not receive the notice from the Administrator described in the first paragraph of this Section 2.8(b) on or prior to the date that is two Business Days prior to each Series 2003-5 Letter of Credit Expiration Date, the Trustee shall, by 12:00 p.m. (New York City time) on such Business Day draw the full amount of such Series 2003-5 Letter of Credit by

presenting a draft accompanied by a Certificate of Termination Demand and shall cause the Termination Disbursement to be deposited in the Series 2003-5 Cash Collateral Account.

(c) Series 2003-5 Letter of Credit Providers. The Administrator shall notify the Trustee and the Surety Provider in writing within one Business Day of becoming aware that (i) the long-term senior unsecured debt credit rating of any Series 2003-5 Letter of Credit Provider has fallen below "A+" as determined by Standard & Poor's or "Al" as determined by Moody's or (ii) the short-term senior unsecured debt credit rating of any Series 2003-5 Letter of Credit Provider has fallen below "A-1" as determined by Standard & Poor's or "P-1" as determined by Moody's. At such time the Administrator shall also notify the Trustee of (i) the greater of (A) the excess, if any, of the Series 2003-5 Required Enhancement Amount over the Series 2003-5 Enhancement Amount, excluding the available amount under the Series 2003-5 Letter of Credit issued by such Series 2003-5 Letter of Credit Provider, on such date, and (B) the excess, if any, of the Series 2003-5 Required Liquidity Amount over the Series 2003-5 Liquidity Amount, excluding the available amount under such Series 2003-5 Letter of Credit, on such date, and (ii) the amount available to be drawn on such Series 2003-5 Letter of Credit on such date. Upon receipt of such notice by the Trustee on or prior to 10:00 a.m. (New York City time) on any Business Day, the Trustee shall, by 12:00 p.m. (New York City time) on such Business Day (or, in the case of any notice given to the Trustee after 10:00 a.m. (New York City time), by 12:00 p.m. (New York City time) on the next following Business Day), draw on such Series 2003-5 Letter of Credit in an amount equal to the lesser of the amounts in clause (i) and clause (ii) of the immediately preceding sentence on such Business Day by presenting a draft accompanied by a Certificate of Termination Demand and shall cause the Termination Disbursement to be deposited in the Series 2003-5 Cash Collateral Account.

(d) Termination Date Demands on the Series 2003-5 Letters of Credit. Prior to 10:00 a.m. (New York City time) on the Business Day immediately succeeding the Series 2003-5 Letter of Credit Termination Date, the Administrator shall determine the Series 2003-5 Demand Note Payment Amount, if any, as of the Series 2003-5 Letter of Credit Termination Date and, if the Series 2003-5 Demand Note Payment Amount is greater than zero, instruct the Trustee in writing to draw on the Series 2003-5 Letters of Credit. Upon receipt of any such notice by the Trustee on or prior to 11:00 a.m. (New York City time) on a Business Day, the Trustee shall, by 12:00 noon (New York City time) on such Business Day draw an amount equal to the lesser of (i) the Series 2003-5 Demand Note Payment Amount and (ii) the Series 2003-5 Letter of Credit Liquidity Amount on the Series 2003-5 Letters of Credit by presenting to each Series 2003-5 Letter of Credit Provider (with a copy to the Surety Provider) a draft accompanied by a Certificate of Termination Date Demand and shall cause the Termination Date Disbursement to be deposited in the Series 2003-5 Cash Collateral Account; provided, however, that if the Series 2003-5 Cash Collateral Account has been established and funded, the Trustee shall draw an amount equal to the product of (a) 100% minus the Series 2003-5 Cash Collateral Percentage and (b) the lesser of the amounts referred to in clause (i) and (ii) on such Business Day on the Series 2003-5 Letters of Credit as calculated by the Administrator and provided in writing to the Trustee and the Surety Provider.

(e) Draws on the Series 2003-5 Letters of Credit. If there is more than one Series 2003-5 Letter of Credit on the date of any draw on the Series 2003-5 Letters of Credit pursuant to the terms of this Supplement, the Administrator shall instruct the Trustee, in writing,

to draw on each Series 2003-5 Letter of Credit in an amount equal to the Pro Rata Share of the Series 2003-5 Letter of Credit Provider issuing such Series 2003-5 Letter of Credit of the amount of such draw on the Series 2003-5 Letters of Credit.

(f) Establishment of Series 2003-5 Cash Collateral Account. On or prior to the date of any drawing under a Series 2003-5 Letter of Credit pursuant to Section 2.8(b), (c) or (d) above, AFC-II shall establish and maintain in the name of the Trustee for the benefit of the Series 2003-5 Noteholders and the Surety Provider, or cause to be established and maintained, an account (the "Series 2003-5 Cash Collateral Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Cash Collateral Account shall be maintained (i) with a Qualified Institution, or (ii) as a segregated trust account with the corporate trust department of a depository institution or trust company having corporate trust powers and acting as trustee for funds deposited in the Series 2003-5 Cash Collateral Account; provided, however, that if at any time such Qualified Institution is no longer a Qualified Institution or the credit rating of any securities issued by such depository institution or trust company shall be reduced to below "BBB-" by Standard & Poor's or "Baa3" by Moody's, then AFC-II shall, within thirty (30) days of such reduction, establish a new Series 2003-5 Cash Collateral Account with a new Qualified Institution or a new segregated trust account with the corporate trust department of a depository institution or trust company having corporate trust powers and acting as trustee for funds deposited in the Series 2003-5 Cash Collateral Account. If a new Series 2003-5 Cash Collateral Account is established, AFC-II shall instruct the Trustee in writing to transfer all cash and investments from the non-qualifying Series 2003-5 Cash Collateral Account into the new Series 2003-5 Cash Collateral Account.

(g) Administration of the Series 2003-5 Cash Collateral Account. AFC-II may instruct (by standing instructions or otherwise) the institution maintaining the Series 2003-5 Cash Collateral Account to invest funds on deposit in the Series 2003-5 Cash Collateral Account from time to time in Permitted Investments; provided, however, that any such investment shall mature not later than the Business Day prior to the Distribution Date following the date on which such funds were received, unless any Permitted Investment held in the Series 2003-5 Cash Collateral Account is held with the Paying Agent, in which case such investment may mature on such Distribution Date so long as such funds shall be available for withdrawal on or prior to such Distribution Date. All such Permitted Investments will be credited to the Series 2003-5 Cash Collateral Account and any such Permitted Investments that constitute (i) physical property (and that is not either a United States security entitlement or a security entitlement) shall be physically delivered to the Trustee; (ii) United States security entitlements or security entitlements shall be controlled (as defined in Section 8-106 of the New York UCC) by the Trustee pending maturity or disposition, and (iii) uncertificated securities (and not United States security entitlements) shall be delivered to the Trustee by causing the Trustee to become the registered holder of such securities. The Trustee shall, at the expense of AFC-II, take such action as is required to maintain the Trustee's security interest in the Permitted Investments credited to the Series 2003-5 Cash Collateral Account. AFC-II shall not direct the Trustee to dispose of (or permit the disposal of) any Permitted Investments prior to the maturity thereof to the extent such disposal would result in a loss of the purchase price of such Permitted Investments. In the absence of written investment instructions hereunder, funds on deposit in the Series 2003-5 Cash Collateral Account shall remain uninvested.

(h) Earnings from Series 2003-5 Cash Collateral Account. All interest and earnings (net of losses and investment expenses) paid on funds on deposit in the Series 2003-5 Cash Collateral Account shall be deemed to be on deposit therein and available for distribution.

(i) Series 2003-5 Cash Collateral Account Surplus. In the event that the Series 2003-5 Cash Collateral Account Surplus on any Distribution Date (or, after the Series 2003-5 Letter of Credit Termination Date, on any date) is greater than zero, the Trustee, acting in accordance with the written instructions (a copy of which shall be provided by the Administrator to the Surety Provider) of the Administrator, shall withdraw from the Series 2003-5 Cash Collateral Account an amount equal to the Series 2003-5 Cash Collateral Account Surplus and shall pay such amount: first, to the Series 2003-5

Letter of Credit Providers to the extent of any unreimbursed drawings under the related Series 2003-5 Reimbursement Agreement, for application in accordance with the provisions of the related Series 2003-5 Reimbursement Agreement, and, second, to AFC-II any remaining amount.

(j) Post-Series 2003-5 Letter of Credit Termination Date Withdrawals from the Series 2003-5 Cash Collateral Account. If the Surety Provider notifies the Trustee in writing that the Surety Provider shall have paid a Preference Amount (as defined in the Surety Bond) under the Surety Bond, subject to the satisfaction of the conditions set forth in the next succeeding sentence, the Trustee shall withdraw from the Series 2003-5 Cash Collateral Account and pay to the Surety Provider an amount equal to the lesser of (i) the Series 2003-5 Available Cash Collateral Account Amount on such date and (ii) such Preference Amount. Prior to any withdrawal from the Series 2003-5 Cash Collateral Account pursuant to this Section 2.8(j), the Trustee shall have received a certified copy of the order requiring the return of such Preference Amount.

(k) Termination of Series 2003-5 Cash Collateral Account. Upon the termination of this Supplement in accordance with its terms, the Trustee, acting in accordance with the written instructions of the Administrator, after the prior payment of all amounts owing to the Series 2003-5 Noteholders and to the Surety Provider and payable from the Series 2003-5 Cash Collateral Account as provided herein, shall withdraw from the Series 2003-5 Cash Collateral Account all amounts on deposit therein (to the extent not withdrawn pursuant to Section 2.8(i) above) and shall pay such amounts: first, to the Series 2003-5 Letter of Credit Providers to the extent of any unreimbursed drawings under the related Series 2003-5 Reimbursement Agreement, for application in accordance with the provisions of the related Series 2003-5 Reimbursement Agreement, and, second, to AFC-II any remaining amount.

Section 2.9 Series 2003-5 Distribution Account (a) Establishment of Series 2003-5 Distribution Account. The Trustee shall establish and maintain in the name of the Series 2003-5 Agent for the benefit of the Series 2003-5 Noteholders and the Surety Provider, or cause to be established and maintained, an account (the "Series 2003-5 Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Distribution Account shall be maintained (i) with a Qualified Institution, or (ii) as a segregated trust account with the corporate trust department of a depository institution or trust company having corporate trust powers and acting as trustee for funds deposited in the Series 2003-5 Distribution Account; provided, however, that if at any time such Qualified Institution is no longer a Qualified

Institution or the credit rating of any securities issued by such depositary institution or trust company shall be reduced to below "BBB-" by Standard & Poor's or "Baa3" by Moody's, then AFC-II shall, within thirty (30) days of such reduction, establish a new Series 2003-5 Distribution Account with a new Qualified Institution. If the Series 2003-5 Distribution Account is not maintained in accordance with the previous sentence, AFC-II shall establish a new Series 2003-5 Distribution Account, within ten (10) Business Days after obtaining knowledge of such fact, which complies with such sentence, and shall instruct the Series 2003-5 Agent in writing to transfer all cash and investments from the non-qualifying Series 2003-5 Distribution Account into the new Series 2003-5 Distribution Account. Initially, the Series 2003-5 Distribution Account will be established with The Bank of New York.

(b) Administration of the Series 2003-5 Distribution Account. The Administrator may instruct the institution maintaining the Series 2003-5 Distribution Account to invest funds on deposit in the Series 2003-5 Distribution Account from time to time in Permitted Investments; provided, however, that any such investment shall mature not later than the Business Day prior to the Distribution Date following the date on which such funds were received, unless any Permitted Investment held in the Series 2003-5 Distribution Account is held with the Paying Agent, then such investment may mature on such Distribution Date and such funds shall be available for withdrawal on or prior to such Distribution Date. All such Permitted Investments will be credited to the Series 2003-5 Distribution Account and any such Permitted Investments that constitute (i) physical property (and that is not either a United States security entitlement or a security entitlement) shall be physically delivered to the Trustee; (ii) United States security entitlements or security entitlements shall be controlled (as defined in Section 8-106 of the New York UCC) by the Trustee pending maturity or disposition, and (iii) uncertificated securities (and not United States security entitlements) shall be delivered to the Trustee by causing the Trustee to become the registered holder of such securities. The Trustee shall, at the direction and expense of AFC-II, take such action as is required to maintain the Trustee's security interest in the Permitted Investments credited to the Series 2003-5 Distribution Account. AFC-II shall not direct the Trustee to dispose of (or permit the disposal of) any Permitted Investments prior to the maturity thereof to the extent such disposal would result in a loss of the purchase price of such Permitted Investments. In the absence of written investment instructions hereunder, funds on deposit in the Series 2003-5 Distribution Account shall remain uninvested.

(c) Earnings from Series 2003-5 Distribution Account. All interest and earnings (net of losses and investment expenses) paid on funds on deposit in the Series 2003-5 Distribution Account shall be deemed to be on deposit and available for distribution.

(d) Series 2003-5 Distribution Account Constitutes Additional Collateral for Series 2003-5 Notes. In order to secure and provide for the repayment and payment of the AFC-II Obligations with respect to the Series 2003-5 Notes, AFC-II hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Series 2003-5 Agent, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, all of AFC-II's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-5 Distribution Account, including any security entitlement thereto; (ii) all funds on deposit therein from time to time; (iii) all certificates and instruments, if any, representing or evidencing any or all of the Series 2003-5 Distribution Account or the funds on deposit therein from time to time;

(iv) all investments made at any time and from time to time with monies in the Series 2003-5 Distribution Account, whether constituting securities, instruments, general intangibles, investment property, financial assets or other property; (v) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-5 Distribution Account, the funds on deposit therein from time to time or the investments made with such funds; and (vi) all proceeds of any and all of the foregoing, including, without limitation, cash (the items in the foregoing clauses (i) through (vi) are referred to, collectively, as the "Series 2003-5 Distribution Account Collateral"). The Series 2003-5 Agent shall possess all right, title and interest in all funds on deposit from time to time in the Series 2003-5 Distribution Account and in and to all proceeds thereof, and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-5 Distribution Account. The Series 2003-5 Distribution Account Collateral shall be under the sole dominion and control of the Series 2003-5 Agent for the benefit of the Series 2003-5 Noteholders and the Surety Provider. The Series 2003-5 Agent hereby agrees (i) to act as the securities intermediary (as defined in Section 8-102(a)(14) of the New York UCC) with respect to the Series 2003-5 Distribution Account; (ii) that each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Series 2003-5 Distribution Account shall be treated as a financial asset (as defined in Section 8-102(a)(9) of the New York UCC) and (iii) to comply with any entitlement order (as defined in Section 8-102(a)(8) of the New York UCC) issued by the Trustee.

Section 2.10 Series 2003-5 Interest Rate Caps.

(a) On the Series 2003-5 Closing Date, AFC-II shall acquire one or more interest rate caps acceptable to the Surety Provider (each a "Series 2003-5 Interest Rate Cap") from a Qualified Interest Rate Cap Counterparty. The aggregate initial notional amount of all Series 2003-5 Interest Rate Caps shall equal the Class A-2 Initial Invested Amount, and the notional amount of any Series 2003-5 Interest Rate Cap may be reduced pursuant to its terms but at no time shall the aggregate notional amount of all Series 2003-5 Interest Rate Caps be less than the Class A-2 Invested Amount. The strike rate of each Series 2003-5 Interest Rate Cap shall not be greater than 4.0%.

(b) If, at any time, a Series 2003-5 Interest Rate Cap Counterparty is not a Qualified Interest Rate Cap Counterparty, then AFC-II will cause such Series 2003-5 Interest Rate Cap Counterparty within thirty (30) days following such occurrence, at the Series 2003-5 Interest Rate Cap Counterparty's expense, to do either of the following (i) obtain a replacement interest rate cap on substantially the same terms as the Series 2003-5 Interest Rate Cap being replaced from a Qualified Interest Rate Cap Counterparty and simultaneously with such replacement, AFC-II shall terminate the Series 2003-5 Interest Rate Cap being replaced or (ii) enter into any arrangement satisfactory to Standard & Poor's, Moody's and the Surety Provider, which is sufficient to maintain or restore the immediately prior Shadow Rating. Other than as provided in the last sentence of this Section 2.10(b), no termination of any Series 2003-5 Interest Rate Cap shall occur until AFC-II has entered into a replacement interest rate cap. If AFC-II is unable to cause such Interest Rate Cap Counterparty to obtain such a replacement interest rate cap after making commercially reasonable efforts or enter into any other arrangement pursuant to this Section 2.10(b), AFC-II will obtain such replacement interest rate cap at the expense of the replaced Series 2003-5 Interest Rate Cap Counterparty or, if the replaced Series 2003-5 Interest

Rate Cap Counterparty fails to make such payment, at the expense of AFC-II (in which event, such amount will be paid solely from Interest Collections available pursuant to Section 2.3(f)(i) or (ii) hereof). Each Series 2003-5 Interest Rate Cap must provide that if such Series 2003-5 Interest Rate Cap Counterparty thereto is required to obtain a replacement interest rate cap or enter into any other arrangement pursuant to this Section 2.10(b) and such action is not taken within thirty (30) days, then such Series 2003- 5 Interest Rate Cap Counterparty must, until a replacement Series 2003-5 Interest Rate Cap is executed and in effect, collateralize its obligations under such Series 2003-5 Interest Rate Cap in an amount equal to the greatest of (i) the marked-to-market value of such Series 2003-5 Interest Rate Cap, (ii) the next payment due from such Series 2003-5 Interest Rate Cap Counterparty and (iii) 1% of the notional amount of such Series 2003-5 Interest Rate Cap. In the event that an "Event of Default" under a Series 2003-5 Interest Rate Cap has occurred (x) under Section 5(a)(i) of the ISDA Master Agreement governing such Series 2003-5 Interest Rate Cap in connection with the failure by the related Series 2003-5 Interest Rate Cap Counterparty to make payments due under such Series 2003-5 Interest Rate Cap or (y) under Section 5(a)(vii) of the ISDA Master Agreement governing such Series 2003-5 Interest Rate Cap in connection with certain bankruptcy events with respect to the related Series 2003-5 Interest Rate Cap Counterparty, then AFC-II shall, at the request of the Surety Provider, promptly terminate such Series 2003-5 Interest Rate Cap.

(c) To secure payment of all AFC-II Obligations with respect to the Series 2003-5 Notes, AFC-II grants a security interest in, and assigns, pledges, grants, transfers and sets over to the Series 2003-5 Agent, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, all of AFC-II's right, title and interest in the Series 2003-5 Interest Rate Caps and all proceeds thereof (the "Series 2003-5 Interest Rate Cap Collateral"). AFC-II shall require all Series 2003-5 Interest Rate Cap Proceeds to be paid to, and the Trustee shall allocate all Series 2003-5 Interest Rate Cap Proceeds to, the Series 2003-5 Accrued Interest Account of the Series 2003-5 Collection Account.

(d) The failure of AFC-II to comply with its covenants contained in this Section 2.10 shall not constitute an Amortization Event with respect to the Series 2003-5 Notes.

Section 2.11 Series 2003-5 Accounts Permitted Investments. AFC-II shall not, and shall not permit, funds on deposit in the Series 2003-5 Accounts to be invested in:

(i) Permitted Investments that do not mature at least one Business Day before the next Distribution Date;

(ii) demand deposits, time deposits or certificates of deposit with a maturity in excess of 360 days;

(iii) commercial paper which is not rated "P-1" by Moody's;

(iv) money market funds or eurodollar time deposits which are not rated at least "AAA" by Standard & Poor's;

(v) eurodollar deposits that are not rated "P-1" by Moody's or that are with financial institutions not organized under the laws of a G-7 nation; or

(vi) any investment, instrument or security not otherwise listed in clause (i) through (vi) of the definition of "Permitted Investments" in the Base Indenture that is not approved in writing by the Surety Provider.

Section 2.12 Series 2003-5 Demand Notes Constitute Additional Collateral for Series 2003-5 Notes. In order to secure and provide for the repayment and payment of the AFC-II Obligations with respect to the Series 2003-5 Notes, AFC-II hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Trustee, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, all of AFC-II's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-5 Demand Notes; (ii) all certificates and instruments, if any, representing or evidencing the Series 2003-5 Demand Notes; and (iii) all proceeds of any and all of the foregoing, including, without limitation, cash. On the date hereof, AFC-II shall deliver to the Trustee, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, each Series 2003-5 Demand Note, endorsed in blank. The Trustee, for the benefit of the Series 2003-5 Noteholders and the Surety Provider, shall be the only Person authorized to make a demand for payments on the Series 2003-5 Demand Notes.

ARTICLE III

AMORTIZATION EVENTS

In addition to the Amortization Events set forth in Section 9.1 of the Base Indenture, any of the following shall be an Amortization Event with respect to the Series 2003-5 Notes and collectively shall constitute the Amortization Events set forth in Section 9.1(n) of the Base Indenture with respect to the Series 2003-5 Notes (without notice or other action on the part of the Trustee or any holders of the Series 2003-5 Notes):

(a) a Series 2003-5 Enhancement Deficiency shall occur and continue for at least two (2) Business Days; provided, however, that such event or condition shall not be an Amortization Event if during such two (2) Business Day period such Series 2003-5 Enhancement Deficiency shall have been cured in accordance with the terms and conditions of the Indenture and the Related Documents;

(b) the Series 2003-5 Liquidity Amount shall be less than the Series 2003-5 Required Liquidity Amount for at least two (2) Business Days; provided, however, that such event or condition shall not be an Amortization Event if during such two (2) Business Day period such insufficiency shall have been cured in accordance with the terms and conditions of the Indenture and the Related Documents;

(c) the Collection Account, the Series 2003-5 Collection Account, the Series 2003-5 Excess Collection Account or the Series 2003-5 Reserve Account shall be subject to an injunction, estoppel or other stay or a Lien (other than Liens permitted under the Related Documents);

(d) all principal of and interest on the Class A-1 Notes is not paid in full on or before the Class A-1 Expected Final Distribution Date or all principal of and interest on

the Class A-2 Notes is not paid in full on or before the Class A-2 Expected Final Distribution Date;

(e) the Trustee shall make a demand for payment under the Surety Bond;

(f) the occurrence of an Event of Bankruptcy with respect to the Surety Provider;

(g) the Surety Provider fails to pay a demand for payment in accordance with the requirements of the Surety Bond;

(h) any Series 2003-5 Letter of Credit shall not be in full force and effect for at least two (2) Business Days and (x) either a Series 2003-5 Enhancement Deficiency would result from excluding such Series 2003-5 Letter of Credit from the Series 2003-5 Enhancement Amount or (y) the Series 2003-5 Liquidity Amount, excluding therefrom the available amount under such Series 2003-5 Letter of Credit, would be less than the Series 2003-5 Required Liquidity Amount;

(i) from and after the funding of the Series 2003-5 Cash Collateral Account, the Series 2003-5 Cash Collateral Account shall be subject to an injunction, estoppel or other stay or a Lien (other than Liens permitted under the Related Documents) for at least two (2) Business Days and either (x) a Series 2003-5 Enhancement Deficiency would result from excluding the Series 2003-5 Available Cash Collateral Account Amount from the Series 2003-5 Enhancement Amount or (y) the Series 2003-5 Liquidity Amount, excluding therefrom the Series 2003-5 Available Cash Collateral Amount, would be less than the Series 2003-5 Required Liquidity Amount; and

(j) an Event of Bankruptcy shall have occurred with respect to any Series 2003-5 Letter of Credit Provider or any Series 2003-5 Letter of Credit Provider repudiates its Series 2003-5 Letter of Credit or refuses to honor a proper draw thereon and either (x) a Series 2003-5 Enhancement Deficiency would result from excluding such Series 2003-5 Letter of Credit from the Series 2003-5 Enhancement Amount or (y) the Series 2003-5 Liquidity Amount, excluding therefrom the available amount under such Series 2003-5 Letter of Credit, would be less than the Series 2003-5 Required Liquidity Amount.

ARTICLE IV

RIGHT TO WAIVE PURCHASE RESTRICTIONS

Notwithstanding any provision to the contrary in the Indenture or the Related Documents, upon the Trustee's receipt of notice from any Lessee, any Borrower or AFC-II (i) to the effect that a Manufacturer Program is no longer an Eligible Manufacturer Program and that, as a result, the Series 2003-5 Maximum Non-Program Vehicle Amount is or will be exceeded or (ii) that the Lessees, the Borrowers and AFC-II have determined to increase any Series 2003-5 Maximum Amount, (such notice, a "Waiver Request"), each Series 2003-5 Noteholder may, at its option, waive the Series 2003-5 Maximum Non-Program Vehicle Amount or any other Series

2003-5 Maximum Amount (collectively, a "Waivable Amount") if (i) no Amortization Event exists, (ii) the Requisite Noteholders and the Surety Provider consent to such waiver and (iii) sixty (60) days' prior written notice of such proposed waiver is provided to the Rating Agencies by the Trustee.

Upon receipt by the Trustee of a Waiver Request (a copy of which the Trustee shall promptly provide to the Rating Agencies), all amounts which would otherwise be allocated to the Series 2003-5 Excess Collection Account (collectively, the "Designated Amounts") from the date the Trustee receives a Waiver Request through the Consent Period Expiration Date will be held by the Trustee in the Series 2003-5 Collection Account for ratable distribution as described below.

Within ten (10) Business Days after the Trustee receives a Waiver Request, the Trustee shall furnish notice thereof to the Series 2003-5 Noteholders and the Surety Provider, which notice shall be accompanied by a form of consent (each a "Consent") in the form of Exhibit B hereto by which the Series 2003-5 Noteholders may, on or before the Consent Period Expiration Date, consent to waiver of the applicable Waivable Amount. If the Trustee receives the consent of the Surety Provider and Consents from the Requisite Noteholders agreeing to waiver of the applicable Waivable Amount within forty-

five (45) days after the Trustee notifies the Series 2003-5 Noteholders of a Waiver Request (the day on which such forty-five (45) day period expires, the "Consent Period Expiration Date"), (i) the applicable Waivable Amount shall be deemed waived by the consenting Series 2003-5 Noteholders, (ii) the Trustee will distribute the Designated Amounts as set forth below and (iii) the Trustee shall promptly (but in any event within two days) provide the Rating Agency with notice of such waiver. Any Series 2003-5 Noteholder from whom the Trustee has not received a Consent on or before the Consent Period Expiration Date will be deemed not to have consented to such waiver.

If the Trustee receives Consents from the Requisite Noteholders on or before the Consent Period Expiration Date, then on the immediately following Distribution Date, the Trustee will pay the Designated Amounts as follows:

(i) to the non-consenting Series 2003-5 Noteholders, if any, pro rata up to the amount required to pay all Series 2003-5 Notes held by such non-consenting Series 2003-5 Noteholders in full; and

(ii) any remaining Designated Amounts to the Series 2003-5 Excess Collection Account.

If the amount paid pursuant to clause (i) of the preceding paragraph is not paid in full on the date specified therein, then on each day following such Distribution Date, the Administrator will allocate to the Series 2003-5 Collection Account on a daily basis all Designated Amounts collected on such day. On each following Distribution Date, the Trustee will withdraw a portion of such Designated Amounts from the Series 2003-5 Collection Account and deposit the same in the Series 2003-5 Distribution Account for distribution as follows:

(a) to the non-consenting Series 2003-5 Noteholders, if any, pro rata an amount equal to the Designated Amounts in the Series 2003-5 Collection Account as of

the applicable Determination Date up to the aggregate outstanding principal balance of the Series 2003-5 Notes held by the non-consenting Series 2003-5 Noteholders; and

(b) any remaining Designated Amounts to the Series 2003-5 Excess Collection Account.

If the Requisite Noteholders or the Surety Provider do not timely consent to such waiver, the Designated Amounts will be re-allocated to the Series 2003-5 Excess Collection Account for allocation and distribution in accordance with the terms of the Indenture and the Related Documents.

In the event that the Series 2003-5 Rapid Amortization Period shall commence after receipt by the Trustee of a Waiver Request, all such Designated Amounts will thereafter be considered Principal Collections allocated to the Series 2003-5 Noteholders.

ARTICLE V

FORM OF SERIES 2003-5 NOTES

Section 5.1 Restricted Global Series 2003-5 Notes. The Series 2003-5 Notes to be issued in the United States will be issued in book-entry form and represented by one or more permanent global Notes in fully registered form without interest coupons (each, a "Restricted Global Class A-1 Note" or "Restricted Global Class A-2 Note", as the case may be), substantially in the forms set forth in Exhibit A-1-1 and A-2-1 hereto, with such legends as may be applicable thereto as set forth in the Base Indenture, and will be sold only in the United States (1) initially to institutional accredited investors within the meaning of Regulation D under the Securities Act in reliance on an exemption from the registration requirements of the Securities Act and (2) thereafter to qualified institutional buyers within the meaning of, and in reliance on, Rule 144A under the Securities Act and shall be deposited on behalf of the purchasers of the Series 2003-5 Notes represented thereby, with the Trustee as custodian for DTC, and registered in the name of Cede as DTC's nominee, duly executed by AFC-II and authenticated by the Trustee in the manner set forth in Section 2.4 of the Base Indenture.

Section 5.2 Temporary Global Series 2003-5 Notes; Permanent Global Series 2003-5 Notes. The Series 2003-5 Notes to be issued outside the United States will be issued and sold in transactions outside the United States in reliance on Regulation S under the Securities Act, as provided in the applicable note purchase agreement, and shall initially be issued in the form of one or more temporary notes in registered form without interest coupons (each, a "Temporary Global Class A-1 Note" or a "Temporary Global Class A-2 Note", as the case may be), substantially in the forms set forth in Exhibits A-1-2 and A-2-2 hereto, which shall be deposited on behalf of the purchasers of the Series 2003-5 Notes represented thereby with a custodian for, and registered in the name of a nominee of DTC, for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or for Clearstream Banking, société anonyme ("Clearstream"), duly executed by AFC-II and authenticated by the Trustee in the manner set forth in Section 2.4 of the Base Indenture. Interests in a Temporary Global Class A-1 Note or a Temporary Global Class A-2 Note will be exchangeable, in whole or in part, for interests in one or more permanent global notes in registered form without interest coupons

(each, a "Permanent Global Class A-1 Note" or a "Permanent Global Class A-2 Note", as the case may be), substantially in the form of Exhibits A-1-3 and A-2-3 hereto, in accordance with the provisions of such Temporary Global Class A-1 Note or Temporary Global Class A-2 Note and the Base Indenture (as modified by this Supplement). Interests in a Permanent Global Class A-1 Note or a Permanent Global Class A-2 Note will be exchangeable for definitive Class A-1 Notes or definitive Class A-2 Notes, as the case may be, in accordance with the provisions of such Permanent Global Class A-1 Note or Permanent Global Class A-2 Note and the Base Indenture (as modified by this Supplement).

ARTICLE VI

GENERAL

Section 6.1 Optional Repurchase. Each Class of the Series 2003-5 Notes shall be subject to repurchase by AFC-II at its option in accordance with Section 6.3 of the Base Indenture on any Distribution Date after the Class A-1 Invested Amount or the Class A-2 Invested Amount, as the

case may be, is reduced to an amount less than or equal to 10% of the Class A-1 Initial Invested Amount or the Class A-2 Initial Invested Amount, as the case may be (the "Series 2003-5 Repurchase Amount"); provided, however, that as a condition precedent to any such optional repurchase, on or prior to the Distribution Date on which any Series 2003-5 Note is repurchased by AFC-II pursuant to this Section 6.1, AFC-II shall have paid the Surety Provider all Surety Provider Fees and all other Surety Provider Reimbursement Amounts due and unpaid as of such Distribution Date. The repurchase price for any Series 2003-5 Note shall equal the aggregate outstanding principal balance of such Series 2003-5 Note (determined after giving effect to any payments of principal and interest on such Distribution Date), plus accrued and unpaid interest on such outstanding principal balance.

Section 6.2 Information. The Trustee shall provide to the Series 2003-5 Noteholders, or their designated agent, and the Surety Provider copies of all information furnished to the Trustee or AFC-II pursuant to the Related Documents, as such information relates to the Series 2003-5 Notes or the Series 2003-5 Collateral. In connection with any Preference Amount payable under the Surety Bond, the Trustee shall furnish to the Surety Provider its records evidencing the distributions of principal of and interest on the Series 2003-5 Notes that have been made and subsequently recovered from Series 2003-5 Noteholders and the dates on which such payments were made.

Section 6.3 Exhibits. The following exhibits attached hereto supplement the exhibits included in the Indenture.

Exhibit A-1-1:	Form of Restricted Global Class A-1 Note
Exhibit A-1-2:	Form of Temporary Global Class A-1 Note
Exhibit A-1-3:	Form of Permanent Global Class A-1 Note
Exhibit A-2-1	Form of Restricted Global Class A-2 Note
Exhibit A-2-2	Form of Temporary Global Class A-2 Note
Exhibit A-2-3	Form of Permanent Global Class A-2 Note
Exhibit B:	Form of Consent
Exhibit C:	Form of Series 2003-5 Demand Note

Exhibit D:	Form of Letter of Credit
Exhibit E:	Form of Lease Payment Deficit Notice
Exhibit F:	Form of Demand Notice

Section 6.4 Ratification of Base Indenture. As supplemented by this Supplement, the Base Indenture is in all respects ratified and confirmed and the Base Indenture as so supplemented by this Supplement shall be read, taken, and construed as one and the same instrument.

Section 6.5 Counterparts. This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

Section 6.6 Governing Law. This Supplement shall be construed in accordance with the law of the State of New York, and the obligations, rights and remedies of the parties hereto shall be determined in accordance with such law.

Section 6.7 Amendments. This Supplement may be modified or amended from time to time with the consent of the Surety Provider and in accordance with the terms of the Base Indenture; provided, however, that if, pursuant to the terms of the Base Indenture or this Supplement, the consent of the Required Noteholders is required for an amendment or modification of this Supplement, such requirement shall be satisfied if such amendment or modification is consented to by the Series 2003-5 Noteholders representing more than 50% of the aggregate outstanding principal amount of the Series 2003-5 Notes affected thereby; provided, further, that if that consent of the Required Noteholders is required for a proposed amendment or modification of this Supplement that (i) affects only the Class A-1 Notes (and does not affect in any material respect the Class A-2 Notes, as evidenced by an opinion of counsel to such effect), then such requirement shall be satisfied if such amendment or modification is consented to by the Class A-1 Noteholders representing more than 50% of the aggregate outstanding principal amount of the Class A-1 Notes (without the necessity of obtaining the consent of the Required Noteholders in respect of the Class A-2 Notes) and (ii) affects only the Class A-2 Notes (and does not affect in material respect the Class A-1 Notes, as evidenced by an opinion of counsel to such effect), then such requirement shall be satisfied if such amendment or modification is consented to by the Class A-2 Noteholders representing more than 50% of the aggregate outstanding principal amount of the Class A-2 Notes (without the necessity of obtaining the consent of the Required Noteholders in respect of the Class A-1 Notes).

Section 6.8 Discharge of Indenture. Notwithstanding anything to the contrary contained in the Base Indenture, no discharge of the Indenture pursuant to Section 11.1(b) of the Base Indenture will be effective as to the Series 2003-5 Notes without the consent of the Required Noteholders.

Section 6.9 Notice to Surety Provider and Rating Agencies. The Trustee shall provide to the Surety Provider and each Rating Agency a copy of each notice, opinion of counsel, certificate or other item delivered to, or required to be provided by, the Trustee pursuant to this Supplement or any other Related Document. Each such opinion of counsel shall be

addressed to the Surety Provider, shall be from counsel reasonably acceptable to the Surety Provider and shall be in form and substance reasonably acceptable to the Surety Provider. All such notices, opinions, certificates or other items delivered to the Surety Provider shall be forwarded to XL Capital Assurance Inc., 1221 Avenue of the Americas, New York, New York 10020-1001, Attention: Surveillance, Telephone: (212) 478-3400.

Section 6.10 Certain Rights of Surety Provider. The Surety Provider shall be deemed to be an Enhancement Provider entitled to receive confirmation of the rating on the Series 2003-5 Notes (without regard to the Surety Bond) pursuant to the definition of "Rating Agency Confirmation Condition." In addition, the Surety Provider shall be deemed to be an Enhancement Provider entitled to exercise the consent rights described in clause (ii) of the definition of "Rating Agency Consent Condition."

Section 6.11 Surety Provider Deemed Noteholder and Secured Party. Except for any period during which a Surety Default is continuing, the Surety Provider shall be deemed to be the holder of 100% of the Series 2003-5 Notes for the purposes of giving any consents, waivers, approvals, instructions, directions, requests, declarations and/or notices pursuant to the Base Indenture and this Supplement. Any reference in the Base

Indenture or the Related Documents (including, without limitation, in Sections 2.3, 8.14, 9.1, 9.2 or 12.1 of the Base Indenture) to materially, adversely, or detrimentally affecting the rights or interests of the Noteholders, or words of similar meaning, shall be deemed, for purposes of the Series 2003-5 Notes, to refer to the rights or interests of the Surety Provider. The Surety Provider shall constitute an "Enhancement Provider" with respect to the Series 2003-5 Notes for all purposes under the Indenture and the other Related Documents. Furthermore, the Surety Provider shall be deemed to be a "Secured Party" under the Base Indenture and the Related Documents to the extent of amounts payable to the Surety Provider pursuant to this Supplement and the Insurance Agreement shall constitute an "Enhancement Agreement" with respect to the Series 2003-5 Notes for all purposes under the Indenture and the Related Documents. Moreover, wherever in the Related Documents money or other property is assigned, conveyed, granted or held for, a filing is made for, action is taken for or agreed to be taken for, or a representation or warranty is made for the benefit of the Noteholders, the Surety Provider shall be deemed to be the Noteholder with respect to 100% of the Series 2003-5 Notes for such purposes.

Section 6.12 Capitalization of AFC-II. AFC-II agrees that on the Series 2003-5 Closing Date it will have capitalization in an amount equal to or greater than 3% of the sum of (x) the Series 2003-5 Invested Amount and (y) the invested amount of the Series 1998-1 Notes, the Series 2000-2 Notes, the Series 2000-3 Notes, the Series 2000-4 Notes, the Series 2001-1 Notes, the Series 2001-2 Notes, the Series 2002-1 Notes, the Series 2002-2 Notes, the Series 2002-3 Notes, the Series 2003-1 Notes, the Series 2003-2 Notes, the Series 2003-3 Notes and the Series 2003-4 Notes.

Section 6.13 Series 2003-5 Required Non-Program Enhancement Percentage. AFC-II agrees that it will not make any Loan under any Loan Agreement to finance the acquisition of any Vehicle by AESOP Leasing, AESOP Leasing II or ARAC, as the case may be, if, after giving effect to the making of such Loan, the acquisition of such Vehicle and the inclusion of such Vehicle under the relevant Lease, the Series 2003-5 Required Non-Program Enhancement Percentage would exceed 25.0%.

Section 6.14 Third Party Beneficiary. The Surety Provider is an express third party beneficiary of (i) the Base Indenture to the extent of provisions relating to any Enhancement Provider and (ii) this Supplement.

Section 6.15 Prior Notice by Trustee to Surety Provider. Subject to Section 10.1 of the Base Indenture, the Trustee agrees that, so long as no Amortization Event shall have occurred and be continuing with respect to any Series of Notes other than the Series 2003-5 Notes, it shall not exercise any rights or remedies available to it as a result of the occurrence of an Amortization Event with respect to the Series 2003-5 Notes (except those set forth in clauses (f) and (g) of Article III) or a Series 2003-5 Limited Liquidation Event of Default until after the Trustee has given prior written notice thereof to the Surety Provider and obtained the direction of the Required Noteholders with respect to the Series 2003-5 Notes. The Trustee agrees to notify the Surety Provider promptly following any exercise of rights or remedies available to it as a result of the occurrence of any Amortization Event or a Series 2003-5 Limited Liquidation Event of Default.

Section 6.16 Effect of Payments by the Surety Provider. Anything herein to the contrary notwithstanding, any distribution of principal of or interest on the Series 2003-5 Notes that is made with moneys received pursuant to the terms of the Surety Bond shall not (except for the purpose of calculating the Principal Deficit Amount) be considered payment of the Series 2003-5 Notes by AFC-II. The Trustee acknowledges that, without the need for any further action on the part of the Surety Provider, (i) to the extent the Surety Provider makes payments, directly or indirectly, on account of principal of or interest on the Series 2003-5 Notes to the Trustee for the benefit of the Series 2003-5 Noteholders or to the Series 2003-5 Noteholders (including any Preference Amounts as defined in the Surety Bond), the Surety Provider will be fully subrogated to the rights of such Series 2003-5 Noteholders to receive such principal and interest and will be deemed to the extent of the payments so made to be a Series 2003-5 Noteholder and (ii) the Surety Provider shall be paid principal and interest in its capacity as a Series 2003-5 Noteholder until all such payments by the Surety Provider have been fully reimbursed, but only from the sources and in the manner provided herein for the distribution of such principal and interest and in each case only after the Series 2003-5 Noteholders have received all payments of principal and interest due to them hereunder on the related Distribution Date.

Section 6.17 Series 2003-5 Demand Notes. Other than pursuant to a demand thereon pursuant to Section 2.5, AFC-II shall not reduce the amount of the Series 2003-5 Demand Notes or forgive amounts payable thereunder so that the outstanding principal amount of the Series 2003-5 Demand Notes after such reduction or forgiveness is less than the Series 2003-5 Letter of Credit Liquidity Amount. AFC-II shall not agree to any amendment of the Series 2003-5 Demand Notes without first satisfying the Rating Agency Confirmation Condition and the Rating Agency Consent Condition.

Section 6.18 Subrogation. In furtherance of and not in limitation of the Surety Provider's equitable right of subrogation, each of the Trustee and AFC-II acknowledge that, to the extent of any payment made by the Surety Provider under the Surety Bond with respect to interest on or principal of the Series 2003-5 Notes, including any Preference Amount, as defined in the Surety Bond, the Surety Provider is to be fully subrogated to the extent of such payment

and any additional interest due on any late payment, to the rights of the Series 2003-5 Noteholders under the Indenture. Each of AFC-II and the Trustee agree to such subrogation and, further, agree to take such actions as the Surety Provider may reasonably request in writing to evidence such subrogation.

Section 6.19 Termination of Supplement. This Supplement shall cease to be of further effect when all outstanding Series 2003-5 Notes theretofore authenticated and issued have been delivered (other than destroyed, lost, or stolen Series 2003-5 Notes which have been replaced or paid) to the Trustee for cancellation, AFC-II has paid all sums payable hereunder, the Surety Provider has been paid all Surety Provider Fees and all other Surety Provider Reimbursement Amounts due under the Insurance Agreement and, if the Series 2003-5 Demand Note Payment Amount on the Series 2003-5 Letter of Credit Termination Date was greater than zero, all amounts have been withdrawn from the Series 2003-5 Cash Collateral Account in accordance with Section 2.8(i).

IN WITNESS WHEREOF, AFC-II and the Trustee have caused this Supplement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AESOP FUNDING II L.L.C.

By: /s/ Lori Gebron
Title: Vice President

THE BANK OF NEW YORK (as successor in interest to the corporate trust administration of Harris Trust and Savings Bank), as Trustee

By: /s/ Eric Lindahl
Title: Agent

THE BANK OF NEW YORK, as Series 2003-5 Agent

By: /s/ Eric Lindahl
Title: Agent

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Exhibit 10.43

EXECUTION COPY

CHESAPEAKE FUNDING LLC,
as Issuer

and

JPMORGAN CHASE BANK,
as Indenture Trustee

SERIES 2003-2 INDENTURE SUPPLEMENT

dated as of November 19, 2003

to

BASE INDENTURE

dated as of June 30, 1999

$500,000,000
of
Floating Rate Callable Asset-Backed Investor Notes

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SERIES 2003-2 SUPPLEMENT, dated as of November 19, 2003 (as amended, supplemented, restated or otherwise modified from time to time, this "Indenture Supplement") between CHESAPEAKE FUNDING LLC (formerly known as Greyhound Funding LLC), a special purpose limited liability company established under the laws of Delaware (the "Issuer"), and JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank) ("JPMorgan Chase"), a New York banking corporation, in its capacity as Indenture Trustee (together with its successors in trust thereunder as provided in the Base Indenture referred to below, the "Indenture Trustee"), to the Base Indenture, dated as of June 30, 1999, between the Issuer and the Indenture Trustee (as amended, modified, restated or supplemented from time to time, exclusive of Indenture Supplements creating new Series of Investor Notes, the "Base Indenture").

PRELIMINARY STATEMENT

WHEREAS, Sections 2.2 and 12.1 of the Base Indenture provide, among other things, that the Issuer and the Indenture Trustee may at any time and from time to time enter into a Indenture Supplement to the Base Indenture for the purpose of authorizing the issuance of one or more Series of Investor Notes.

NOW, THEREFORE, the parties hereto agree as follows:

DESIGNATION

There is hereby created a Series of Investor Notes to be issued pursuant to the Base Indenture and this Indenture Supplement and such Series of Investor Notes shall be designated generally as Series 2003-2 Floating Rate Callable Asset Backed Investor Notes.

The Series 2003-2 Investor Notes shall be issued in two classes: one of which shall be designated as Series 2003-2 Floating Rate Callable Asset Backed Investor Notes, Class A-1, and referred to herein as the Class A-1 Investor Notes and the other of which shall be designated as the Series 2003-2 Floating Rate Callable Asset Backed Investor Notes, Class A-2, and referred to herein as the Class A-2 Investor Notes. The Class A-1 Investor Notes and

the Class A-2 Investor Notes are referred to herein collectively as the "Series 2003-2 Investor Notes." The Series 2003-2 Investor Notes shall be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.

The net proceeds from the sale of the Series 2003-2 Investor Notes (as defined herein) shall be applied in accordance with Section 5A.2(b) and the portion thereof deposited in the Series 2003-2 Principal Collection Subaccount shall be used by the Issuer to fund the maintenance of the SUBI Certificates under the Transfer Agreement and/or to reduce the Invested Amounts of other Series of Investor Notes.

ARTICLE I

DEFINITIONS

(a) All capitalized terms not otherwise defined herein are defined in the Definitions List attached to the Base Indenture as Schedule 1 thereto. All Article, Section or

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Subsection references herein shall refer to Articles, Sections or Subsections of the Base Indenture, except as otherwise provided herein. Unless otherwise stated herein, as the context otherwise requires or if such term is otherwise defined in the Base Indenture, each capitalized term used or defined herein shall relate only to the Series 2003-2 Investor Notes and not to any other Series of Investor Notes issued by the Issuer.

(b) The following words and phrases shall have the following meanings with respect to the Series 2003-2 Investor Notes and the definitions of such terms are applicable to the singular as well as the plural form of such terms and to the masculine as well as the feminine and neuter genders of such terms:

"Additional Interest" is defined in Section 5A.3(c).

"Amortization Event" is defined in Article 3.

"Assumed Lease Term" means, with respect to any Series 2003-2 Yield Shortfall Lease, the number of months over which the Capitalized Cost of the related Leased Vehicle is being depreciated thereunder.

"Authorized Newspaper" means a daily newspaper published in the English language of general circulation in Luxembourg (or if publication is not practical in Luxembourg, in Europe).

"Avis" means Avis Group Holdings, Inc. and its successors and assigns.

"Calculation Agent" means JPMorgan Chase Bank, in its capacity as calculation agent with respect to the Series 2003-2 Note Rates.

"Car" means an automobile or a Light-Duty Truck.

"Cendant" means Cendant Corporation and its successors and assigns.

"Class A-1 Final Maturity Date" means the November 2008 Payment Date.

"Class A-1 Initial Invested Amount" means the aggregate initial principal amount of the Class A-1 Investor Notes, which is $230,000,000.

"Class A-1 Interest Shortfall Amount" is defined in Section 5A.3(c).

"Class A-1 Invested Amount" means as of any date of determination, an amount equal to (a) the Class A-1 Initial Invested Amount minus (b) the amount of principal payments made to Class A-1 Investor Noteholders on or prior to such date.

"Class A-1 Investor Noteholder" means the Person in whose name a Class A-1 Investor Note is registered in the Note Register.

"Class A-1 Investor Notes" means any one of the Series 2003-2 Floating Rate Callable Asset Backed Investor Notes, Class A-1, executed by the Issuer and

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authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-1. Definitive Class A-1 Investor Notes shall have such insertions and deletions as are necessary to give effect to the provisions of Section 2.11 of the Base Indenture.

"Class A-1 Monthly Interest" means, with respect to any Series 2003-2 Interest Period, an amount equal to the product of (i) the Class A-1 Note Rate for such Series 2003-2 Interest Period, (ii) the Class A-1 Invested Amount on the first day of such Series 2003-2 Interest Period, after giving effect to any principal payments made on such date, or, in the case of the initial Series 2003-2 Interest Period, the Class A-1 Initial Invested Amount and (iii) a fraction, the numerator of which is the number of days in such Series 2003-2 Interest Period and the denominator of which is 360.

"Class A-1 Note Rate" means, (i) with respect to the initial Series 2003-2 Interest Period, 1.32% per annum and (ii) with respect to each Series 2003-2 Interest Period thereafter, a rate per annum equal to One-Month LIBOR for such Series 2003-2 Interest Period plus 0.20% per annum.

"Class A-2 Final Maturity Date" means the November 2015 Payment Date.

"Class A-2 Initial Invested Amount" means the aggregate initial principal amount of the Class A-2 Investor Notes, which is $270,000,000.

"Class A-2 Interest Shortfall Amount" is defined in Section 5A.3(c).

"Class A-2 Invested Amount" means, as of any date of determination, an amount equal to (a) the Class A-2 Initial Invested Amount minus (b) the amount of principal payments made to Class A-2 Investor Noteholders on or prior to such date.

"Class A-2 Investor Noteholder" means the Person in whose name a Class A-2 Investor Note is registered in the Note Register.

"Class A-2 Investor Notes" means any one of the Series 2003-2 Floating Rate Asset Backed Callable Investor Notes, Class A-2, executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2. Definitive Class A-2 Investor Notes shall have such insertions and deletions as are necessary to give effect to the provisions of Section 2.11 of the Base Indenture.

"Class A-2 Monthly Interest" means, with respect to any Series 2003-2 Interest Period, an amount equal to the product of (i) the Class A-2 Note Rate for such Series 2003-2 Interest Period, (ii) the Class A-2 Invested Amount on the first day of such Series 2003-2 Interest Period, after giving effect to any principal payments made on such date, or, in the case of the initial Series 2003-2 Interest Period, the Class A-2 Initial Invested Amount and (iii) a fraction, the numerator of which is the number of days in such Series 2003-2 Interest Period and the denominator of which is 360.

"Class A-2 Note Rate" means, (i) with respect to the initial Series 2003-2 Interest Period, 1.42% per annum and (ii) with respect to each Series 2003-2 Interest Period

thereafter, a rate per annum equal to One-Month LIBOR for such Series 2003-2 Interest Period plus 0.30% per annum.

"Deficiency" is defined in Section 5A.4(b)(i).

"Dividend Amount" means, with respect to any Payment Date, the aggregate amount of dividends payable to the Series 2003-2 Preferred Members in respect of their Series 2003-2 Preferred Membership Interests pursuant to the LLC Agreement.

"Dollar", "US$" and "$" means lawful currency of the United States.

"DTC" means The Depository Trust Company or its successor, as the Clearing Agency for the Series 2003-2 Investor Notes.

"Equipment" means any Vehicle that is not a Car, a Forklift, a Heavy-Duty Truck, a Medium-Duty Truck, a Truck Body or a Trailer.

"Excess Alternative Vehicle Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is not a Car allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is not a Car subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 31.5% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Equipment Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is Equipment allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is Equipment subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 5% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Forklift Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Forklift allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Forklift subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 2% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Heavy-Duty Truck Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Heavy-Duty Truck allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Heavy-Duty Truck subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 7.5% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Medium-Duty Truck Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Medium-Duty Truck allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Medium-Duty Truck subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 15.0% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Trailer Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Trailer allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Trailer subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 3% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Truck Amount" means, on any Settlement Date, an amount equal to the greater of (a) the sum of (i) the Excess Heavy-Duty Truck Amount on such Settlement Date and (ii) the Excess Medium-Duty Truck Amount on such Settlement Date and (b) an amount equal to the excess, if any, of (x) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Medium-Duty Truck or a Heavy-Duty Truck allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Medium-Duty Truck or a Heavy-Duty Truck subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (y) an amount equal to 21.5% of the Aggregate Unit Balance as of such Settlement Date.

"Excess Truck Body Amount" means, on any Settlement Date, an amount equal to the excess, if any, of (a) the sum of

(i) the aggregate Lease Balance of all Eligible Leases the related Leased Vehicle of which is a Truck Body allocated to the Lease SUBI as of the last day of the Monthly Period immediately preceding such Settlement Date plus

(ii) an amount equal to the aggregate for each Unit Vehicle which is a Truck Body subject to a Closed-End Lease allocated to the Lease SUBI as of the last day of such Monthly Period of the lesser of (A) the Stated Residual Value of such Unit Vehicle and (B) the Net Book Value of such Unit Vehicle as of the last day of such Monthly Period;

over (b) an amount equal to 2% of the Aggregate Unit Balance as of such Settlement Date.

"Final Maturity Date" means the Class A-1 Final Maturity Date or the Class A-2 Final Maturity Date.

"Forklift" means a high-lift, self-loading mobile vehicle, equipped with load carriage and forks, for transporting and tiering loads.

"Gross Vehicle Weight" means the maximum manufacturer recommended weight that the axels of a Truck or Tractor can carry including the weight of the Truck or Tractor.

"Heavy-Duty Truck" means a Truck or Tractor having a Gross Vehicle Weight of over 33,000 thousand pounds.

"Indenture Supplement" has the meaning set forth in the preamble.

"Interest Shortfall Amount" is defined in Section 5A.3(c).

"LIBOR Determination Date" means, with respect to any Series 2003-2 Interest Period, the second London Business Day next preceding the first day of such Series 2003-2 Interest Period.

"Light-Duty Truck" means a Truck having a Gross Vehicle Weight of under 16,001 pounds.

"London Business Day" means any day on which dealings in deposits in Dollars are transacted in the London interbank market and banking institutions in London are not authorized or obligated by law or regulation to close.

"Medium-Duty Truck" means a Truck or Tractor having a Gross Vehicle Weight of between 16,001 thousand pounds and 33,000 thousand pounds.

"Monthly Interest Payment" is defined in Section 5A.4(c)(v).

"One-Month LIBOR" means, for each Series 2003-2 Interest Period, the rate per annum determined on the related LIBOR Determination Date by the Calculation Agent to be the rate for Dollar deposits having a maturity equal to one month that appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such LIBOR Determination Date; *provided, however*, that if such rate does not appear on Telerate Page 3750, One-Month LIBOR will mean, for such 2003-2 Interest Period, the rate per annum equal to the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates quoted by the Reference Banks to the Calculation Agent as the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month; *provided, further*, that if fewer than two quotations are provided as requested by the Reference Banks,

"One-Month LIBOR" for such Series 2003-2 Interest Period will mean the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates quoted by major banks in New York, New York selected by the Calculation Agent, at approximately 10:00 a.m., New York City time, on the first day of such Series 2003-2 Interest Period for loans in Dollars to leading European banks for a period equal to one month; *provided, finally*, that if no such quotes are provided, "One-Month LIBOR" for such Series 2003-2 Interest Period will mean One-Month LIBOR as in effect with respect to the preceding Series 2003-2 Interest Period.

"Outstanding" means, with respect to the Series 2003-2 Investor Notes, all Series 2003-2 Investor Notes theretofore authenticated and delivered under the Indenture, except (a) Series 2003-2 Investor Notes theretofore canceled or delivered to the Transfer Agent and Registrar for cancellation, (b) Series 2003-2 Investor Notes which have not been presented for payment but funds for the payment of which are on deposit in the Series 2003-2 Distribution Account and are available for payment of such Series 2003-2 Investor Notes, and Series 2003-2 Investor Notes which are considered paid pursuant to Section 11.1 of the Base Indenture, or (c) Series 2003-2 Investor Notes in exchange for or in lieu of other Series 2003-2 Investor Notes which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Series 2003-2 Investor Notes are held by a purchaser for value.

"Payment Date" means the 7th day of each month, or if such date is not a Business Day, the next succeeding Business Day, commencing December 8, 2003.

"PHH" means PHH Corporation and its successors and assigns.

"Prepayment Date" is defined in Article 4.

"Rating Agencies" means, with respect to the Series 2003-2 Investor Notes, Standard & Poor's, Moody's and any other nationally recognized rating agency rating the Series 2003-2 Investor Notes at the request of the Issuer.

"Rating Agency Condition" means, with respect to any action specified herein as requiring satisfaction of the Rating Agency Condition, that each Rating Agency shall have been given 10 days' (or such shorter period as shall be acceptable to each Rating Agency) prior notice thereof and that each of the Rating Agencies shall have notified the Issuer and the Indenture Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of the Series 2003-2 Investor Notes or of any Series 2003-2 Preferred Membership Interests.

"Record Date" means, with respect to each Payment Date, the last day of the immediately preceding calendar month.

"Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

"Series 2003-2" means Series 2003-2, the Principal Terms of which are set forth in this Indenture Supplement.

"Series 2003-2 Administrator Fee" is defined in Section 5.2.

"Series 2003-2 Allocated Adjusted Aggregate Unit Balance" means, as of any date of determination, the product of (a) the Adjusted Aggregate Unit Balance and (b) the percentage equivalent of a fraction the numerator of which is the Series 2003-2 Required Asset Amount as of such date and the denominator of which is the sum of (x) the Series 2003-2 Required Asset Amount and (y) the aggregate Required Asset Amounts with respect to each other Series of Investor Notes as of such date, including all Series of Investor Notes that have been paid in full but as to which the Amortization Period shall have not ended.

"Series 2003-2 Allocated Asset Amount Deficiency" means, as of any date of determination, the amount, if any, by which the Series 2003-2 Allocated Adjusted Aggregate Unit Balance is less than the Series 2003-2 Required Asset Amount as of such date.

"Series 2003-2 Amortization Period" means the period beginning at the earlier of (a) the close of business on the Business Day immediately preceding the day on which an Amortization Event is deemed to have occurred with respect to the Series 2003-2 Investor Notes and (b) the close of business on the Period End Date in May 2005 and ending on the date when (i) the Series 2003-2 Investor Notes are fully paid, (ii) all dividends accrued and accumulated on the Series 2003-2 Preferred Membership Interests shall have been declared and paid in full, (iii) the Series 2003-2 Preferred Membership Interests shall have been redeemed in accordance with their terms and (iv) all amounts owing in respect of the Series 2003-2 Preferred Membership Interests under the Series 2003-2 Preferred Membership Interest Purchase Agreement shall have been paid in full by the Issuer.

"Series 2003-2 Available Excess Collections Amount" means, on any Business Day during the period commencing on a Period End Date to but excluding the next succeeding Settlement Date, an amount equal to the excess, if any, of (a) the amount deposited in the Series 2003-2 General Collection Subaccount during the immediately preceding Monthly Period pursuant to Section 5A.2(a) over (b) the sum of (i) the amounts to be distributed from the Series 2003-2 Settlement Collection Subaccount pursuant to paragraphs (i) through (xii) of Section 5A.4(c) on such Settlement Date, and (ii) any amounts owing in respect of the Series 2003-2 Preferred Membership Interests under the Series 2003-2 Preferred Membership Interest Purchase Agreement on such Settlement Date.

"Series 2003-2 Basic Servicing Fee" is defined in Section 5.1.

"Series 2003-2 Closing Date" means November 19, 2003.

"Series 2003-2 Collateral" means the Collateral, the Series 2003-2 Reserve Account, the Series 2003-2 Yield Supplement Account, the Series 2003-2 Distribution Account and the Series 2003-2 Lease Rate Caps.

"Series 2003-2 Collection Subaccount" is defined in Section 5A.1(a).

"Series 2003-2 Distribution Account" is defined in Section 5A.10(a).

"Series 2003-2 Eligible Counterparty" means a financial institution having on the date of any acquisition of a Lease Rate Cap short-term debt ratings of at least A-1 by Standard & Poor's and P-1 by Moody's and long-term unsecured debt ratings of at least A+ by Standard & Poor's and Aa3 by Moody's.

"Series 2003-2 Excess Fleet Receivable Amount" means, for any Settlement Date, an amount equal to the product of (a) the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and (b) the Excess Fleet Receivable Amount for such Settlement Date.

"Series 2003-2 Gain on Sale Account Percentage" means 10%.

"Series 2003-2 Global Notes" is defined in Section 6.2.

"Series 2003-2 Hypothetical Yield Shortfall Amount" means, for any Settlement Date, an amount equal to the product of (x) the excess, if any, of the Series 2003-2 Minimum Yield Rate for such Settlement Date over the CP Rate as of the last day of the immediately preceding Monthly Period, (y) the Series 2003-2 Invested Percentage on such Settlement Date of the aggregate Lease Balance of all Floating Rate Leases as of the last day of the immediately preceding Monthly Period and (z) 2.75.

"Series 2003-2 Initial Invested Amount" means the sum of the Class A-1 Initial Invested Amount and the Class A-2 Initial Invested Amount.

"Series 2003-2 Interest Period" means a period commencing on and including a Payment Date and ending on and including the day preceding the next succeeding Payment Date; provided, however, that the initial Series 2003-2 Interest Period shall commence on and include the Series 2003-2 Closing Date and end on and include December 7, 2003.

"Series 2003-2 Invested Amount" means, as of any date of determination, the sum of the Class A-1 Invested Amount and the Class A-2 Invested Amount as of such date.

"Series 2003-2 Invested Percentage" means, with respect to any Business Day (i) during the Series 2003-2 Revolving Period, the percentage equivalent (which percentage shall never exceed 100%) of a fraction the numerator of which shall be equal to the Series 2003-2 Allocated Adjusted Aggregate Unit Balance as of the end of the immediately preceding Business Day and the denominator of which is the sum of the numerators used to determine invested percentages for allocations for all Series of Investor Notes (and all classes of such Series of Investor Notes), including all Series of Investor Notes that have

been paid in full but as to which the Amortization Period has not ended, as of the end of such immediately preceding Business Day or (ii) during the Series 2003-2 Amortization Period, the percentage equivalent (which percentage shall never exceed 100%) of a fraction the numerator of which shall be equal to the Series 2003-2 Allocated Adjusted Aggregate Unit Balance as of the end of the Series 2003-2 Revolving Period, and the denominator of which is the sum of the numerators used to determine invested percentages for allocations for all Series of Investor Notes (and all classes of such Series of Investor Notes), including all Series of Investor Notes that have been paid in full but as to which the Amortization Period has not ended, as of the end of the immediately preceding Business Day.

"Series 2003-2 Investor Noteholder" means, collectively, the Class A-1 Investor Noteholders and the Class A-2 Investor Noteholders.

"Series 2003-2 Investor Note Owner" means, with respect to a Series 2003-2 Global Note, the Person who is the beneficial owner of an interest in such Series 2003-2 Global Note, as reflected on the books of DTC, or on the books of a Person maintaining an account with DTC (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of DTC).

"Series 2003-2 Investor Notes" means, collectively, the Class A-1 Investor Notes and the Class A-2 Investor Notes.

"Series 2003-2 Junior Preferred Membership Interests" means the Junior Preferred Membership Interests relating to the Series 2003-2 Investor Notes, if any, issued by the Issuer pursuant to the LLC Agreement.

"Series 2003-2 Lease Rate Cap" means one or more interest rate caps whether now or hereafter existing or acquired, substantially in the form of Exhibit C, from a Series 2003-2 Eligible Counterparty.

"Series 2003-2 Liquid Credit Enhancement Deficiency" means, on any date of determination, the amount by which the Series 2003-2 Reserve Account Amount is less than the Series 2003-2 Required Reserve Account Amount.

"Series 2003-2 Minimum Yield Rate" means, for any Settlement Date, a rate per annum equal to the sum of (i) the Series 2003-2 Weighted Average Cost of Funds for such Settlement Date, (ii) 0.225% and (iii) 0.48%.

"Series 2003-2 Monthly Interest" means, with respect to any Series 2003-2 Interest Period, the sum of Class A-1 Monthly Interest and Class A-2 Monthly Interest for such Series 2003-2 Interest Period.

"Series 2003-2 Monthly Residual Value Gain" means, for any Settlement Date, an amount equal to the product of (a) the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and (b) the Monthly Residual Value Gain for such Settlement Date.

"Series 2003-2 Note Rate" means the Class A-1 Note Rate or the Class A-2 Note Rate, as the context may require.

"Series 2003-2 Note Termination Date" means the date on which the Series 2003-2 Investor Notes are fully paid.

"Series 2003-2 Preferred Member Distribution Account" means the account established in respect of the Series 2003-2 Preferred Membership Interests pursuant to the LLC Agreement.

"Series 2003-2 Preferred Members" means the registered holders of the Series 2003-2 Preferred Membership Interests.

"Series 2003-2 Preferred Membership Interest Purchase Agreement" means, collectively, one or more purchase agreements among the Issuer, one or more purchasers of the Series 2003-2 Senior Preferred Membership Interests thereunder, any agents of such purchasers, any banks or other financial institutions providing liquidity funding to such purchasers and the Administrator, as the same may from time to time be amended, supplemented or otherwise modified in accordance with its terms, and one or more purchase agreements relating to the Series 2003-2 Junior Preferred Membership Interests among the Issuer, one or more purchasers of the Series 2003-2 Junior Preferred Membership Interests and the Administrator, as the same may from time to time be amended, supplemented or otherwise modified in accordance with its terms.

"Series 2003-2 Preferred Membership Interests" means the Series 2003-2 Senior Preferred Membership Interests and the Series 2003-2 Junior Preferred Membership Interests, if any.

"Series 2003-2 Principal Collection Subaccount" is defined in Section 5A.1(a).

"Series 2003-2 Principal Payment Amount" means, for any Settlement Date, an amount equal to the product of (a) the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and (b) the Principal Payment Amount for such Settlement Date.

"Series 2003-2 Required Asset Amount" means, as of any date of determination, the sum of the Series 2003-2 Invested Amount and the Series 2003-2 Required Overcollateralization Amount as of such date.

"Series 2003-2 Required Enhancement Amount" means, on any date, the sum of (a) the Series 2003-2 Required Percentage on such date of the Series 2003-2 Initial Invested Amount plus (b) the sum of:

(i) if the Three-Month Average Residual Value Loss Ratio with respect to the most recent Settlement Date exceeded 12.50%, an amount equal to the product of (A) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding such Settlement Date and (B) 90% of the amount

by which the Aggregate Residual Value Amount exceeded the Excess Residual Value Amount, in each case, as of that date; plus

(ii) the greater of

(A) the sum of:

(1) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding the most recent Settlement Date and (y) the Excess Equipment Amount on such Settlement Date;

(2) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding the most recent Settlement Date and (y) the Excess Forklift Amount on such Settlement Date;

(3) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding the most recent Settlement Date and (y) the Excess Truck Amount on such Settlement Date;

(4) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding the most recent Settlement Date and (y) the Excess Trailer Amount on such Settlement Date; and

(5) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding the most recent Settlement Date and (y) the Excess Truck Body Amount on such Settlement Date; or

(B) an amount equal to the product of (x) the Series 2003-2 Invested Percentage as of the last day of the Monthly Period immediately preceding such Settlement Date and (y) the Excess Alternative Vehicle Amount on such Settlement Date.

; *provided*, *however*, that, after the declaration or occurrence of an Amortization Event, the Series 2003-2 Required Enhancement Amount shall equal the Series 2003-2 Required Enhancement Amount on the date of the declaration or occurrence of such Amortization Event.

"Series 2003-2 Required Investor Noteholders" means Series 2003-2 Investor Noteholders holding more than 50% of the Series 2003-2 Invested Amount (excluding any Series 2003-2 Investor Notes held by the Issuer or any Affiliate of the Issuer).

"Series 2003-2 Required Lease Rate Cap" means one or more Series 2003-2 Lease Rate Caps having, in the aggregate, a notional amount on each Payment Date equal

to the lesser of (x) the average daily Series 2003-2 Invested Percentage during the Monthly Period immediately preceding such Payment Date of the aggregate Lease Balance of all Fixed Rate Leases allocated to the Lease SUBI Portfolio as of the last day of the immediately preceding Monthly Period that were not Fixed Rate Leases when initially allocated to the Lease SUBI Portfolio or on the Series 2003-2 Closing Date, plus, in the case of all such Fixed Rate Leases that are Closed-End Leases, the aggregate Stated Residual Values of the related Leased Vehicles and (y) the sum of the Series 2003-2 Invested Amount and the aggregate stated liquidation preference of the Series 2003-2 Preferred Membership Interests on such Payment Date and an effective strike rate based on the eurodollar rate set forth therein in effect on the dates set forth therein at the most equal to the weighted average fixed rate of interest on such Fixed Rate Leases minus 0.705% per annum.

"Series 2003-2 Required Overcollateralization Amount" means, on any date of determination during an Accrual Period, the amount by which the Series 2003-2 Required Enhancement Amount exceeds the sum of (a) the Series 2003-2 Reserve Account Amount and (b) the amount on deposit in the Series 2003-2 Principal Collection Subaccount on such date (excluding any amounts deposited therein pursuant to Section 5A.2(d) during the Monthly Period commencing after the first day of such Accrual Period).

"Series 2003-2 Required Percentage" means, on any date of determination, 13.19% unless:

(a) for the most recent Settlement Date all of the following were true:

(i) the Three Month Average Charge-Off Ratio was 0.50 % or less;

(ii) the Twelve Month Average Charge-Off Ratio was 0.25% or less;

(iii) the Three Month Average Residual Value Loss Ratio was 10.00% or less;

(iv) the Twelve Month Average Residual Value Loss Ratio was 5.00% or less;

(v) the Three Month Average Paid-In Advance Loss Ratio was 1.00% or less;

(vi) the Twelve Month Average Paid-In Advance Loss Ratio was 0.50% or less; and

(vii) the Three Month Average Delinquency Ratio was 4.50% or less;

in which case, the Series 2003-2 Required Percentage on such date will equal 12.36% or

(b) for the most recent Settlement Date any one of the following was true:

(i) the Three Month Average Charge-Off Ratio exceeded 0.75%;

(ii) the Twelve Month Average Charge-Off Ratio exceeded 0.50%;

(iii) the Three Month Average Residual Value Loss Ratio exceeded 12.50%;

(iv) the Twelve Month Average Residual Value Loss Ratio exceeded 10.00%;

(v) the Twelve Month Average Paid-In Advance Loss Ratio exceeded 0.75%; or

(vi) the Three Month Average Delinquency Ratio exceeded 6.00%;

in which case, the Series 2003-2 Required Percentage on such date will equal 14.01%.

"Series 2003-2 Required Reserve Account Amount" means an amount equal to 2.2032% of the Series 2003-2 Initial Invested Amount.

"Series 2003-2 Required Yield Supplement Amount" means, on any Settlement Date, the excess, if any, of (a) the Series 2003-2 Yield Shortfall Amount for such Settlement Date over (b) 70% of the product of (x) the Series 2003-2 Invested Percentage on such Settlement Date and (y) the Class X 1999-1B Invested Amount as of such Settlement Date (after giving effect to any increase thereof on such Settlement Date); *provided*, *however* that upon the occurrence of a Receivable Purchase Termination Event, the Series 2003-2 Required Yield Supplement Amount on any Settlement Date will equal the Series 2003-2 Yield Shortfall Amount for such Settlement Date.

"Series 2003-2 Reserve Account" is defined in Section 5A.8(a).

"Series 2003-2 Reserve Account Amount" means, on any date of determination, the amount on deposit in the Series 2003-2 Reserve Account and available for withdrawal therefrom.

"Series 2003-2 Reserve Account Surplus" means, on any date of determination, the amount, if any, by which the Series 2003-2 Reserve Account Amount exceeds the Series 2003-2 Required Reserve Account Amount.

"Series 2003-2 Revolving Period" means the period from and including the Series 2003-2 Closing Date to but excluding the commencement of the Series 2003-2 Amortization Period.

"Series 2003-2 Senior Preferred Membership Interests" means each series of Senior Preferred Membership Interests relating to the Series 2003-2 Investor Notes issued by the Issuer pursuant to the LLC Agreement.

"Series 2003-2 Series Servicing Fee Percentage" is defined in Section 5.1.

"Series 2003-2 Supplemental Servicing Fee" is defined in Section 5.1.

"Series 2003-2 Settlement Collection Subaccount" is defined in Section 5A.1(a).

"Series 2003-2 Subaccounts" is defined in Section 5A.1(a).

"Series 2003-2 Weighted Average Cost of Funds" means, for any Settlement Date, the product of (a) the quotient of the sum of (i) the aggregate amount of interest payable on the Series 2003-2 Investor Notes on such Settlement Date and (ii) the aggregate amount of dividends payable on the Series 2003-2 Preferred Membership Interests on such Settlement Date, *divided* by the sum of (i) the Series 2003-2 Invested Amount as of the first day of the immediately preceding Series 2003-2 Interest Period and (ii) the aggregate stated liquidation preference of the Series 2003-2 Preferred Membership Interests as of such day and (b) a fraction, the numerator of which is 360 and the denominator of which is the number of days in the Series 2003-2 Interest Period ending on such Settlement Date.

"Series 2003-2 Weighted Average Yield Shortfall" means, for any Settlement Date, the excess, if any, of (a) the Series 2003-2 Minimum Yield Rate for such Settlement Date over (b) the Series 2003-2 Weighted Average Yield Shortfall Lease Yield for such Settlement Date.

"Series 2003-2 Weighted Average Yield Shortfall Lease Yield" means, for any Settlement Date, the quotient of the sum of the product with respect to each Series 2003-2 Yield Shortfall Lease of (a) the actual or implicit finance charge rate applicable to such Series 2003-2 Yield Shortfall Lease and (b) the Net Book Value of the Leased Vehicle subject to such Series 2003-2 Yield Shortfall Lease as of the last day of the immediately preceding Monthly Period *divided* by the aggregate Net Book Value of the Leased Vehicles subject to all of the Series 2003-2 Yield Shortfall Leases as of the last day of the immediately preceding Monthly Period.

"Series 2003-2 Weighted Average Yield Shortfall Life" means, for any Settlement Date, 50% of the weighted (on the basis of Net Book Value of the related Leased Vehicle) average Assumed Lease Term of the Series 2003-2 Yield Shortfall Leases, assuming that all scheduled lease payments are made thereon when scheduled and that the Obligors thereunder do not elect to convert such Series 2003-2 Yield Shortfall Leases to Fixed Rate Leases, as of the last day of the immediately preceding Monthly Period.

"Series 2003-2 Yield Shortfall Amount" means, for any Settlement Date, (i) if the Series 2003-2 Hypothetical Yield Shortfall Amount for such Settlement Date is less than 70% of the product of the Series 2003-2 Invested Percentage and the Class X 1999-1B Invested Amount as of such Settlement Date (after giving effect to any increase thereof on such Settlement Date), an amount equal to the Series 2003-2 Hypothetical Yield Shortfall Amount and (ii) otherwise, an amount equal to the product of (x) the Series 2003-2 Weighted Average Yield Shortfall for such Settlement Date, (y) the Series 2003-2 Invested Percentage on such Settlement Date of the aggregate Lease Balance of all Series 2003-2 Yield Shortfall Leases as of the last day of the immediately preceding Monthly Period and (z) the Series 2003-2 Weighted Average Yield Shortfall Life for such Settlement Date.

"Series 2003-2 Yield Shortfall Lease" means, as of any Settlement Date, each Unit Lease that is a Floating Rate Lease with an actual or implicit finance charge rate of

less than the Series 2003-2 Minimum Yield Rate as of the last day of the immediately preceding Monthly Period.

"Series 2003-2 Yield Supplement Account" is defined in Section 5A.9(a).

"Series 2003-2 Yield Supplement Account Amount" means, on any date of determination, the amount on deposit in the Series 2003-2 Yield Supplement Account and available for withdrawal therefrom.

"Series 2003-2 Yield Supplement Account Surplus" means, on any date of determination, the amount, if any, by which the Series 2003-2 Yield Supplement Account Amount exceeds the Series 2003-2 Required Yield Supplement Amount.

"Series 2003-2 Yield Supplement Deficiency" means, on any date of determination, the amount by which the Series 2003-2 Yield Supplement Account Amount is less than the Series 2003-2 Required Yield Supplement Amount.

"Telerate Page 3750" has the meaning set forth in the International Swaps Derivatives Association, Inc. 1991 Interest Rate and Currency Exchange Definitions.

"Total Cash Available" means, for any Settlement Date, the excess, if any, of (a) the sum of (i) the aggregate amount of Collections allocated to the Series 2003-2 General Collection Subaccount pursuant to Section 5A.2(a) during the immediately preceding Monthly Period, (ii) an amount equal to the product of the average daily Series 2003-2 Invested Percentage during such Monthly Period and the amount of the Unit Repurchase Payments paid by the Servicer and/or SPV on such Settlement Date, (iii) an amount equal to the product of the average daily Series 2003-2 Invested Percentage during such Monthly Period and the amount of the Monthly Servicer Advance made by the Servicer on such Settlement Date, (iv) an amount equal to the product of the average daily Series 2003-2 Invested Percentage during such Monthly Period and the amount withdrawn from the Gain on Sale Account pursuant to Section 5.2(e) of the Base Indenture on the Transfer Date immediately preceding such Settlement Date and (v) the investment income on amounts on deposit in the Series 2003-2 Principal Collection Subaccount and the Series 2003-2 General Collection Subaccount transferred to the Series 2003-2 Settlement Collection Subaccount on such Settlement Date pursuant to Section 5A.1(b) over (b) the amount withdrawn from the Series 2003-2 General Collection Subaccount pursuant to Section 5A.2(f) during the period commencing on the Period End Date immediately preceding such Settlement Date to but excluding such Settlement Date.

"Tractor" means a vehicle designed to pull a Trailer by means of a fifth wheel mounted over its rear axel.

"Trailer" means a truck trailer supported at the rear by its own wheels and at the front by a fifth wheel mounted to a Tractor.

"Truck" means a vehicle that carries cargo in a body mounted to its chassis rather than in a Trailer towed by the vehicle.

"Truck Body" means the outer shell of a motor vehicle that is mounted to a cab chassis and that covers that chassis from the back of the cab to the end of the body. A Vehicle shall not be a Truck Body if it also includes the cab.

ARTICLE II

ARTICLE 5 OF THE BASE INDENTURE

Sections 5.1 through 5.4 of the Base Indenture and each other Section of Article 5 of the Indenture relating to another Series shall read in their entirety as provided in the Base Indenture or any applicable Indenture Supplement. Article 5 of the Indenture (except for Sections 5.1 through 5.4 thereof and any portion thereof relating to another Series) shall read in its entirety as follows and shall be exclusively applicable to the Series 2003-2 Investor Notes:

Section 5A.1 Establishment of Series 2003-2 Subaccounts.

(a) The Indenture Trustee shall establish and maintain in the name of the Indenture Trustee for the benefit of the Series 2003-2 Investor Noteholders (i) a subaccount of the Collection Account (the "Series 2003-2 Collection Subaccount"); and (ii) three subaccounts of the Series 2003-2 Collection Subaccount: (1) the Series 2003-2 General Collection Subaccount, (2) the Series 2003-2 Principal Collection Subaccount and (3) the Series 2003-2 Settlement Collection Subaccount (respectively, the "Series 2003-2 General Collection Subaccount," the "Series 2003-2 Principal Collection Subaccount" and the "Series 2003-2 Settlement Collection Subaccount"); the accounts established pursuant to this Section 5A.1(a), collectively, the "Series 2003-2 Subaccounts"), each Series 2003-2 Subaccount to bear a designation indicating that the funds deposited therein are held for the benefit of the Series 2003-2 Investor Noteholders. The Indenture Trustee shall possess all right, title and interest in all moneys, instruments, securities and other property on deposit from time to time in the Series 2003-2 Subaccounts and the proceeds thereof for the benefit of the Series 2003-2 Investor Noteholders. The Series 2003-2 Subaccounts shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2003-2 Investor Noteholders.

(b) The Issuer shall instruct the institution maintaining the Collection Account in writing to invest funds on deposit in the Series 2003-2 Subaccounts at all times in Permitted Investments selected by the Issuer (by standing instructions or otherwise); provided, however, that funds on deposit in a Series 2003-2 Subaccount may be invested together with funds held in other subaccounts of the Collection Account. Amounts on deposit and available for investment in the Series 2003-2 General Collection Subaccount shall be invested by the Indenture Trustee at the written direction of the Issuer in Permitted Investments that mature, or that are payable or redeemable upon demand of the holder thereof, on or prior to the Business Day immediately preceding the next Payment Date. Amounts on deposit and available for investment in the Series 2003-2 Principal Collection Subaccount shall be invested by the Indenture Trustee at the written direction of the Issuer in Permitted Investments that mature, or that are payable or redeemable upon demand of the holder thereof, (i) in the case of any such investment made during the Series 2003-2 Revolving Period, on or prior to the next Business Day and (ii) in the case of any such investment made on any day during the Series 2003-2 Amortization Period, on or prior to the Business Day immediately preceding the next Payment Date. On each Settlement Date, all

interest and other investment earnings (net of losses and investment expenses) on funds deposited in the Series 2003-2 Principal Collection Subaccount and the Series 2003-2 General Collection Subaccount shall be deposited in the Series 2003-2 Settlement Collection Subaccount. The Issuer shall not direct the Indenture Trustee to dispose of (or permit the disposal of) any Permitted Investments prior to the maturity thereof to the extent such disposal would result in a loss of principal of such Permitted Investment. In the absence of written direction as provided hereunder, all funds on deposit in the Collection Account shall remain uninvested.

Section 5A.2 Allocations with Respect to the Series 2003-2 Investor Notes.

(a) Prior to 1:00 P.M., New York City time, on each Deposit Date, the Administrator shall direct the Indenture Trustee in writing to allocate to the Series 2003-2 Investor Noteholders and deposit in the Series 2003-2 General Collection Subaccount an amount equal to the product of the Series 2003-2 Invested Percentage on such Deposit Date and the Collections deposited into the Collection Account on such Deposit Date.

(b) On the Series 2003-2 Closing Date, the Indenture Trustee shall (i) deposit $545,379.51 of the net proceeds from the sale of the Series 2003-2 Investor Notes in the Series 2003-2 Settlement Collection Subaccount, (ii) deposit $11,016,000 of the net proceeds from the sale of the Series 2003-2 Investor Notes in the Series 2003-2 Reserve Account and (iii) deposit the remainder of the net proceeds from the sale of the Series 2003-2 Investor Notes in the Series 2003-2 Principal Collection Subaccount.

(c) On each Determination Date, the Administrator shall direct the Indenture Trustee in writing to allocate to the Series 2003-2 Investor Noteholders and deposit in the Series 2003-2 Settlement Collection Subaccount on the immediately succeeding Transfer Date amounts withdrawn from the Gain on Sale Account on such Transfer Date, in an amount equal to the product of the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and the amount withdrawn from the Gain on Sale Account pursuant to Section 5.2(e) of the Base Indenture on such Transfer Date.

(d) On each Determination Date, the Administrator shall direct the Indenture Trustee in writing to allocate to the Series 2003-2 Investor Noteholders and deposit in the Series 2003-2 Settlement Collection Subaccount on the immediately succeeding Settlement Date the following amounts:

(i) any Unit Repurchase Payments made by the Servicer and/or SPV, in an amount equal to the product of the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and the amount of such Unit Repurchase Payments;

(ii) the Monthly Servicer Advance made by the Servicer, in an amount equal to the product of the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and the amount of such Monthly Servicer Advance;

(iii) payments made under the Lease Rate Caps maintained by the Issuer pursuant to Sections 5A.11(a) and (b), in an amount equal to the product of the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and the amount of such payments; and

(iv) all payments made to the Indenture Trustee under the Series 2003-2 Lease Rate Cap.

(e) During the Series 2003-2 Revolving Period, the Administrator may direct the Indenture Trustee in writing on any Business Day to withdraw amounts on deposit in the Series 2003-2 Principal Collection Subaccount for either of the following purposes:

(i) if such Business Day is an Additional Closing Date, to remit all or a portion of the Transferred Asset Payment due on such Additional Closing Date pursuant to the Transfer Agreement; or

(ii) to reduce the Invested Amount of any Series of Investor Notes.

(f) Prior to the occurrence of a Potential Amortization Event or an Amortization Event, on any Business Day during the period commencing on a Period End Date to but excluding the next succeeding Settlement Date on which the Administrator is able to determine the amounts to be distributed from the Series 2003-2 Settlement Collection Subaccount pursuant to paragraphs (i) through (xii) of Section 5A.4(c) on such Settlement Date and any amounts owing in respect of the Series 2003-2 Preferred Membership Interests under the Series 2003-2 Preferred Membership Interest Purchase Agreement on such Settlement Date, the Administrator may direct the Indenture Trustee in writing to withdraw from the Series 2003-2 General Collection Subaccount and remit to the Issuer the Series 2003-2 Available Excess Collections Amount for such Business Day.

Section 5A.3 Determination of Interest.

(a) JPMorgan Chase is hereby appointed Calculation Agent for the purpose of determining the Series 2003-2 Note Rates for each Series 2003-2 Interest Period. On each LIBOR Determination Date, the Calculation Agent shall determine the Series 2003-2 Note Rate for each Class of Series 2003-2 Investor Notes for the next succeeding Series 2003-2 Interest Period and deliver notice of such Series 2003-2 Note Rates to the Indenture Trustee. On each LIBOR Determination Date, the Indenture Trustee shall deliver to the Administrator notice of the Series 2003-2 Note Rate for each Class of Series 2003-2 Investor Notes for the next succeeding Series 2003-2 Interest Period.

(b) Until the Administrator shall give the Indenture Trustee written notice that neither Class of the Series 2003-2 Investor Notes is listed on the Luxembourg Stock Exchange, the Indenture Trustee shall, or shall instruct the Calculation Agent to, cause (i) the Series 2003-2 Note Rate applicable to each Class of the Series 2003-2 Investor Notes for the next succeeding Series 2003-2 Interest Period, the number of days in such Series 2003-2 Interest Period, the Payment Date for such Series 2003-2 Interest Period and the amount of interest payable on each Class of Series 2003-2 Investor Notes on such Payment Date to be (A) communicated to DTC,

the Paying Agent in Luxembourg and the Luxembourg Stock Exchange no later than the Business Day immediately following each LIBOR Determination Date and (B) published in the Authorized Newspaper as soon as possible after its determination.

(c) On each Determination Date, the Administrator shall determine the excess, if any (the "Interest Shortfall Amount"), of (i) the sum of (A) the Series 2003-2 Monthly Interest for the Series 2003-2 Interest Period ending on the next succeeding Payment Date and (B) the amount of any unpaid Interest Shortfall Amount, as of the preceding Payment Date (together with any Additional Interest on such Interest Shortfall Amount) over (ii) the amount which will be available to pay interest on the Series 2003-2 Investor Notes in accordance with Section 5A.4(c) on such Payment Date. If the Interest Shortfall Amount with respect to any Payment Date is greater than zero, payments of interest to the Series 2003-2 Investor Noteholders will be reduced on a pro rata basis, based on the amount of interest payable to each such Series 2003-2 Investor Noteholder, by the Interest Shortfall Amount. The portion of the Interest Shortfall Amount allocable to each Class of Series 2003-2 Investor Notes shall be referred to as the "Class A-1 Interest Shortfall Amount" and the "Class A-2 Interest Shortfall Amount", respectively. An additional amount of interest ("Additional Interest") shall accrue on the Class A-1 Interest Shortfall Amount and the Class A-2 Interest Shortfall Amount for each Series 2003-2 Interest Period at the applicable Series 2003-2 Note Rate for such Series 2003-2 Interest Period. Until the Administrator shall give the Indenture Trustee written notice that neither Class of the Series 2003-2 Investor Notes is listed on the Luxembourg Stock Exchange, the Indenture Trustee shall, or shall instruct the Calculation Agent to, notify the Luxembourg Stock Exchange if, based solely on the information contained in the Monthly Settlement Statement with respect to the Series 2003-2 Investor Notes, the amount of interest to be paid on any Class of the Series 2003-2 Investor Notes on any Payment Date is less than the amount payable thereon on such Payment Date, the amount of such deficit and the amount of interest that will accrue on such deficit during the next succeeding Series 2003-2 Interest Period by the Business Day prior to such Payment Date.

(d) All communications by or on behalf of the Indenture Trustee to the Luxembourg Stock Exchange pursuant to this Section 5A.3 shall be sent by electronic mail to The Bank of New York c/o listings@bankofny.com.

Section 5A.4 Monthly Application of Collections.

(a) On each Settlement Date, the Administrator shall direct the Indenture Trustee in writing to withdraw from the Series 2003-2 General Collection Subaccount and allocate to the Series 2003-2 Settlement Collection Subaccount an amount equal to Total Cash Available for such Settlement Date (less an amount equal to the investment income from the Series 2003-2 General Collection Subaccount and the Series 2003-2 Principal Collection Subaccount transferred to the Series 2003-2 Settlement Collection Subaccount pursuant to Section 5A.1(b)).

(b) (i) If the Administrator determines that the aggregate amount distributable from the Series 2003-2 Settlement Collection Subaccount pursuant to paragraphs (i) through (ix) of Section 5A.4(c) on any Payment Date exceeds the Total Cash Available for such Payment Date (the "Deficiency"), the Administrator shall notify the Indenture Trustee thereof in writing at or before 10:00 a.m., New York City time, on the Business Day immediately preceding such

Payment Date, and the Indenture Trustee shall, in accordance with such notice, by 11:00 a.m., New York City time, on such Payment Date, withdraw from the Series 2003-2 Reserve Account and deposit in the Series 2003-2 Settlement Collection Subaccount an amount equal to the least of (x) such Deficiency, (y) the product of the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period and Aggregate Net Lease Losses for such Monthly Period and (z) the Series 2003-2 Reserve Account Amount and, to the extent that such amount is less than the Deficiency, withdraw from the Series 2003-2 Yield Supplement Account and deposit in the Series 2003-2 Settlement Collection Subaccount an amount equal to the lesser of the amount of such insufficiency and the Series 2003-2 Yield Supplement Account Amount. If the Deficiency with respect to any Payment Date exceeds the amounts to be withdrawn from the Series 2003-2 Reserve Account and the Series 2003-2 Yield Supplement Account pursuant to the immediately preceding sentence, the Administrator shall instruct the Indenture Trustee in writing at or before 10:00 a.m., New York City time, on the Business Day immediately preceding such Payment Date, and the Indenture Trustee shall, in accordance with such notice, by 11:00 a.m., New York City time, on such Payment Date, withdraw from the Series 2003-2 Reserve Account and deposit in the Series 2003-2 Settlement Collection Subaccount an amount equal to the lesser of (x) the remaining portion of the Deficiency and (y) the Series 2003-2 Reserve Account Amount (after giving effect to the withdrawal described in the immediately preceding sentence).

(ii) If the Administrator determines that (A) the amount to be deposited in the Series 2003-2 Distribution Account in accordance with Section 5A.4(c)(ix) and paid to the Class A-1 Investor Noteholders pursuant to Section 5A.6 on the Class A-1 Final Maturity Date is less than the Class A-1 Invested Amount or (B) the amount to be deposited in the Series 2003-2 Distribution Account in accordance with Section 5A.4(c)(ix) and paid to the Class A-2 Investor Noteholders pursuant to Section 5A.6 on the Class A-2 Final Maturity Date is less than the Class A-2 Invested Amount, the Administrator shall notify the Indenture Trustee thereof in writing at or before 10:00 a.m., New York City time, on the Business Day immediately preceding such Final Maturity Date, and the Indenture Trustee shall, in accordance with such notice, by 11:00 a.m., New York City time, on such Final Maturity Date, withdraw from the Series 2003-2 Reserve Account and deposit in the Series 2003-2 Distribution Account an amount equal to the lesser of such insufficiency and the Series 2003-2 Reserve Account Amount (after giving effect to any withdrawal therefrom pursuant to Section 5A.4(b)(i) on such Final Maturity Date). In addition, if the Series 2003-2 Reserve Account Amount is less than such insufficiency on the Class A-2 Final Maturity Date, the Administrator shall notify the Indenture Trustee thereof in writing at or before 10:00 a.m., New York City time, on the Business Day immediately preceding the Class A-2 Final Maturity Date, and the Indenture Trustee shall, in accordance with such notice, by 11:00 a.m., New York City time, on the Class A-2 Final Maturity Date, withdraw from the Series 2003-2 Yield Supplement Account and deposit in the Series 2003-2 Distribution Account an amount equal to the lesser of such remaining insufficiency and the Series 2003-2 Yield Supplement Account Amount (after giving effect to any withdrawal therefrom pursuant to Section 5A.4(b)(i) on the Class A-2 Final Maturity Date).

(c) On each Payment Date, based solely on the information contained in the Monthly Settlement Statement with respect to Series 2003-2 Investor Notes, the Indenture

Trustee shall apply the following amounts allocated to, or deposited in, the Series 2003-2 Settlement Collection Subaccount on such Payment Date in the following order of priority:

(i) to SPV, an amount equal to the Series 2003-2 Excess Fleet Receivable Amount, if any, for such Payment Date;

(ii) to the Gain On Sale Account, an amount equal to the Series 2003-2 Monthly Residual Value Gain, if any, for such Payment Date;

(iii) to the Servicer, an amount equal to the product of the Monthly Servicer Advance Reimbursement Amount for such Payment Date and the average daily Series 2003-2 Invested Percentage during the immediately preceding Monthly Period;

(iv) if VMS is not the Servicer, to the Servicer, an amount equal to the Series 2003-2 Basic Servicing Fee for the Series 2003-2 Interest Period ending on such Payment Date *plus*, on the first Payment Date following the transfer of the servicing from VMS to a successor Servicer pursuant to Section 9.1 of the Series 1999-1 SUBI Servicing Supplement, to the extent not reimbursed by VMS, the reasonable costs and expenses of the successor Servicer incurred in connection with the transfer of the servicing, in an amount up to $250,000;

(v) to the Series 2003-2 Distribution Account, an amount equal to the Series 2003-2 Monthly Interest payable on such Payment Date *plus* the amount of any unpaid Interest Shortfall Amount, as of the preceding Payment Date, together with any Additional Interest on such Interest Shortfall Amount (such amount, the "Monthly Interest Payment");

(vi) if VMS is the Servicer, to the Servicer, an amount equal to the Series 2003-2 Basic Servicing Fee for the Series 2003-2 Interest Period ending on such Payment Date;

(vii) to the Administrator, an amount equal to the Series 2003-2 Administrator Fee for the Series 2003-2 Interest Period ending on such Payment Date;

(viii) other than during a Lockout Period, to the Series 2003-2 Preferred Member Distribution Account, an amount equal to the Dividend Amount for such Payment Date;

(ix) (A) on any Payment Date immediately succeeding a Monthly Period falling in the Series 2003-2 Revolving Period, to the Series 2003-2 Principal Collection Subaccount, an amount equal to the Series 2003-2 Allocated Asset Amount Deficiency, if any, on such Payment Date, (B) on the earlier of (x) the second Payment Date following the May 2005 Period End Date or (y) the first Payment Date following the occurrence of an Amortization Event, to the Series 2003-2 Distribution Account, an amount equal to the lesser of the Series 2003-2 Principal Payment Amount for such Payment Date and the Series 2003-2 Invested Amount on such Payment Date and (C) if any Series 2003-2 Preferred Membership Interests are issued and outstanding, on any Payment Date on and after the Series 2003-2 Note Termination Date, to the Series 2003-2 Preferred Member Distribution Account, an amount equal to the Series 2003-2 Principal Payment Amount

for such Payment Date (or, on the Series 2003-2 Note Termination Date, the portion thereof not deposited into the Series 2003-2 Distribution Account); *provided*, *however* that on or after the Series 2003-2 Note Termination Date during a Lockout Period, the Series 2003-2 Principal Payment Amount for such Payment Date (or, on the Series 2003-2 Note Termination Date, the portion thereof not deposited into the Series 2003-2 Distribution Account) shall be applied by the Indenture Trustee in accordance with Section 5.4(d) of the Base Indenture;

(x) to the Series 2003-2 Reserve Account, to the extent that a Series 2003-2 Liquid Credit Enhancement Deficiency exists or, on any Payment Date immediately succeeding a Monthly Period falling in the Series 2003-2 Amortization Period, to the extent that a Series 2003-2 Allocated Asset Amount Deficiency exists, an amount equal to the greater of such deficiencies;

(xi) to the Series 2003-2 Yield Supplement Account, to the extent that a Series 2003-2 Yield Supplement Deficiency exists (or, will exist after giving effect to any reduction in the Class X 1999-1B Invested Amount on such Payment Date), an amount equal to such deficiency;

(xii) if VMS is not the Servicer, to the Servicer, an amount equal to any Series 2003-2 Supplemental Servicing Fee for the Series 2003-2 Interest Period ending on such Payment Date;

(xiii) if any Series 2003-2 Preferred Membership Interests are issued and outstanding, to the Series 2003-2 Preferred Member Distribution Account, an amount equal to the balance remaining in the Series 2003-2 Settlement Collection Subaccount;

(xiv) if no Series 2003-2 Preferred Membership Interests are issued and outstanding, to, or at the written direction of, the Issuer, an amount equal to the balance remaining in the Series 2003-2 Settlement Collection Subaccount.

Section 5A.5 Payment of Monthly Interest Payment.

On each Payment Date, based solely on the information contained in the Monthly Settlement Statement with respect to the Series 2003-2 Investor Notes, the Indenture Trustee shall, in accordance with Section 6.1 of the Base Indenture, distribute to the Series 2003-2 Investor Noteholders, from the Series 2003-2 Distribution Account the Monthly Interest Payment to the extent of the amount deposited in the Series 2003-2 Distribution Account for the payment of interest pursuant to Section 5A.4(c)(v).

Section 5A.6 Payment of Principal.

(a) The principal amount of each Class of the Series 2003-2 Investor Notes shall be due and payable on the Final Maturity Date with respect to such Class.

(b) On each Payment Date on which a deposit is made to the Series 2003-2 Distribution Account pursuant to Section 5A.4(c)(ix) or an amount is deposited in the Series 2003-2 Distribution Account pursuant to Section 5A.4(b)(ii), based solely on the information

contained in the Monthly Settlement Statement with respect to Series 2003-2 Investor Notes, the Indenture Trustee shall, in accordance with Section 6.1 of the Base Indenture, distribute during the Series 2003-2 Amortization Period, pro rata to each Class A-1 Investor Noteholder from the Series 2003-2 Distribution Account the amount deposited therein pursuant to Section 5A.4(c)(ix) and Section 5A.4(b)(ii) in order to pay the Class A-1 Invested Amount, and thereafter pro rata to each Class A-2 Investor Noteholder from the Series 2003-2 Distribution Account the amount deposited therein pursuant to Section 5A.4(c)(ix) and Section 5A.4(b)(ii) in order to pay the Class A-2 Invested Amount; *provided however* that on any Payment Date falling after the occurrence of an Amortization Event resulting from the occurrence of an Event of Default described in Section 9.1(a), (b) or (f) of the Base Indenture the Indenture Trustee shall distribute pro rata to each Series 2003-2 Investor Noteholder from the Series 2003-2 Distribution Account the amounts deposited therein pursuant to Section 5A.4(c)(ix) and Section 5A.4(b)(ii) in order to pay the Class A-1 Invested Amount and the Class A-2 Invested Amount.

(c) The Indenture Trustee shall notify the Person in whose name a Series 2003-2 Investor Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Series 2003-2 Investor Note will be paid. Such notice shall be made at the expense of the Administrator and shall be mailed within three (3) Business Days of receipt of a Monthly Settlement Statement indicating that such final payment will be made and shall specify that such final installment will be payable only upon presentation and surrender of such Series 2003-2 Investor Note and shall specify the place where such Series 2003-2 Investor Note may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Series 2003-2 Investor Notes shall be (i) transmitted by facsimile to Series 2003-2 Investor Noteholders holding Global Notes and (ii) sent by registered mailed to Series 2003-2 Investor Noteholders holding Definitive Notes and shall specify that such final installment will be payable only upon presentation and surrender of such Series 2003-2 Investor Note and shall specify the place where such Series 2003-2 Investor Note may be presented and surrendered for payment of such installment.

Section 5A.7 The Administrator's Failure to Instruct the Indenture Trustee to Make a Deposit or Payment.

When any payment or deposit hereunder or under any other Transaction Document is required to be made by the Indenture Trustee at or prior to a specified time, the Administrator shall deliver any applicable written instructions with respect thereto reasonably in advance of such specified time. If the Administrator fails to give notice or instructions to make any payment from or deposit into the Collection Account or any subaccount thereof required to be given by the Administrator, at the time specified herein or in any other Transaction Document (after giving effect to applicable grace periods), the Indenture Trustee shall make such payment or deposit into or from the Collection Account or such subaccount without such notice or instruction from the Administrator; provided that the Administrator, upon request of the Indenture Trustee, promptly provides the Indenture Trustee with all information necessary to allow the Indenture Trustee to make such a payment or deposit in the event that the Indenture Trustee shall take or refrain from taking action pursuant to this Section 5A.7, the Administrator shall, by 5:00 p.m., New York City time, on any day the Indenture Trustee makes a payment or deposit based on information or direction from the Administrator, provide (i) written

confirmation of any such direction and (ii) written confirmation of all information used by the Administrator in giving any such direction.

Section 5A.8 Series 2003-2 Reserve Account.

(a) The Indenture Trustee shall establish and maintain in the name of the Indenture Trustee for the benefit of the Series 2003-2 Investor Noteholders an account (the "Series 2003-2 Reserve Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-2 Investor Noteholders. The Series 2003-2 Reserve Account shall be an Eligible Deposit Account; provided that, if at any time such account is not an Eligible Deposit Account, then the Indenture Trustee shall, within 30 days of obtaining knowledge of such reduction, establish a new Series 2003-2 Reserve Account that is an Eligible Deposit Account. If the Indenture Trustee establishes a new Series 2003-2 Reserve Account, it shall transfer all cash and investments from the non-qualifying Series 2003-2 Reserve Account into the new Series 2003-2 Reserve Account. Initially, the Series 2003-2 Reserve Account will be established with JPMorgan Chase Bank.

(b) The Issuer may instruct the institution maintaining the Series 2003-2 Reserve Account in writing to invest funds on deposit in the Series 2003-2 Reserve Account from time to time in Permitted Investments selected by the Issuer (by standing instructions or otherwise); provided, however, that any such investment shall mature not later than the Business Day prior to the Payment Date following the date on which such funds were received. All such Permitted Investments will be credited to the Series 2003-2 Reserve Account and any such Permitted Investments that constitute (i) Physical Property (and that is not either a United States Security Entitlement or a Security Entitlement) shall be delivered to the Indenture Trustee in accordance with paragraph (a) of the definition of "Delivery" and shall be held by the Indenture Trustee pending maturity or disposition; (ii) United States Security Entitlements or Security Entitlements shall be Controlled by the Indenture Trustee pending maturity or disposition; and (iii) Uncertificated Securities (and not United States Security Entitlements) shall be delivered to the Indenture Trustee in accordance with paragraph (b) of the definition of "Delivery" and shall be maintained by the Indenture Trustee pending maturity or disposition. The Indenture Trustee shall, at the direction and expense of the Administrator, take such additional action as is required to maintain the Indenture Trustee's security interest in the Permitted Investments credited to the Series 2003-2 Reserve Account. In absence of written direction as provided hereunder, funds on deposit in the Series 2003-2 Reserve Account shall remain uninvested.

(c) All interest and earnings (net of losses and investment expenses) paid on funds on deposit in the Series 2003-2 Reserve Account shall be deemed to be on deposit and available for distribution.

(d) If there is a Series 2003-2 Reserve Account Surplus on any Settlement Date, the Administrator may notify the Indenture Trustee thereof in writing and instruct the Indenture Trustee to withdraw from the Series 2003-2 Reserve Account and deposit in the Series 2003-2 Preferred Member Distribution Account, and the Indenture Trustee shall withdraw from the Series 2003-2 Reserve Account and deposit in the Series 2003-2 Preferred Member Distribution Account, so long as no Series 2003-2 Allocated Asset Amount Deficiency exists or would result

therefrom, an amount up to the lesser of (i) such Series 2003-2 Reserve Account Surplus on such Business Day and (ii) the Series 2003-2 Reserve Account Amount on such Business Day.

(e) Amounts will be withdrawn from the Series 2003-2 Reserve Account in accordance with Section 5A.4(b).

(f) In order to secure and provide for the repayment and payment of the Issuer Obligations with respect to the Series 2003-2 Investor Notes, the Issuer hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Indenture Trustee, for the benefit of the Series 2003-2 Investor Noteholders, all of the Issuer's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-2 Reserve Account, including any security entitlement thereto; (ii) all funds on deposit therein from time to time; (iii) all certificates and instruments, if any, representing or evidencing any or all of the Series 2003-2 Reserve Account or the funds on deposit therein from time to time; (iv) all investments made at any time and from time to time with monies in the Series 2003-2 Reserve Account, whether constituting securities, instruments, general intangibles, investment property, financial assets or other property; (v) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-2 Reserve Account, the funds on deposit therein from time to time or the investments made with such funds; and (vi) all proceeds of any and all of the foregoing, including, without limitation, cash. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Series 2003-2 Reserve Account and in all proceeds thereof and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-2 Reserve Account. The Indenture Trustee and the Series 2003-2 Investor Noteholders shall have no interest in any amounts withdrawn from the Series 2003-2 Reserve Account and deposited in the Series 2003-2 Preferred Member Distribution Account.

(g) On the first Payment Date after the Series 2003-2 Note Termination Date on which the sum of (a) the Series 2003-2 Reserve Account Amount, (b) the Series 2003-2 Yield Supplement Account Amount and (c) the amount available to be deposited in the Series 2003-2 Preferred Member Distribution Account in accordance with Section 5A.4(c)(ix) is at least equal to the aggregate stated liquidation preference of the Series 2003-2 Preferred Membership Interests and on any Payment Date thereafter, the Indenture Trustee, acting in accordance with the written instructions of the Administrator shall withdraw from the Series 2003-2 Reserve Account all amounts on deposit therein for deposit in the Series 2003-2 Preferred Member Distribution Account.

Section 5A.9 Series 2003-2 Yield Supplement Account.

(a) The Indenture Trustee shall establish and maintain in the name of the Indenture Trustee for the benefit of the Series 2003-2 Investor Noteholders an account (the "Series 2003-2 Yield Supplement Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-2 Investor Noteholders. The Series 2003-2 Yield Supplement Account shall be an Eligible Deposit Account; provided that, if at any time such account is not an Eligible Deposit Account, then the Indenture Trustee shall, within 30 days of obtaining knowledge of such reduction, establish a new Series 2003-2 Yield Supplement Account that is an Eligible Deposit Account. If the Indenture Trustee establishes a

new Series 2003-2 Yield Supplement Account, it shall transfer all cash and investments from the non-qualifying Series 2003-2 Yield Supplement Account into the new Series 2003-2 Yield Supplement Account. Initially, the Series 2003-2 Yield Supplement Account will be established with JPMorgan Chase Bank.

(b) The Issuer may instruct the institution maintaining the Series 2003-2 Yield Supplement Account in writing to invest funds on deposit in the Series 2003-2 Yield Supplement Account from time to time in Permitted Investments selected by the Issuer (by standing instructions or otherwise); provided, however, that any such investment shall mature not later than the Business Day prior to the Payment Date following the date on which such funds were received. All such Permitted Investments will be credited to the Series 2003-2 Yield Supplement Account and any such Permitted Investments that constitute (i) Physical Property (and that is not either a United States Security Entitlement or a Security Entitlement) shall be delivered to the Indenture Trustee in accordance with paragraph (a) of the definition of "Delivery" and shall be held by the Indenture Trustee pending maturity or disposition; (ii) United States Security Entitlements or Security Entitlements shall be Controlled by the Indenture Trustee pending maturity or disposition; and (iii) Uncertificated Securities (and not United States Security Entitlements) shall be delivered to the Indenture Trustee in accordance with paragraph (b) of the definition of "Delivery" and shall be maintained by the Indenture Trustee pending maturity or disposition. The Indenture Trustee shall, at the direction and expense of the Administrator, take such additional action as is required to maintain the Indenture Trustee's security interest in the Permitted Investments credited to the Series 2003-2 Yield Supplement Account. In absence of written direction as provided hereunder, funds on deposit in the Series 2003-2 Yield Supplement Account shall remain uninvested.

(c) All interest and earnings (net of losses and investment expenses) paid on funds on deposit in the Series 2003-2 Yield Supplement Account shall be deemed to be on deposit and available for distribution.

(d) If there is a Series 2003-2 Yield Supplement Account Surplus on any Settlement Date, the Administrator may notify the Indenture Trustee thereof in writing and request the Indenture Trustee to withdraw from the Series 2003-2 Yield Supplement Account and deposit in the Series 2003-2 Preferred Member Distribution Account, and the Indenture Trustee shall withdraw from the Series 2003-2 Yield Supplement Account and deposit in the Series 2003-2 Preferred Member Distribution Account an amount up to the lesser of (i) such Series 2003-2 Yield Supplement Account Surplus on such Business Day and (ii) the Series 2003-2 Yield Supplement Account Amount on such Business Day.

(e) Amounts will be withdrawn from the Series 2003-2 Yield Supplement Account in accordance with Section 5A.4(b).

(f) In order to secure and provide for the repayment and payment of the Issuer Obligations with respect to the Series 2003-2 Investor Notes, the Issuer hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Indenture Trustee, for the benefit of the Series 2003-2 Investor Noteholders, all of the Issuer's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-2 Yield Supplement Account, including any security entitlement thereto; (ii) all funds on deposit therein

from time to time; (iii) all certificates and instruments, if any, representing or evidencing any or all of the Series 2003-2 Yield Supplement Account or the funds on deposit therein from time to time; (iv) all investments made at any time and from time to time with monies in the Series 2003-2 Yield Supplement Account, whether constituting securities, instruments, general intangibles, investment property, financial assets or other property; (v) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-2 Yield

Supplement Account, the funds on deposit therein from time to time or the investments made with such funds; and (vi) all proceeds of any and all of the foregoing, including, without limitation, cash. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Series 2003-2 Yield Supplement Account and in all proceeds thereof and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-2 Yield Supplement Account. The Indenture Trustee and the Series 2003-2 Investor Noteholders shall have no interest in any amounts withdrawn from the Series 2003-2 Yield Supplement Account and deposited in the Series 2003-2 Preferred Member Distribution Account.

(g) On the first Payment Date after the Series 2003-2 Note Termination Date on which the sum of (a) the Series 2003-2 Reserve Account Amount, (b) the Series 2003-2 Yield Supplement Account Amount and (c) the amount available to be deposited in the Series 2003-2 Preferred Member Distribution Account in accordance with Section 5A.4(c)(ix) is at least equal to the aggregate stated liquidation preference of the Series 2003-2 Preferred Membership Interests and on any Payment Date thereafter, the Indenture Trustee, acting in accordance with the written instructions of the Administrator shall withdraw from the Series 2003-2 Yield Supplement Account all amounts on deposit therein for deposit in the Series 2003-2 Preferred Member Distribution Account.

Section 5A.10 Series 2003-2 Distribution Account.

(a) The Indenture Trustee shall establish and maintain in the name of the Indenture Trustee for the benefit of the Series 2003-2 Investor Noteholders an account (the "Series 2003-2 Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2003-2 Investor Noteholders. The Series 2003-2 Distribution Account shall be an Eligible Deposit Account; provided that, if at any time such account is not an Eligible Deposit Account, then the Indenture Trustee shall, within 30 days of obtaining knowledge of such reduction, establish a new Series 2003-2 Distribution Account that is an Eligible Deposit Account. If the Indenture Trustee establishes a new Series 2003-2 Distribution Account, it shall transfer all cash and investments from the non-qualifying Series 2003-2 Distribution Account into the new Series 2003-2 Distribution Account. Initially, the Series 2003-2 Distribution Account will be established with JPMorgan Chase Bank.

(b) In order to secure and provide for the repayment and payment of the Issuer Obligations with respect to the Series 2003-2 Investor Notes, the Issuer hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Indenture Trustee, for the benefit of the Series 2003-2 Investor Noteholders, all of the Issuer's right, title and interest in and to the following (whether now or hereafter existing or acquired): (i) the Series 2003-2 Distribution Account, including any security entitlement thereto; (ii) all funds on deposit therein from time to time; (iii) all certificates and instruments, if any, representing or evidencing any or

all of the Series 2003-2 Distribution Account or the funds on deposit therein from time to time; (iv) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for the Series 2003-2 Distribution Account or the funds on deposit therein from time to time; and (v) all proceeds of any and all of the foregoing, including, without limitation, cash. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Series 2003-2 Distribution Account and in all proceeds thereof and shall be the only person authorized to originate entitlement orders in respect of the Series 2003-2 Distribution Account.

Section 5A.11 Lease Rate Caps.

(a) The Issuer shall have obtained on the Series 2003-2 Closing Date and shall thereafter maintain one or more interest rate caps, each from a Series 2003-2 Eligible Counterparty, having, in the aggregate, a notional amount on the Series 2003-2 Closing Date at least equal to the aggregate Lease Balance of all Fixed Rate Leases allocated to the Lease SUBI Portfolio as of the Series 2003-2 Closing Date, plus, in the case of all such Fixed Rate Leases that are Closed-End Leases, the aggregate Stated Residual Values of the related Leased Vehicles and on each Payment Date thereafter at least equal to the aggregate scheduled Lease Balance of all such Fixed Rate Leases as of the last day of the Monthly Period immediately preceding such Payment Date, plus, in the case of all such Fixed Rate Leases that are Closed-End Leases, the aggregate Stated Residual Values of the related Leased Vehicles, and an effective strike rate based on the eurodollar rate set forth therein in effect on the dates set forth therein at the most equal to the weighted average fixed rate of interest on such Fixed Rate Leases minus 0.705% per annum.

(b) On or prior to the date that any Fixed Rate Lease is allocated to the Lease SUBI Portfolio on or after the Series 2003-2 Closing Date, the Issuer shall have obtained and shall thereafter maintain an interest rate cap from a Series 2003-2 Eligible Counterparty having a notional amount equal to the initial Lease Balance of such Fixed Rate Lease, plus, in the case of a Closed-End Lease, the Stated Residual Value of the related Leased Vehicle and on each Payment Date thereafter at least equal to the scheduled Lease Balance of such Fixed Rate Lease as of the last day of the Monthly Period immediately preceding such Payment Date, plus, in the case of a Closed-End Lease, the Stated Residual Value of the related Leased Vehicle and an effective strike rate based on the eurodollar rate set forth therein in effect on the dates set forth therein at the most equal to the fixed rate of interest on such Fixed Rate Lease minus 0.705% per annum.

(c) The Issuer may obtain an interest rate cap from a Series 2003-2 Eligible Counterparty in respect of any Fixed Rate Lease allocated to the Lease SUBI Portfolio that was not a Fixed Rate Lease when initially allocated to the Lease SUBI Portfolio or on the Series 2003-2 Closing Date having a notional amount equal to the Lease Balance of such Fixed Rate Lease as of the last day of the Monthly Period immediately preceding the date as of which such Lease became a Fixed Rate Lease, plus, in the case of a Closed-End Lease, the Stated Residual Value of the related Leased Vehicle and on each Payment Date thereafter at least equal to the scheduled Lease Balance of such Fixed Rate Lease as of the last day of the Monthly Period immediately preceding such Payment Date, plus, in the case of a Closed-End Lease, the Stated Residual Value of the related Leased Vehicle and an effective strike rate based on the eurodollar

rate set forth therein in effect on the dates set forth therein at the most equal to the fixed rate of interest on such Fixed Rate Lease minus 0.705% per annum. If the Issuer obtains an interest rate cap in respect of any Fixed Rate Lease satisfying the requirements of this Section 5A.11(c), it shall maintain such interest rate cap.

(d) The Issuer shall have obtained on the Series 2003-2 Closing Date and shall thereafter maintain the Series 2003-2 Required Lease Rate Cap.

(e) If the short-term credit rating of any provider of an interest rate cap required to be obtained and maintained by the Issuer pursuant to this Section 5A.11 falls below A-1 by Standard & Poor's or P-1 by Moody's or the long-term unsecured credit rating of any such provider falls below A+ by Standard & Poor's or Aa3 by Moody's, the Issuer shall obtain an equivalent interest rate cap from a Series 2003-2 Eligible Counterparty within 30 days of such decline in credit rating unless such provider provides some form of collateral for its obligations under its interest rate cap and the Rating Agency Condition is satisfied with respect to such arrangement. The Issuer will not permit any interest rate cap required to be obtained and maintained by the Issuer pursuant to this Section 5A.11 to be terminated or transferred in whole or in part unless a replacement interest rate cap therefor has been provided as described in the immediately preceding sentence and, after giving effect thereto, the Issuer has the interest rate caps required to be obtained and maintained by the Issuer pursuant to this Section 5A.11.

(f) In order to secure and provide for the repayment and payment of the Issuer Obligations with respect to the Series 2003-2 Investor Notes, the Issuer hereby grants a security interest in and assigns, pledges, grants, transfers and sets over to the Indenture Trustee, for the benefit of the Series 2003-2 Investor Noteholders, all of the Issuer's right, title and interest in and to the Series 2003-2 Lease Rate Cap and any and all payments thereunder and any and all proceeds thereof (including as a result of the termination thereof).

ARTICLE III

AMORTIZATION EVENTS

If any one of the following events shall occur with respect to the Series 2003-2 Investor Notes:

(a) the Series 2003-2 Reserve Account shall have become subject to an injunction, estoppel or other stay or a Lien (other than a Permitted Lien);

(b) the Series 2003-2 Yield Supplement Account shall have become subject to an injunction, estoppel or other stay or a Lien (other than a Permitted Lien);

(c) a Series 2003-2 Liquid Credit Enhancement Deficiency shall occur and continue for at least two Business Days;

(d) a Series 2003-2 Allocated Asset Amount Deficiency shall occur and continue for at least two Business Days;

(e) a Series 2003-2 Yield Supplement Deficiency shall occur and continue for at least two Business Days;

(f) the Three Month Average Charge-Off Ratio with respect to any Settlement Date exceeds 1.00%;

(g) the Three Month Average Paid-In Advance Loss Ratio with respect to any Settlement Date exceeds 1.50%;

(h) the Three Month Average Delinquency Ratio with respect to any Settlement Date exceeds 7.00%;

(i) the failure on the part of the Issuer to declare and pay dividends on the Series 2003-2 Senior Preferred Membership Interests or the Series 2003-2 Junior Preferred Membership Interests on any Payment Date in accordance with their terms;

(j) any Servicer Termination Event shall occur;

(k) any Termination Event shall occur;

(l) an Event of Default with respect to the Series 2003-2 Investor Notes shall occur;

(m) there is at least $10,000,000 on deposit in the Series 2003-2 Principal Collection Subaccount on two consecutive Settlement Dates during the Series 2003-2 Revolving Period;

(n) an Insolvency Event shall occur with respect to SPV, the Origination Trust, Avis, PHH, Cendant or VMS;

(o) all principal and interest of the Class A-1 Investor Notes is not paid in full on or before the Class A-1 Maturity Date or all principal and interest of the Class A-2 Investor Notes is not paid in full on or before the Class A-2 Maturity Date;

(p) failure on the part of the Issuer (i) to make any payment or deposit required by the terms of the Indenture (or within the applicable grace period which shall not exceed two Business Days after the date such payment or deposit is required to be made) or (ii) duly to observe or perform in any material respect any covenants or agreements of the Issuer set forth in the Base Indenture or this Indenture Supplement, which failure continues unremedied for a period of 45 days after there shall have been given to the Issuer by the Indenture Trustee or the Issuer and the Indenture Trustee by the Series 2003-2 Required Investor Noteholders, written notice specifying such default and requiring it to be remedied;

(q) any representation or warranty made by the Issuer in the Base Indenture or this Indenture Supplement, or any information required to be delivered by the Issuer to the Indenture Trustee shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 45 days after

there shall have been given to the Issuer by the Indenture Trustee or the Issuer and the Indenture Trustee by the Series 2003-2 Required Investor Noteholders, written notice thereof;

(r) the Indenture Trustee shall for any reason cease to have a valid and perfected first priority security interest in the Collateral or any of VMS, the Issuer or any Affiliate of either thereof shall so assert;

(s) there shall have been filed against Cendant, PHH, VMS, the Origination Trust, SPV or the Issuer (i) a notice of federal tax Lien from the Internal Revenue Service, (ii) a notice of Lien from the PBGC under Section 412(n) of the Internal Revenue Code or Section 302(f) of ERISA for a failure to make a required installment or other payment to a plan to which either of such sections applies or (iii) a notice of any other Lien the existence of which could reasonably be expected to have a material adverse effect on the business, operations or financial condition of such Person, and, in each case, 40 days shall have elapsed without such notice having been effectively withdrawn or such Lien having been released or discharged;

(t) one or more judgments or decrees shall be entered against the Issuer involving in the aggregate a liability (not paid or fully covered by insurance) of $100,000 or more and such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(u) any of the Transaction Documents shall cease, for any reason, to be in full force and effect, other than in accordance with its terms;

then, in the case of any event described in clause (p) through (u) above, an Amortization Event will be deemed to have occurred with respect to the Series 2003-2 Investor Notes only, if after the applicable grace period, either the Indenture Trustee or Series 2003-2 Investor Noteholders holding a Majority in Interest of the Series 2003-2 Investor Notes, declare that an Amortization Event has occurred with respect to the Series 2003-2 Investor Notes**.** In the case of any event described in clauses (a) through (o) above, an Amortization Event with respect to the Series 2003-2 Investor Notes will be deemed to have occurred without notice or other action on the part of the Indenture Trustee or the Series 2003-2 Investor Noteholders.

ARTICLE IV

OPTIONAL PREPAYMENT

The Issuer shall have the option to prepay the Series 2003-2 Investor Notes in full on any Payment Date after the Payment Date in June 2005. The Issuer shall give the Indenture Trustee at least ten Business Days' prior written notice of the Payment Date on which the Issuer intends to exercise such option to prepay (the "Prepayment Date"). The prepayment price for the Series 2003-2 Investor Notes shall equal the aggregate outstanding principal balance of the Series 2003-2 Investor Notes (determined after giving effect to any payments of principal and interest on such Payment Date), plus accrued and unpaid interest on such outstanding principal balance. Not later than 11:00 a.m., New York City time, on such Prepayment Date, the Issuer shall deposit in the Series 2003-2 Distribution Account an amount equal to the prepayment price in immediately available funds. The funds deposited into the Series 2003-2 Distribution Account

will be paid by the Indenture Trustee to the Series 2003-2 Investor Noteholders on such Prepayment Date.

ARTICLE V

SERVICING AND ADMINISTRATOR FEES

Section 5.1 Servicing Fees. A periodic servicing fee (the "Series 2003-2 Basic Servicing Fee") shall be payable to the Servicer on each Payment Date for the Series 2003-2 Interest Period ending on such Payment Date in an amount equal to the product of (a) 0.215% (the "Series Servicing Fee Percentage") times (b) the Series 2003-2 Allocated Adjusted Aggregate Unit Balance as of the first day of such Series 2003-2 Interest Period times (c) the number of days in such Series 2003-2 Interest Period *divided* by 365 (or 366, as applicable) days; *provided, however* that if VMS is not the Servicer, the servicing fee payable to the Servicer on each Payment Date hereunder may be increased such that the sum of the Series 2003-2 Basic Servicing Fee and the additional servicing fee payable to the Servicer hereunder (the "Series 2003-2 Supplemental Servicing Fee") for each Series 2003-2 Interest Period equals 110% of the costs to the successor Servicer of servicing the portion of the Lease SUBI Portfolio allocated to Series 2003-2 during such Series 2003-2 Interest Period. For this purpose, the portion of the Lease SUBI Portfolio allocated to Series 2003-2 for each Series 2003-2 Interest Period shall equal the average Series 2003-2 Invested Percentage during such Series 2003-2 Interest Period. The Series 2003-2 Basic Servicing Fee and any Series 2003-2 Supplemental Servicing Fee shall be payable to the Servicer on each Payment Date pursuant to Section 5A.4(c).

Section 5.2 Administrator Fee. A periodic fee (the "Series 2003-2 Administrator Fee") shall be payable to the Administrator on each Payment Date for the Series 2003-2 Interest Period ending on such Payment Date in an amount equal to the product of (a) 0.01% times (b) the Series 2003-2 Allocated Adjusted Aggregate Unit Balance as of the first day of the immediately preceding Monthly Period times (c) the number of days in such Series 2003-2 Interest Period *divided* by 365 (or 366, as applicable) days. The Series 2003-2 Administrator Fee shall be payable to the Administrator on each Payment Date pursuant to Section 5A.4(c)(vii).

ARTICLE VI

FORM OF SERIES 2003-2 NOTES

Section 6.1 Initial Issuance of Series 2003-2 Investor Notes.

The Series 2003-2 Investor Notes are being offered and sold by the Issuer in a registered public offering pursuant to an Underwriting Agreement, dated November 7, 2003, among the Issuer, VMS, PHH and J.P. Morgan Securities Inc. and Banc of America Securities LLC, as the representatives of the underwriters.

Section 6.2 Global Notes.

The Series 2003-2 Investor Notes of each Class will be issued in the form of one or more Global Notes in fully registered form, without coupons, substantially in the form set

forth in Exhibits A-1 and A-2, registered in the name of Cede & Co., as nominee of DTC, and deposited with JPMorgan Chase, as custodian of DTC (collectively, the "Series 2003-2 Global Notes").

The Series 2003-2 Global Notes shall bear the following legends:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY ("DTC"), A NEW YORK CORPORATION, 55 WATER STREET, NEW YORK, NEW YORK 10004, OR A NOMINEE THEREOF. THIS NOTE MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS NOTE IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE ISSUER OR THE TRANSFER AGENT AND REGISTRAR, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE THE REGISTERED OWNER, CEDE & CO., HAS AN INTEREST HEREIN.

Section 6.3 Definitive Notes.

No Series 2003-2 Note Owner will receive a Definitive Note representing such Series 2003-2 Note Owner's interest in the Series 2003-2 Investor Notes other than in accordance with Section 2.11 of the Base Indenture.

ARTICLE VII

INFORMATION

The Issuer hereby agrees to provide to the Indenture Trustee and each provider of the Series 2003-2 Required Lease Rate Cap, on each Determination Date, a Monthly Settlement Statement, substantially in the form of Exhibit B, setting forth as of the last day of the most recent Monthly Period and for such Monthly Period the information set forth therein. The Indenture Trustee shall provide to the Series 2003-2 Investor Noteholders, or their designated agent, copies of each Monthly Settlement Statement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Ratification of Indenture. As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument.

Section 8.2 Obligations Unaffected. The obligations of the Issuer to the Series 2003-2 Investor Noteholders under this Indenture Supplement shall not be affected by reason of any invalidity, illegality or irregularity of any of the SUBI Certificates, the Sold Units or the Fleet Receivables.

Section 8.3 Governing Law. **THIS INDENTURE SUPPLEMENT SHALL BE GOVERNED BY, AND 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 8.4 Further Assurances. Each of the Issuer and the Indenture Trustee agrees, at the Administrator's expense, from time to time, to do and perform any and all acts and to execute any and all further instruments required or reasonably requested by the Series 2003-2 Required Investor Noteholders more fully to effect the purposes of this Indenture Supplement and the sale of the Series 2003-2 Investor Notes hereunder. The Issuer hereby authorizes the Indenture Trustee to file any financing statements or similar documents or notices or continuation statements relating to the Series 2003-2 Collateral under the provisions of the UCC or similar legislation of any applicable jurisdiction.

Section 8.5 Exhibits. The following exhibits attached hereto supplement the exhibits included in the Base Indenture:

Exhibit A-1:	Form of Class A-1 Note
Exhibit A-2:	Form of Class A-2 Note
Exhibit B:	Form of Monthly Settlement Statement
Exhibit C:	Form of Series 2003-2 Lease Rate Cap

Section 8.6 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Indenture Trustee, 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. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 8.7 Amendments. (a) This Indenture Supplement may be amended in writing from time to time in accordance with the terms of the Base Indenture.

(b) No amendment specified in this Indenture Supplement as requiring satisfaction of the Rating Agency Condition shall be effective until the Rating Agency Condition is satisfied with respect thereto.

(c) The Issuer reserves the right, without any consent or other action of the Series 2003-2 Investor Noteholders, to consent to the termination of the ARAC Guaranty.

Section 8.8 Severability. If any provision hereof is void or unenforceable in any jurisdiction, such voidness or unenforceability shall not affect the validity or enforceability of (i) such provision in any other jurisdiction or (ii) any other provision hereof in such or any other jurisdiction.

Section 8.9 Counterparts. This Indenture Supplement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement.

Section 8.10 No Bankruptcy Petition. (a) By acquiring a Series 2003-2 Investor Note or an interest therein, each Series 2003-2 Investor Noteholder and each Series 2003-2 Investor Note Owner hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other similar proceedings under any federal or state bankruptcy or similar law.

(a) By acquiring a Series 2003-2 Investor Note or an interest therein, each Series 2003-2 Investor Noteholder and each Series 2003-2 Investor Note Owner and the Issuer and the Indenture Trustee hereby covenants and agrees that, prior to the date which is one year and one day after payment in full of all obligations under each Securitization, it will not institute against, or join any other Person in instituting against, the Origination Trust, SPV, any other Special Purpose Entity, or any general partner or single member of any Special Purpose Entity that is a partnership or limited liability company, respectively, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law.

Section 8.11 SUBIs. By acquiring a Series 2003-2 Investor Note or an interest therein, each Series 2003-2 Investor Noteholder and each Series 2003-2 Investor Note Owner and the Issuer hereby represents, warrants and covenants that (a) each of the Lease SUBI and the Fleet Receivable SUBI is a separate series of the Origination Trust as provided in Section 3806(b)(2) of Chapter 38 of Title 12 of the Delaware Code, 12 Del.C. § 3801 et seq., (b)(i) the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Lease SUBI, the Lease SUBI Portfolio or the Fleet Receivable SUBI shall be enforceable against the Lease SUBI Portfolio or the Fleet Receivable SUBI only, as applicable, and not against any other SUBI Portfolio or the UTI Portfolio and (ii) the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to any other SUBI (used in this Section as defined in the Origination Trust Agreement), any other SUBI Portfolio (used in this Section as defined in the Origination Trust Agreement), the UTI or the UTI Portfolio shall be enforceable against such other SUBI Portfolio or the UTI Portfolio only,

as applicable, and not against any other SUBI Assets, (c) except to the extent required by law, UTI Assets or SUBI Assets with respect to any SUBI (other than the Lease SUBI and the Fleet Receivable SUBI) shall not be subject to the claims, debts, liabilities, expenses or obligations arising from or with respect to the Lease SUBI or Fleet Receivable SUBI, respectively, in respect of such claim, (d)(i) no creditor or holder of a claim relating to the Lease SUBI, the Fleet Receivable SUBI or the Lease Receivable SUBI Portfolio shall be entitled to maintain any action against or recover any assets allocated to the UTI or the UTI Portfolio or any other SUBI or the assets allocated thereto, and (ii) no creditor or holder of a claim relating to the UTI, the UTI Portfolio or any SUBI other than the Lease SUBI or the Fleet Receivable SUBI or any SUBI Assets other than the Lease SUBI Portfolio or the Fleet Receivables shall be entitled to maintain any action against or recover any assets allocated to the Lease SUBI or the Fleet Receivable SUBI, and (e) any purchaser, assignee or pledgee of an interest in the Lease SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI Certificate, any other SUBI, any other SUBI Certificate (used in this Section as defined in the Origination Trust Agreement), the UTI or the UTI Certificate must, prior to or contemporaneously with the grant of any such assignment, pledge or security interest, (i) give to the Origination Trust a non-petition covenant substantially similar to that set forth in Section 6.9 of the Origination Trust Agreement, and (ii) execute an agreement for the benefit of each holder, assignee or pledgee from time to time of the UTI or UTI Certificate and any other SUBI or SUBI Certificate to release all claims to the assets of the Origination Trust allocated to the UTI and each other SUBI Portfolio and in the event that such release is not given effect, to fully subordinate all claims it may be deemed to have against the assets of the Origination Trust allocated to the UTI Portfolio and each other SUBI Portfolio.

Section 8.12 Notice to Rating Agencies. The Indenture Trustee shall provide to each Rating Agency a copy of each notice delivered to, or required to be provided by, the Indenture Trustee pursuant to this Indenture Supplement or any other Transaction Document.

Section 8.13 Conflict of Instructions. In the event the Issuer and the Administrator shall have delivered conflicting instructions to the Indenture Trustee to take or refrain from taking action hereunder, the Indenture Trustee shall follow the instructions of the Issuer.

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture Supplement to be duly executed by their respective officers hereunto duly authorized as of the day and year first above written.

CHESAPEAKE FUNDING LLC

By: /s/ Joseph W. Weikel
Name: Joseph W. Weikel
Title: Senior Vice President, General Counsel

and Assistant Secretary

JPMORGAN CHASE BANK,
as Indenture Trustee

By: /s/ Wen Hao Wang
Name: Wen Hao Wang
Title: Assistant Vice President

[2003-2 Indenture Supplement]

EXHIBIT A-1
TO SERIES 2003-2
INDENTURE SUPPLEMENT

FORM OF GLOBAL CLASS A-1 INVESTOR NOTE

REGISTERED $230,000,000
No. R-001

SEE REVERSE FOR CERTAIN CONDITIONS

CUSIP (CINS) NO. 165182AH9
ISIN NO. US165182AH93

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY ("DTC"), A NEW YORK CORPORATION, 55 WATER STREET, NEW YORK, NEW YORK 10004, OR A NOMINEE THEREOF. THIS NOTE MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS NOTE IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE ISSUER OR THE TRANSFER AGENT AND REGISTRAR, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE THE REGISTERED OWNER, CEDE & CO., HAS AN INTEREST HEREIN.

THE PRINCIPAL OF THIS CLASS A-1 INVESTOR NOTE IS PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A-1 INVESTOR NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CHESAPEAKE FUNDING LLC

SERIES 2003-2 FLOATING RATE CALLABLE ASSET BACKED INVESTOR NOTES,
CLASS A-1

A-1

CHESAPEAKE FUNDING LLC, a limited liability company formed under the laws of the State of Delaware (herein referred to as the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Two Hundred Thirty Million Dollars, which amount shall be payable in the amounts and at the times set forth in the Indenture described herein, provided, however, that the entire unpaid principal amount of this Class A-1 Investor Note shall be due on the Class A-1 Final Maturity Date. However, principal with respect to the Class A-1 Investor Notes may be paid earlier under certain limited circumstances described in the Indenture. The Issuer will pay interest on this Class A-1 Investor Note for each Series 2003-2 Interest Period, in accordance with the terms of the Indenture, at the Class A-1 Note Rate for such Interest Period. Each "Series 2003-2 Interest Period" will be a period commencing on and including a Payment Date and ending on and including the day preceding the next succeeding Payment Date; provided, however, that the initial Series 2003-2 Interest Period shall commence on and include the Series 2003-2 Closing Date and end on and include December 7, 2003. Such principal of and interest on this Class A-1 Investor Note shall be paid in the manner specified on the reverse hereof and in the Indenture.

The principal of and interest on this Class A-1 Investor Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Class A-1 Investor Note shall be applied as provided in the Indenture. This Class A-1 Investor Note does not represent an interest in, or an obligation of, PHH Vehicle Management Services, LLC ("VMS") or any affiliate of VMS other than the Issuer.

Reference is made to the further provisions of this Class A-1 Investor Note set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Class A-1 Investor Note. Although a summary of certain provisions of the Indenture is set forth below and on the reverse hereof and made a part hereof, this Class A-1 Investor Note does not purport to summarize the Indenture and reference is made to the Indenture for

information with respect to the interests, rights, benefits, obligations, proceeds and duties evidenced hereby and the rights, duties and obligations of the Issuer and the Indenture Trustee. A copy of the Indenture may be requested from the Indenture Trustee by writing to the Indenture Trustee at: JPMorgan Chase Bank, 4 New York Plaza, 6th Floor, New York, New York, 10004, Attention: Institutional Trust Services. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Indenture.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Class A-1 Investor Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer.

Date: _____

CHESAPEAKE FUNDING LLC

By: _____
Name:
Title:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Class A-1 Investor Notes issued under the within-mentioned Indenture.

JPMORGAN CHASE BANK, as Indenture Trustee

By: _____
Authorized Signatory

[REVERSE OF CLASS A-1 INVESTOR NOTE]

This Class A-1 Investor Note is one of a duly authorized issue of Class A-1 Investor Notes of the Issuer designated its Series 2003-2 Floating Rate Asset Backed Investor Notes (herein called the "Class A-1 Investor Notes"), all issued under (i) a Base Indenture dated as of June 30, 1999 (such Base Indenture, as amended or modified, is herein called the "Base Indenture"), between the Issuer and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Indenture Trustee (the "Indenture Trustee", which term includes any successor Indenture Trustee under the Base Indenture), and (ii) a Series 2003-2 Indenture Supplement dated as of November 19, 2003 (the "Series 2003-2 Indenture Supplement") between the Issuer and the Indenture Trustee. The Base Indenture and the Series 2003-2 Supplement are referred to herein as the "Indenture". The Class A-1 Investor Notes are subject to all terms of the Indenture. All terms used in this Class A-1 Investor Note that are defined in the Indenture, as supplemented, modified or amended, shall have the meanings assigned to them in or pursuant to the Indenture, as so supplemented, modified or amended.

The Class A-1 Investor Notes are and will be equally and ratably secured by the Series 2003-2 Collateral pledged as security therefor as provided in the Indenture and the Series 2003-2 Indenture Supplement.

Principal of the Class A-1 Investor Notes will be payable on each Payment Date specified in and in the amounts described in the Indenture. "Payment Date" means the 7th day of each month, or if such date is not a Business Day, the next succeeding Business Day, commencing December 8, 2003.

The entire unpaid principal amount of this Class A-1 Investor Note shall be due and payable on the Class A-1 Final Maturity Date. Notwithstanding the foregoing, principal on the Class A-1 Investor Notes will be paid earlier during the Series 2003-2 Amortization Period as described in the Indenture. All principal payments on the Class A-1 Investor Notes shall be made pro rata to the Class A-1 Investor Noteholders entitled thereto.

The Issuer will have the option to prepay the Series 2003-2 Investor Notes, in whole but not in part, on any Payment Date after the Payment Date in June 2005. The prepayment price for the Series 2003-2 Investor Notes will be equal to the amount set forth in the Indenture.

Interest will accrue on this Class A-1 Investor Notes for each Series 2003-2 Interest Period at a rate equal to (i) with respect to the initial Series 2003-2 Interest Period, 1.32% per annum and (ii) with respect to each Series 2003-2 Interest Period thereafter, a rate per annum equal to One-Month LIBOR for such Series 2003-2 Interest Period plus 0.20% per annum (the "Class A-1 Note Rate"). "One-Month LIBOR" means, for each Series 2003-2 Interest Period, the rate per annum determined on the related LIBOR Determination Date by the Calculation Agent to be the rate for Dollar deposits having a maturity equal to one month that appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such LIBOR Determination Date; *provided, however*, that if such rate does not appear on Telerate Page 3750, One-Month LIBOR will mean, for such 2003-2 Interest Period, the rate per annum equal to the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates

quoted by the Reference Banks to the Calculation Agent as the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month; *provided, further*, that

if fewer than two quotations are provided as requested by the Reference Banks, "One-Month LIBOR" for such Series 2003-2 Interest Period will mean the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates quoted by major banks in New York, New York selected by the Calculation Agent, at approximately 10:00 a.m., New York City time, on the first day of such Series 2003-2 Interest Period for loans in Dollars to leading European banks for a period equal to one month; *provided, finally*, that if no such quotes are provided, "One-Month LIBOR" for such Series 2003-2 Interest Period will mean One-Month LIBOR as in effect with respect to the preceding Series 2003-2 Interest Period.

The Issuer shall pay interest on overdue installments of interest at the Class A-1 Note Rate to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Class A-1 Investor Note may be registered on the Note Register upon surrender of this Class A-1 Investor Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Class A-1 Investor Notes of authorized denominations in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Class A-1 Investor Note, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

By acquiring a Class A-1 Investor Note or an interest therein, each Class A-1 Investor Noteholder and each Class A-1 Investor Note Owner and the Issuer and the Indenture Trustee hereby covenants and agrees that, prior to the date which is one year and one day after payment in full of all obligations under each Securitization, it will not institute against, or join any other Person in instituting against, the Origination Trust, SPV, any other Special Purpose Entity, or any general partner or single member of any Special Purpose Entity that is a partnership or limited liability company, respectively, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law.

Each Class A-1 Investor Noteholder, by acceptance of a Class A-1 Investor Note or, in the case of a Class A-1 Investor Note Owner, a beneficial interest in a Class A-1 Investor Note, hereby represents, warrants and covenants that (a) each of the Lease SUBI and the Fleet Receivable SUBI is a separate series of the Origination Trust as provided in Section 3806(b)(2) of Chapter 38 of Title 12 of the Delaware Code, 12 Del.C. § 3801 et seq., (b)(i) the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Lease SUBI, the Lease SUBI Portfolio or the Fleet Receivable SUBI shall be enforceable against the Lease SUBI Portfolio or the Fleet Receivable SUBI only, as applicable, and not against any other SUBI Portfolio or the UTI Portfolio and (ii) the debts, liabilities, obligations

and expenses incurred, contracted for or otherwise existing with respect to any other SUBI (used in this paragraph as defined in the Origination Trust Agreement), any other SUBI Portfolio (used in this paragraph as defined in the Origination Trust Agreement), the UTI or the UTI Portfolio shall be enforceable against such other SUBI Portfolio or the UTI Portfolio only, as applicable, and not against any other SUBI Assets, (c) except to the extent required by law, UTI Assets or SUBI Assets with respect to any SUBI (other than the Lease SUBI and the Fleet Receivable SUBI) shall not be subject to the claims, debts, liabilities, expenses or obligations arising from or with respect to the Lease SUBI or Fleet Receivable SUBI, respectively, in respect of such claim, (d)(i) no creditor or holder of a claim relating to the Lease SUBI, the Fleet Receivable SUBI or the Lease SUBI Portfolio shall be entitled to maintain any action against or recover any assets allocated to the UTI or the UTI Portfolio or any other SUBI or the assets allocated thereto, and (ii) no creditor or holder of a claim relating to the UTI, the UTI Portfolio or any SUBI other than the Lease SUBI or the Fleet Receivable SUBI or any SUBI Assets other than the Lease SUBI Portfolio or the Fleet Receivables shall be entitled to maintain any action against or recover any assets allocated to the Lease SUBI or the Fleet Receivable SUBI, and (e) any purchaser, assignee or pledgee of an interest in the Lease SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI Certificate, any other SUBI, any other SUBI Certificate (used in this Section as defined in the Origination Trust Agreement), the UTI or the UTI Certificate must, prior to or contemporaneously with the grant of any such assignment, pledge or security interest, (i) give to the Origination Trust a non-petition covenant substantially similar to that set forth in Section 6.9 of the Origination Trust Agreement, and (ii) execute an agreement for the benefit of each holder, assignee or pledgee from time to time of the UTI or UTI Certificate and any other SUBI or SUBI Certificate to release all claims to the assets of the Origination Trust allocated to the UTI and each other SUBI Portfolio and in the event that such release is not given effect, to fully subordinate all claims it may be deemed to have against the assets of the Origination Trust allocated to the UTI Portfolio and each other SUBI Portfolio.

Each Class A-1 Investor Noteholder or Class A-1 Investor Note Owner, by acceptance of a Class A-1 Investor Note or, in the case of a Class A-1 Investor Note Owner, a beneficial interest in a Class A-1 Investor Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A-1 Investor Noteholder or Class A-1 Investor Note Owner will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any Federal or state bankruptcy or similar law.

It is the intent of the Issuer, each Class A-1 Investor Noteholder and each Class A-1 Investor Note Owner that, for Federal, state and local income and franchise tax purposes only, the Class A-1 Investor Notes will evidence indebtedness of the Issuer secured by the Series 2003-2 Collateral. Each Class A-1 Investor Noteholder and each Class A-1 Investor Note Owner, by the acceptance of this Class A-1 Investor Note, agrees to treat this Class A-1 Investor Note for purposes of Federal, state and local income and franchise taxes and any other tax imposed on or measured by income, as indebtedness of the Issuer.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Series 2003-2 Investor Notes under the Indenture at any time by the Issuer with the consent of the Holders of a Majority in Interest of the Series 2003-2 Investor Notes

affected by such amendment or modification. The Indenture also contains provisions permitting the Holders of Series 2003-2 Investor Notes representing specified percentages of the aggregate outstanding amount of the Series 2003-2 Investor Notes, on behalf of the Holders of all the Series 2003-2 Investor Notes, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Class A-1 Investor Note (or any one or more predecessor Class A-1 Investor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Class A-1 Investor Note and of any Class A-1 Investor Note issued upon the registration of

transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Class A-1 Investor Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the Series 2003-2 Investor Notes issued thereunder.

The term "Issuer" as used in this Class A-1 Investor Note includes any successor to the Issuer under the Indenture.

The Class A-1 Investor Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations set forth therein.

This Class A-1 Investor Note and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such law.

No reference herein to the Indenture and no provision of this Class A-1 Investor Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A-1 Investor Note at the times, place and rate, and in the coin or currency herein prescribed.

Interests in this Global Note may be exchanged for Definitive Notes, subject to the provisions of the Indenture.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(name and address of assignee)

the within Class A-1 Investor Note and all rights thereunder, and hereby irrevocably constitutes and appoints , attorney, to transfer said Class A-1 Investor Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: By: _____ (1)

Signature Guaranteed:

_____

_____

(1) NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class A-1 Investor Note, without alteration, enlargement or any change whatsoever.

EXHIBIT A-2
TO SERIES 2003-2
INDENTURE SUPPLEMENT

FORM OF GLOBAL CLASS A-2 INVESTOR NOTE

REGISTERED $270,000,000
No. R-001

SEE REVERSE FOR CERTAIN CONDITIONS

CUSIP (CINS) NO. 165182AJ5
ISIN NO. US165182AJ59

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY ("DTC"), A NEW YORK CORPORATION, 55 WATER STREET, NEW YORK, NEW YORK 10004, OR A NOMINEE THEREOF. THIS NOTE MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS NOTE IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE ISSUER OR THE TRANSFER AGENT AND REGISTRAR, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR

VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE THE REGISTERED OWNER, CEDE & CO., HAS AN INTEREST HEREIN.

THE PRINCIPAL OF THIS CLASS A-2 INVESTOR NOTE IS PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A-2 INVESTOR NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CHESAPEAKE FUNDING LLC

SERIES 2003-2 FLOATING RATE CALLABLE ASSET BACKED INVESTOR NOTES,
CLASS A-2

CHESAPEAKE FUNDING LLC, a limited liability company formed under the laws of the State of Delaware (herein referred to as the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Two Hundred Seventy Million Dollars, which amount shall be payable in the amounts and at the times set forth in the Indenture described herein, provided, however, that the entire unpaid principal amount of this Class A-2 Investor Note shall be due on the Class A-2 Final Maturity Date. However, principal with respect to the Class A-2 Investor Notes may be paid earlier under certain limited circumstances described in the Indenture. The Issuer will pay interest on this Class A-2 Note for each Series 2003-2 Interest Period, in accordance with the terms of the Indenture at the Class A-2 Note Rate for such Interest Period. Each "Series 2003-2 Interest Period" will be a period commencing on and including a Payment Date and ending on and including the day preceding the next succeeding Payment Date; provided, however, that the initial Series 2003-2 Interest Period shall commence on and include the Series 2003-2 Closing Date and end on and include December 7, 2003. Such principal of and interest on this Class A-2 Investor Note shall be paid in the manner specified on the reverse hereof and in the Indenture.

The principal of and interest on this Class A-2 Investor Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Class A-2 Investor Note shall be applied as provided in the Indenture. This Class A-2 Investor Note does not represent an interest in, or an obligation of, PHH Vehicle Management Services LLC ("VMS") or any affiliate of VMS other than the Issuer.

Reference is made to the further provisions of this Class A-2 Investor Note set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Class A-2 Investor Note. Although a summary of certain provisions of the Indenture is set forth below and on the reverse hereof and made a part hereof, this Class A-2 Investor Note does not purport to summarize the Indenture and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds and duties evidenced hereby and the rights, duties and obligations of the Issuer and the Indenture Trustee. A copy of the Indenture may be requested from the Indenture Trustee by writing to the Indenture Trustee at: JPMorgan Chase Bank, 4 New York Plaza, 6th Floor, New York, New York, 10004, Attention: Institutional Trust Services. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Indenture.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Class A-2 Investor Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer.

Date: _____

CHESAPEAKE FUNDING LLC

By: _____
Name:
Title:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Class A-2 Investor Notes issued under the within-mentioned Indenture.

JPMORGAN CHASE BANK, as Indenture Trustee

By: _____
Authorized Signatory

[REVERSE OF CLASS A-2 INVESTOR NOTE]

This Class A-2 Investor Note is one of a duly authorized issue of Class A-2 Investor Notes of the Issuer designated its Series 2003-2 Floating Rate Asset Backed Investor Notes (herein called the "Class A-2 Investor Notes"), all issued under (i) a Base Indenture dated as of June 30, 1999

(such Base Indenture, as amended or modified, is herein called the "Base Indenture"), between the Issuer and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Indenture Trustee (the "Indenture Trustee", which term includes any successor Indenture Trustee under the Base Indenture), and (ii) a Series 2003-2 Indenture Supplement dated as of November 19, 2003 (the "Series 2003-2 Indenture Supplement") between the Issuer and the Indenture Trustee. The Base Indenture and the Series 2003-2 Supplement are referred to herein as the "Indenture". The Class A-2 Investor Notes are subject to all terms of the Indenture. All terms used in this Class A-2 Investor Note that are defined in the Indenture, as supplemented, modified or amended, shall have the meanings assigned to them in or pursuant to the Indenture, as so supplemented, modified or amended.

The Class A-2 Investor Notes are and will be equally and ratably secured by the Series 2003-2 Collateral pledged as security therefor as provided in the Indenture and the Series 2003-2 Indenture Supplement.

Principal of the Class A-2 Investor Notes will be payable on each Payment Date specified in and in the amounts described in the Indenture. "Payment Date" means the 7th day of each month, or if such date is not a Business Day, the next succeeding Business Day, commencing December 8, 2003.

The entire unpaid principal amount of this Class A-2 Investor Note shall be due and payable on the Class A-2 Final Maturity Date. Notwithstanding the foregoing, principal on the Class A-2 Investor Notes will be paid earlier during the Series 2003-2 Amortization Period as described in the Indenture. All principal payments on the Class A-2 Investor Notes shall be made pro rata to the Class A-2 Investor Noteholders entitled thereto.

The Issuer will have the option to prepay the Series 2003-2 Investor Notes, in whole but not in part, on any Payment Date after the Payment Date in June 2005. The prepayment price for the Series 2003-2 Investor Notes will be equal to the amount set forth in the Indenture.

Interest will accrue on this Class A-2 Investor Notes for each Series 2003-2 Interest Period at a rate equal to (i) with respect to the initial Series 2003-2 Interest Period, 1.42% per annum and (ii) with respect to each Series 2003-2 Interest Period thereafter, a rate per annum equal to One-Month LIBOR for such Series 2003-2 Interest Period plus 0.30% per annum (the "Class A-2 Note Rate"). "One-Month LIBOR" means, for each Series 2003-2 Interest Period, the rate per annum determined on the related LIBOR Determination Date by the Calculation Agent to be the rate for Dollar deposits having a maturity equal to one month that appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such LIBOR Determination Date; *provided, however*, that if such rate does not appear on Telerate Page 3750, One-Month LIBOR will mean, for such 2003-2 Interest Period, the rate per annum equal to the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates

quoted by the Reference Banks to the Calculation Agent as the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on the LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month; *provided, further*, that if fewer than two quotations are provided as requested by the Reference Banks, "One-Month LIBOR" for such Series 2003-2 Interest Period will mean the arithmetic mean (rounded to the nearest one-one-hundred-thousandth of one percent) of the rates quoted by major banks in New York, New York selected by the Calculation Agent, at approximately 10:00 a.m., New York City time, on the first day of such Series 2003-2 Interest Period for loans in Dollars to leading European banks for a period equal to one month; *provided, finally*, that if no such quotes are provided, "One-Month LIBOR" for such Series 2003-2 Interest Period will mean One-Month LIBOR as in effect with respect to the preceding Series 2003-2 Interest Period.

The Issuer shall pay interest on overdue installments of interest at the Class A-2 Note Rate to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Class A-2 Investor Note may be registered on the Note Register upon surrender of this Class A-2 Investor Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Class A-2 Investor Notes of authorized denominations in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Class A-2 Investor Note, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

By acquiring a Class A-2 Investor Note or an interest therein, each Class A-2 Investor Noteholder and each Class A-2 Investor Note Owner and the Issuer and the Indenture Trustee hereby covenants and agrees that, prior to the date which is one year and one day after payment in full of all obligations under each Securitization, it will not institute against, or join any other Person in instituting against, the Origination Trust, SPV, any other Special Purpose Entity, or any general partner or single member of any Special Purpose Entity that is a partnership or limited liability company, respectively, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law.

Each Class A-2 Investor Noteholder, by acceptance of a Class A-2 Investor Note or, in the case of a Class A-2 Investor Note Owner, a beneficial interest in a Class A-2 Investor Note, hereby represents, warrants and covenants that (a) each of the Lease SUBI and the Fleet Receivable SUBI is a separate series of the Origination Trust as provided in Section 3806(b)(2) of Chapter 38 of Title 12 of the Delaware Code, 12 Del.C. § 3801 et seq., (b)(i) the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Lease SUBI, the Lease SUBI Portfolio or the Fleet Receivable SUBI shall be enforceable against the Lease SUBI Portfolio or the Fleet Receivable SUBI only, as applicable, and not against any other SUBI Portfolio or the UTI Portfolio and (ii) the debts, liabilities, obligations

and expenses incurred, contracted for or otherwise existing with respect to any other SUBI (used in this paragraph as defined in the Origination Trust Agreement), any other SUBI Portfolio (used in this paragraph as defined in the Origination Trust Agreement), the UTI or the UTI Portfolio shall be enforceable against such other SUBI Portfolio or the UTI Portfolio only, as applicable, and not against any other SUBI Assets, (c) except to the extent required by law, UTI Assets or SUBI Assets with respect to any SUBI (other than the Lease SUBI and the Fleet Receivable SUBI) shall not be subject to the claims, debts, liabilities, expenses or obligations arising from or with respect to the Lease SUBI or Fleet Receivable SUBI, respectively, in respect of such claim, (d)(i) no creditor or holder of a claim relating to the Lease SUBI, the Fleet Receivable SUBI or the Lease SUBI Portfolio shall be entitled to maintain any action against or recover any assets allocated to the UTI or the UTI Portfolio or any other SUBI or the assets allocated thereto, and (ii) no creditor or holder of a claim relating to the UTI, the UTI Portfolio or any SUBI other than the Lease SUBI or the Fleet Receivable SUBI or any SUBI Assets other than the Lease SUBI Portfolio or the Fleet Receivables shall be entitled to maintain any action against or recover any assets allocated to the Lease SUBI or the

Fleet Receivable SUBI, and (e) any purchaser, assignee or pledgee of an interest in the Lease SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI, the Lease SUBI Certificate, the Fleet Receivable SUBI Certificate, any other SUBI, any other SUBI Certificate (used in this Section as defined in the Origination Trust Agreement), the UTI or the UTI Certificate must, prior to or contemporaneously with the grant of any such assignment, pledge or security interest, (i) give to the Origination Trust a non-petition covenant substantially similar to that set forth in Section 6.9 of the Origination Trust Agreement, and (ii) execute an agreement for the benefit of each holder, assignee or pledgee from time to time of the UTI or UTI Certificate and any other SUBI or SUBI Certificate to release all claims to the assets of the Origination Trust allocated to the UTI and each other SUBI Portfolio and in the event that such release is not given effect, to fully subordinate all claims it may be deemed to have against the assets of the Origination Trust allocated to the UTI Portfolio and each other SUBI Portfolio.

Each Class A-2 Investor Noteholder or Class A-2 Investor Note Owner, by acceptance of a Class A-2 Investor Note or, in the case of a Class A-2 Investor Note Owner, a beneficial interest in a Class A-2 Investor Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A-2 Investor Noteholder or Class A-2 Investor Note Owner will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any Federal or state bankruptcy or similar law.

It is the intent of the Issuer, each Class A-2 Investor Noteholder and each Class A-2 Investor Note Owner that, for Federal, state and local income and franchise tax purposes only, the Class A-2 Investor Notes will evidence indebtedness of the Issuer secured by the Series 2003-2 Collateral. Each Class A-2 Investor Noteholder and each Class A-2 Investor Note Owner, by the acceptance of this Class A-2 Investor Note, agrees to treat this Class A-2 Investor Note for purposes of Federal, state and local income and franchise taxes and any other tax imposed on or measured by income, as indebtedness of the Issuer.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Series 2003-2 Investor Notes under the Indenture at any time by the Issuer with the consent of the Holders of a Majority in Interest of the Series 2003-2 Investor Notes

affected by such amendment or modification. The Indenture also contains provisions permitting the Holders of Series 2003-2 Investor Notes representing specified percentages of the aggregate outstanding amount of the Series 2003-2 Investor Notes, on behalf of the Holders of all the Series 2003-2 Investor Notes, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Class A-2 Investor Note (or any one or more predecessor Class A-2 Investor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Class A-2 Investor Note and of any Class A-2 Investor Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Class A-2 Investor Note. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the Series 2003-2 Investor Notes issued thereunder.

The term “Issuer” as used in this Class A-2 Investor Note includes any successor to the Issuer under the Indenture.

The Class A-2 Investor Notes are issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations set forth therein.

This Class A-2 Investor Note and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such law.

No reference herein to the Indenture and no provision of this Class A-2 Investor Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A-2 Investor Note at the times, place and rate, and in the coin or currency herein prescribed.

Interests in this Global Note may be exchanged for Definitive Notes, subject to the provisions of the Indenture.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(name and address of assignee)

the within Class A-2 Investor Note and all rights thereunder, and hereby irrevocably constitutes and appoints , attorney, to transfer said Class A-2 Investor Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ By: _____ (2)

Signature Guaranteed:

_____

(2) NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class A-2 Investor Note, without alteration, enlargement or any change whatsoever.

Exhibit 10.70

EXECUTION COPY

INDENTURE AND SERVICING AGREEMENT

Dated as of December 5, 2003

by and among

SIERRA 2003-2 RECEIVABLES FUNDING COMPANY, LLC,

as Issuer

and

FAIRFIELD ACCEPTANCE CORPORATION—NEVADA,

as Servicer

and

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Trustee

and

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Collateral Agent

INDENTURE AND SERVICING AGREEMENT

THIS INDENTURE AND SERVICING AGREEMENT dated as of December 5, 2003 is by and among **SIERRA 2003-2 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 Servicer, and **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association, as trustee and as collateral agent. This Indenture may be supplemented and amended from time to time in accordance with Article XV hereof.

RECITALS

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of its loan-backed notes as provided herein.

All covenants and agreements made by the Issuer herein are for the benefit and security of the Trustee, acting on behalf of the Noteholders and the Swap Counterparty.

The Issuer is entering into this Indenture, 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 as provided herein, the valid obligations of the Issuer and to make this Indenture a valid agreement of the Issuer, enforceable in accordance with its terms.

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 the Swap Counterparty.

GRANTING CLAUSES

The Issuer hereby Grants to the Collateral Agent, for the benefit and security of the Trustee, acting on behalf of the Noteholders and the Swap Counterparty, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in, to and under the following:

(a) all Pledged Loans, together with all other 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;

(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 Collections are deposited, to the extent such money, investment property, instruments and other property constitutes Collections;

(d)

the Reserve Account and all money, investment property, instruments and other property credited to, carried in or deposited in the Reserve Account;

(e) the Interest Rate Swap;

(f) all rights, remedies, powers, privileges and claims of the Issuer under or with respect to the Series 2003-2 Term Purchase Agreement, the Sale and Assignment Agreement, including, without limitation, all rights to enforce all payment obligations of the Depositor, Sierra 2002 and each Seller and all rights to collect all monies due and to become due to the Issuer from the Depositor, Sierra 2002, or any Seller under or in connection with the Series 2003-2 Term Purchase Agreement or the Sale and Assignment Agreement (including without limitation all interest and finance charges for late payments and proceeds of any liquidation or sale of Pledged Loans or resale of Timeshare Properties or Vacation Credits and all other Collections on the Pledged Loans) and all other rights of the Issuer to enforce the Series 2003-2 Term Purchase Agreement and the Sale and Assignment Agreement;

(g) all Assigned Rights with respect to the Pledged Loans and the Pledged Assets including, without limitation, all rights to enforce payment obligations of the Depositor, Sierra 2002, and each Seller and all rights to collect all monies due and to become due to the Issuer from the Depositor, Sierra 2002, or any Seller under or in connection with the Pledged Loans (including without limitation all interest and finance charges for late payments accrued thereon and proceeds of any liquidation or sale of Pledged Loans or resale of Timeshare Properties or Vacation Credits and all other Collections on the Pledged Loans);

(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;

(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 Collateral, and including all payments under insurance policies (whether or not a Seller or an Originator, the Depositor, Sierra 2002, 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 Collateral; and

(l) all proceeds of the foregoing.

The property described in the preceding sentence is collectively referred to as the "*Collateral*." The Grant of the Collateral to the Collateral Agent is for the benefit of the Trustee to secure the Notes equally and ratably without prejudice, priority or distinction among any Notes by reason of difference in time of issuance or otherwise, except as otherwise expressly provided in this Indenture and to secure (i) the payment of all amounts due on the Notes in accordance with their respective terms, (ii) the payment of all other sums payable by the Issuer under this Indenture or the Notes and (iii) compliance by the Issuer with the provisions of this Indenture and the Notes. This Indenture is a security agreement within the meaning of the UCC.

The Collateral Agent and the Trustee acknowledge the Grant of the Collateral, and the Collateral Agent accepts the 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 Noteholders may be adequately and effectively protected.

The Trustee and the Collateral Agent each acknowledges that it has entered into the Collateral Agency Agreement pursuant to which the Collateral Agent acts as agent for the benefit of the Trustee for the purpose of maintaining a security interest in the Collateral. The Trustee and the Noteholders are bound by the terms of the Collateral Agency Agreement by the Trustee's execution thereof on their behalf.

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions*

Whenever used in this Indenture, the following words and phrases shall have the following meanings:

"*Account*" shall mean the Collection Account or the Reserve Account and "*Accounts*" shall mean the Collection Account and the Reserve Account.

"*Accrued Interest*" shall mean, with respect to each Class of Notes, an amount equal to the sum of (i) the interest accrued during the related Interest Accrual Period at the applicable Note Interest Rate on the Adjusted Principal Amount of such Class of Notes as of the immediately preceding Payment Date (or, in the case of the initial Payment Date, the Adjusted Principal Amount as of the Closing Date) and (ii) any amounts payable pursuant to clause (i) above for such Class of Notes from all prior Payment Dates remaining unpaid, if any, plus, to the extent permitted by law, interest thereon for each Interest Accrual Period for such Class of Notes at the applicable Note Interest Rate.

"*Adjusted Principal Amount*" shall mean, on any Payment Date and for any Class of Notes, the Principal Amount of such Class as of the prior Payment Date (or, with respect to the first Payment Date, as of the Closing Date) minus the sum of (i) the amount of all principal distributions actually

made to such Class on the current Payment Date and (ii) the Adjustment Amount for such Class on the current Payment Date. In no event will the Adjusted Principal Amount of any Class exceed the Principal Amount of such Class or be a number less than zero. On the Closing Date, the Adjusted Principal Amount of any Class is equal to the Initial Principal Amount of such Class.

"*Adjustment Amount*" shall mean, for the Class A-1 Notes, the Class A-1 Adjustment Amount, for the Class A-2 Notes, the Class A-2 Adjustment Amount, for the Class B Notes, the Class B Adjustment Amount, for the Class C Notes, the Class C Adjustment Amount and for the Class D Notes, the Class D Adjustment Amount.

"*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 December 5, 2003 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 applicable Administrative Services Agreement.

"*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.

"*Aggregate Adjustment Amount*" shall mean, on any Payment Date, the amount by which the Aggregate Principal Amount, after giving effect to any principal distributions made on all Classes on such Payment Date, exceeds the Aggregate Loan Balance as of the last day of the Due Period related to such Payment Date.

"*Aggregate Default Rate*" shall mean as of any Determination Date, a percentage obtained by dividing (i) the sum of the outstanding principal balance of each Pledged Loan (each such principal balance determined as of the day immediately preceding the date on which such Pledged Loan became a Defaulted Loan) that became a Defaulted Loan during the period commencing with the Cut-Off Date and ending at the end of the prior Due Period by (ii) the Aggregate Loan Balance as of the Cut-Off Date.

"*Aggregate Loan Balance*" shall mean, as of any time, the sum of the outstanding principal balances due under or in respect of all Pledged Loans, excluding Defaulted Loans.

"*Aggregate Principal Amount*" shall mean the sum of the Principal Amounts for all Classes of Notes.

"*Agreement*" shall mean this Indenture and Servicing Agreement as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

"*Assigned Rights*" shall mean all rights of the Depositor with respect to the Sierra 2002-1 Loans and related Transferred Assets transferred to the Depositor by Sierra 2002 under the Sale and Assignment Agreement and all rights of the Depositor under the Purchase Agreement with respect to Sierra 2002-1 Loans which are Pledged Loans and the related Transferred Assets which are Pledged Assets, including, but not limited to, the right to sell Defective Loans to the Sellers or to cause the Sellers to purchase Defective Loans from the Issuer.

"*Assignment of Mortgage*" shall mean any assignment (including any collateral assignment) of any Mortgage.

"*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.

"*Available Funds*" for any Payment Date shall mean (i) all payments (including prepayments) of principal, interest and fees (which, for the sake of clarity, excludes maintenance fees assessed with respect to POAs) collected from or on behalf of the Obligors during the related Due Period on the Pledged Loans, and the amounts deposited into the Collection Account during the related Due Period in respect of the release of Trendwest Loans which have become Timeshare Upgrades and are treated as prepayments; (ii) any Servicer Advances made on or prior to the Payment Date with respect to payments due from the Obligors on the Pledged Loans during the related Due Period; (iii) all amounts received as the Release Price paid to the Trustee for the release from the Lien of this Indenture securing the Notes of any Pledged Loan that has become a Defaulted Loan; (iv) all Net Liquidation Proceeds from the disposition of Pledged Assets securing Defaulted Loans received during the related Due Period; (v) the amounts received by the Trustee as the Release Price in connection with the release of a Defective Loan; (vi) the amount in excess of the Reserve Required Amount, if any, withdrawn from the Reserve Account in accordance with subsection 3.5(c) of this Indenture and deposited in the Collection Account on such Payment Date; and (vii) all amounts received by the Issuer under the Interest Rate Swap.

"*Bankruptcy Code*" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"*Benefit Plan*" shall mean any "employee pension benefit plan" as defined in ERISA which is subject to Title IV of ERISA (other than a "multiemployer plan," as defined in Section 4001 of ERISA) and to which the Issuer, any eligible Seller or any ERISA Affiliate of the Issuer has liability,

including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA for any time within the preceding five years or by reason of being deemed to be a contributing sponsor under Section 4069 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, 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.

"*Calculation Date*" shall mean the close of business on the last Business Day of the related Due Period.

"*Cash Accumulation Event*" shall mean the occurrence of any of the following events:

(i) on any Determination Date, the average of the Delinquency Ratios for the three immediately preceding Due Periods is greater than 5.0%;

(ii) on any Determination Date, the average of the Default Percentages for the four immediately preceding Due Periods is greater than the applicable Default Percentage Threshold; or

(iii) on any Determination Date, the Aggregate Default Rate is greater than 23%.

A Cash Accumulation Event described in (i) above shall continue until the average of the Delinquency Ratios for the three immediately preceding Due Periods is equal to or less than 5.0% for three consecutive Determination Dates. A Cash Accumulation Event described in clause (ii) above shall continue until the average of the Default Percentages for the four immediately preceding Due Periods is equal to or less than the applicable Default Percentage Threshold for three consecutive Determination Dates.

"*Cendant*" shall mean Cendant Corporation or any successor thereof.

"*Certificate of Authentication*" shall have the meaning set forth in Section 2.2.

"*Class*" shall mean the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes or the Class D Notes.

"*Class A Notes*" shall mean the Class A-1 Notes and the Class A-2 Notes.

"*Class A-1 Adjustment Amount*" shall mean, on any Payment Date, the lesser of (i) the Principal Amount of the Class A-1 Notes after giving effect to any principal distributions made on such Class on such Payment Date, and (ii) the product of (a) a fraction the numerator of which is the amount determined pursuant to clause (i) above and the denominator of which is the Principal Amount of the Class A Notes after giving effect to any principal distributions made on the Class A Notes on such Payment Date and (b) the amount by which the Aggregate Adjustment Amount exceeds the aggregate of the Principal Amounts of the Class B Notes, the Class C Notes and the Class D Notes, after giving effect to all principal distributions made to such Class B Notes, Class C Notes and Class D Notes on such Payment Date.

"*Class A-1 Note*" shall mean any of the $179,400,000 3.03% Vacation Timeshare Loan-Backed Notes, Series 2003-2, Class A-1, due 2015.

"*Class A-2 Adjustment Amount*" shall mean, on any Payment Date, the lesser of (i) the Principal Amount of the Class A-2 Notes after giving effect to any principal distributions made on such Class on such Payment Date and (ii) the product of (a) a fraction the numerator of which is the amount determined pursuant to clause (i) above and the denominator of which is the Principal Amount of the Class A Notes after giving effect to any principal distributions made on the Class A Notes on such Payment Date and (b) the amount by which the Aggregate Adjustment Amount exceeds the aggregate of the Principal Amounts of the Class B Notes, the Class C Notes and the Class D Notes, after giving effect to all principal distributions made to such Class B Notes, Class C Notes and Class D Notes on such Payment Date.

"*Class A-2 Notes*" shall mean any of the $75,000,000 Floating Rate Vacation Timeshare Loan-Backed Notes, Series 2003-2, Class A-2, due 2015.

"*Class B Adjustment Amount*" shall mean, on any Payment Date, the lesser of (i) the Principal Amount of the Class B Notes after giving effect to any principal distributions made on such Class on such Payment Date and (ii) the amount by which the Aggregate Adjustment Amount exceeds the aggregate of the Principal Amounts of the Class C Notes and the Class D Notes, after giving effect to all principal distributions made to such Class C Notes and Class D Notes on such Payment Date.

"*Class B Note*" shall mean any of the $30,700,000 3.33% Vacation Timeshare Loan-Backed Notes, Series 2003-2, Class B, due 2015.

"*Class C Adjustment Amount*" shall mean, on any Payment Date, the lesser of (i) the Principal Amount of the Class C Notes after giving effect to any principal distributions made on such Class on such Payment Date and (ii) the amount by which the Aggregate Adjustment Amount exceeds the Principal Amount of the Class D Notes, after giving effect to all principal distributions made to the Class D Notes on such Payment Date.

"*Class C Note*" shall mean any of the $39,450,000 3.87% Vacation Timeshare Loan-Backed Notes, Series 2003-2, Class C, due 2015.

"*Class D Adjustment Amount*" shall mean, on any Payment Date, the lesser of (i) the Principal Amount of the Class D Notes after giving effect to any principal distributions made on such Class on such Payment Date and (ii) the Aggregate Adjustment Amount for such Payment Date.

"*Class D Note*" shall mean any of the $50,450,000 4.85% Vacation Timeshare Loan-Backed Notes, Series 2003-2, Class D, due 2015.

"*Class D Note Purchase Agreement*" shall mean the Amended and Restated Class D Note Purchase Agreement dated December 2, 2003 among the Issuer, the Sellers and the Class D Notes Initial Purchasers named therein.

"*Class D Notes Initial Purchasers*" shall mean the initial purchasers of the Class D Notes as set forth in the Class D Note Purchase Agreement.

"*Class Percentages*" shall mean for each Class, at any time, the percentage equivalent of a fraction the numerator of which is the Principal Amount of such Class and the denominator of which is the Aggregate Principal Amount of all Classes.

"*Clearing Agency*" shall mean an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"*Clearing Agency Custodian*" shall mean the entity maintaining possession of the Global Notes for the Clearing Agency.

"*Clearing Agency Participant*" means 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, Luxembourg, société anonyme, a professional depository incorporated under the laws of Luxembourg, and its successors.

"*Closing Date*" shall mean December 5, 2003.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"*Collateral*" shall have the meaning specified in the Granting Clause of this Indenture.

"*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 Agency Agreement dated as of July 25, 2000, as further amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002, as further amended by the Fifth Amendment to the Collateral Agency Agreement dated as of March 31, 2003, as further amended by the Sixth Amendment to the Collateral Agency Agreement dated as of May 20, 2003 and as further amended by the Seventh Amendment to the Collateral Agency Agreement dated as of December 5, 2003, 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 with its terms.

"*Collateral Agent*" shall mean Wachovia Bank, National Association in its capacity as collateral agent under this Indenture and the Collateral Agency Agreement or any successor collateral agent appointed under the Collateral Agency Agreement.

"*Collection Account*" shall mean the account described in Section 3.4 hereof and established for the deposit of Collections and other amounts as provided in this Indenture.

"*Collections*," shall mean, with respect to any Pledged Loan, all funds, cash collections and other cash proceeds of such Pledged Loan paid by or on behalf of the Obligor after the Cut-Off Date, 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 Servicer (or the Subservicer) in respect of such Pledged Loan, (ii) all amounts received by the Issuer, the Servicer (or the Subservicer) or the Trustee in respect of any Insurance Proceeds relating to such Pledged Loan or the related Timeshare Property and (iii) all amounts received by the Issuer, the Servicer (or the Subservicer) or the Trustee in respect of any proceeds of a condemnation of property in any Resort, which proceeds relate to such Pledged Loan or the related Timeshare Property.

"*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 Indenture is located at 401 South Tryon Street, NC-1179, 12th Floor, Charlotte, NC 28288-1179, Attention: Structured Finance Trust Services, Sierra 2003-2 Receivables Funding Company, LLC.

"*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 or Trendwest, 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 this Indenture.

"*Custodial Agreement*" shall mean the Third Amended and Restated Custodial Agreement dated as of December 5, 2003 by and among the Issuer, Sierra 2002, Sierra 2003-1, the Depositor, FAC, Trendwest, Wachovia Bank, National Association, as Custodian, the Trustee and the Collateral Agent, the Sierra 2002 Trustee, and the Sierra 2003-1 Trustee, as the same may be further amended, supplemented or otherwise modified from time to time hereafter in accordance with its terms.

"*Custodian*" shall mean, at any time, the custodian under the 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, the close of business on October 31, 2003.

"*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 GAAP, 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 of such Person 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, arrangement, 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 Pledged Loan (a) for which any portion of a Scheduled Payment is delinquent more than 119 days, (b) with respect to which the Servicer shall have determined in good faith that the related 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.

"*Default Percentage*" shall mean, for any Due Period, the percentage equivalent of a fraction the numerator of which is the sum of the outstanding principal balance of each Pledged Loan (each such principal balance determined as of the day immediately preceding the date on which such Pledged Loan became a Defaulted Loan) that became a Defaulted Loan during such Due Period, and the denominator of which is the Aggregate Loan Balance as of the last day of such Due Period.

"*Default Percentage Threshold*" shall mean (i) for any Determination Date occurring before or during November 2004, 0.85%, (ii) for any Determination Date occurring after November 2004 and before or during November 2005, 1.00% and (iii) for any Determination Date occurring after November 2005, 1.25%.

"*Defective Loan*" shall mean any Pledged Loan with an uncured material breach of the representation and warranty of the Issuer set forth in Section 5.2 of this Indenture.

"*Definitive Notes*" shall have the meaning set forth in Section 2.11.

"*Delinquency Ratio*" shall mean, for any Due Period, a fraction the numerator of which is the sum of the outstanding principal balance of each Pledged Loan (each such principal balance determined as of the last day of such Due Period) which are Delinquent Loans as of the last day of such Due Period and the denominator of which is the Aggregate Loan Balance as of the last day of such Due Period.

"*Delinquent Loan*" shall mean a Pledged Loan for which all or a portion of the Scheduled Payments are more than 60 days delinquent, other than a Pledged Loan that is a Defaulted Loan.

"*Depositor*" shall mean Sierra Deposit Company, LLC, a Delaware limited liability company.

"*Depository Agreement*" shall mean the agreement among the Issuer, the Trustee and The Depository Trust Company.

"*Determination Date*" shall mean, with respect to any Payment Date, the second Business Day preceding such Payment Date.

"*Distribution Compliance Period*" shall have the meaning specified in Rule 902 of Regulation S under the Securities Act.

"*Due Period*" shall mean, for any Payment Date, the immediately preceding calendar month.

"*DWAC*" shall have the meaning set forth in subsection 2.13(a).

"*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*" shall have the meaning assigned to that term in Section 5.2.

"*Eligible Institution*" shall mean any depository institution the short term unsecured senior indebtedness of which is rated at least "Fl" by Fitch, "A-l" by S&P or "P-l" by Moody's, and the long term unsecured indebtedness of which is rated at least "A" by Fitch, "A" by S&P or "A-2" by Moody's.

"*Equity Percentage*" shall mean, with respect to a Loan, the percentage equivalent of a fraction the numerator of which is the excess of (A) the Timeshare Price of the related Timeshare Property relating to the 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 in clause (A) above 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 Code) as such Person; or (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.

"*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 the events designated as Events of Default under Section 11.1 of this Indenture.

"*Exchange Act*" shall mean the U. S. Securities Exchange Act of 1934, as amended.

"*Exchange Date*" shall have the meaning specified in subsection 2.9(d).

"*Extra Principal Distribution Amount*," shall mean, on any Payment Date, the lesser of (i) the amount by which Available Funds exceeds the amount required to be distributed on such Payment Date pursuant to clauses FIRST through TENTH, inclusive, of the Priority of Payments and (ii) the Overcollateralization Deficiency Amount on such Payment Date.

"*FAC*" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned subsidiary of FRI.

"*Fairfield Loan*" shall mean a Pledged Loan which was sold to the Depositor under the Fairfield Master Loan Purchase Agreement.

"*Fairfield Master Loan Purchase Agreement*" shall mean the Master Loan Purchase Agreement dated as of August 29, 2002, the First Amendment to Master Loan Purchase Agreement dated as of November 27, 2002 and the Second Amendment to Master Loan Purchase Agreement dated as of July 17, 2003, by and between FAC, as Seller and the Depositor, as Purchaser and FRI, Fairfield Myrtle Beach, Inc., 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 Kona Hawaiian Vacation Ownership, LLC, together with the Series 2002-1 Supplement dated as of August 29, 2002 to such Master Loan Purchase Agreement, the First Amendment, dated as of November 27, 2002, to the Series 2002-1 Supplement to the Master Loan Purchase Agreement and the Second Amendment dated as of July 17, 2003 to the Series 2002-1 Supplement to the Master Loan Purchase Agreement.

"*Fairfield Originator*" shall mean FRI, Fairfield Myrtle Beach, Inc., Kona Hawaiian Vacation Ownership, LLC, 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, or any other Subsidiary of Cendant that originates Loans in accordance with the Credit Standards and Collection Policies for sale to FAC.

"*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, and certain of its subsidiaries and third party developers, as the same may be further amended, supplemented or otherwise modified from time to time hereafter in accordance with its terms.

"*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.

"*Final Maturity Date*" shall mean the Payment Date occurring in December 2015.

"*Financing Statements*" shall mean, collectively, the UCC financing statements and the amendments thereto to be authorized and delivered in connection with any of the transactions contemplated hereby or any of the other Transaction Documents.

"*First Guaranty Agreement*" shall mean that Performance Guaranty dated as of August 29, 2002 made by Cendant in favor of the Depositor, Sierra 2002 and the Sierra 2002 Trustee.

"*Fitch*" shall mean Fitch, Inc. or any successor thereto.

"*Fixed Amount*" shall mean, for any Payment Date, an amount equal to the fixed amount payable by the Issuer to the Swap Counterparty for such date pursuant to the Interest Rate Swap.

"*Fixed Rate Notes*" shall mean the Class A-1 Notes, the Class B Notes, the Class C Notes and the Class D Notes.

"*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.

"*Floating Amount*" shall mean, for any Payment Date an amount equal to the floating amount payable by the Swap Counterparty to the Issuer for such date pursuant to the Interest Rate Swap.

"*Floating Rate Notes*" shall mean the Class A-2 Notes.

"*FMB*" shall mean Fairfield Myrtle Beach, Inc., a Delaware corporation.

"*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 Notes*" shall mean the Rule 144A Global Note and the Regulation S Global Note.

"*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 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 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.

"*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.

"*Independent Director*" shall have the meaning assigned to the term in subsection 6.1(m).

"*Initial Principal Amount*" shall mean the aggregate amount of $375,000,000 of the Notes composed of the initial principal amounts of $179,400,000 of the Class A-1 Notes, $75,000,000 of

the Class A-2 Notes, $30,700,000 of the Class B Notes, $39,450,000 of the Class C Notes and $50,450,000 of the Class D Notes at the time such Notes were issued.

"*Initial Purchasers*" shall mean the Senior Notes Initial Purchasers and the Class D Notes Initial Purchasers.

"*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 Debtor Relief Law, or the filing of a petition against such Person in an involuntary case under any Debtor Relief Law, 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 Debtor Relief Law, 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.

"*Intercreditor Agreement*" shall mean the intercreditor and clearing account agreement dated as of January 3, 2001, among Trendwest, LaSalle Bank National Association, Wells Fargo Bank Minnesota, National Association, the issuers named therein, Bank One, NA, Jupiter Securitization Corporation, TW Holdings III, Key Bank National Association and any other bank serving as clearing account bank, and other parties thereto by accession, as the same may be further amended, supplemented or otherwise modified from time to time hereafter in accordance with its terms.

"*Interest Accrual Period*" shall mean, with respect to the Notes for any Payment Date, the period beginning on and including the immediately preceding Payment Date and ending on and excluding such Payment Date, except that the first Interest Accrual Period will begin on and include December 2, 2003 and end on and exclude the December 2003 Payment Date.

"*Interest Carry-Forward Amount*" shall mean, for any Class on any Payment Date, the sum of (i) interest accrued during the related Interest Accrual Period at the applicable Note Interest Rate for such Class on the excess, if any, of the Principal Amount of such Class over the Adjusted Principal Amount of such Class, in each case as of the prior Payment Date and (ii) any amounts payable pursuant to clause (i) above for such Class from all prior Payment Dates remaining unpaid, if any, plus, to the extent permitted by law, interest thereon for each Interest Accrual Period for such Class at the applicable Note Interest Rate. Interest Carry-Forward Amounts with respect to the Fixed Rate Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months and Interest Carry-Forward Amounts on the Floating Rate Notes will be calculated on the basis of a 360-day year and the actual number of days that elapsed during the related Interest Accrual Period.

"*Interest Rate Swap*" shall mean the ISDA Master Agreement, together with the Schedule thereto and the "Confirmation For U.S. Dollar Interest Rate Swap Transaction Under 1992 Master Agreement," each dated as of November 20, 2003 between the Issuer and the Swap Counterparty, as such Interest Rate Swap may be amended, modified or replaced.

"*Investment Company Act*" shall mean the U.S. Investment Company Act of 1940, as amended.

"*Issuer*" shall mean Sierra 2003-2 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.

"*Kona Loans*" shall mean Loans which were acquired by FRI from Kona Hawaiian Vacation Ownership, LLC.

"*LIBOR*" shall mean, for any Interest Accrual Period, the London interbank offered rate for one-month United States dollar deposits determined by the Trustee on the LIBOR Determination Date for such Interest Accrual Period in accordance with the provisions of Section 2.4.

"*LIBOR Determination Date*" shall mean, with respect to each Interest Accrual Period, the second London Business Day immediately preceding the first day of such Interest Accrual Period.

"*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 Company Agreement of Sierra 2003-2 Receivables Funding Company, LLC dated as of October 24, 2003 as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

"*Loan*" shall mean each loan, installment contract or contract for deed or contract or note secured by a mortgage, deed of 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 (including a Defaulted Loan (until it becomes a Released Pledged Loan)).

"*Loan Documents*" 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 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 mean the Loan Schedule containing information about the Pledged Loans, which Loan Schedule is attached hereto as Schedule 2 and which is as delivered by the

Issuer to the Collateral Agent as of the Closing Date and as amended upon the release of Pledged Loans or the Grant of Qualified Substitute Loans.

"*Lockbox Account*" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"*Lockbox Agreement*" shall mean the Intercreditor Agreement and any agreement substantially in the form of Exhibit I by and between the Issuer, the Trustee, the 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.

"*London Business Day*" shall mean a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

"*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, Diners Club International Ltd. or JCB credit card affiliate or member entity.

"*Majority Holders*" shall mean with respect to all Notes issued and outstanding, the Holders of greater than fifty percent of the Aggregate Principal Amount of all Notes.

"*Market Servicing Rate*" shall mean the rate calculated by the Trustee following a Servicer Default, 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 each such bid to the Trustee within 30 days of the delivery of such request to each such entity, and shall further request that each such bid state a servicing fee as part of the bid and (2) upon the receipt of three such 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 Loan Purchase Agreement*" shall mean the Fairfield Master Loan Purchase Agreement or the Trendwest Master Loan Purchase 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 such Person;

(b) the ability of such Person to perform its respective obligations under any of the Transaction Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, this Indenture (if such Person is a party to this Indenture) or any of the Transaction 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 Transaction Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Pledged Loans or any of the other Pledged Assets.

"*Member*" shall have the meaning assigned thereto in the LLC Agreement.

"*Monthly Collateral Agent Fee*" shall mean, in respect of any Due Period (or portion thereof), the amount due to the Collateral Agent for fees related to the Collateral for the Series 2003-2 Notes.

"*Monthly Custodian Fee*" shall mean, in respect of any Due Period (or portion thereof), the amount due to the Custodian under the Custodial Agreement for fees related to the Pledged Loans and related Pledged Assets.

"*Monthly Principal*" shall mean on any Payment Date, the sum of (i) the principal portion of Scheduled Payments collected during the related Due Period on the Pledged Loans; (ii) the principal portion of Servicer Advances, if any; (iii) the principal amount of any prepayments collected on any Pledged Loan during the related Due Period, and the amounts deposited into the Collection Account during the related Due Period in respect of the release of Trendwest Loans which have become Timeshare Upgrades and are treated as prepayments; (iv) proceeds from the purchase by the Sellers of any Pledged Loans that have become Defaulted Loans during the related Due Period; and (v) the principal proceeds of any repurchase of a Defective Loan by a Seller or any deposit in respect of a Defective Loan by the Issuer.

"*Monthly Servicer Fee*" shall mean, in respect of any Due Period (or portion thereof), an amount equal to one-twelfth of the product of (a) 1.25% and (b) the Aggregate Loan Balance of the Pledged Loans at the beginning of such Due Period or if a Successor Servicer has been appointed and accepted the appointment; or, if the Trustee is acting as Servicer, an amount equal to one-twelfth of the product of (x) the lesser of (i) if FAC is replaced (A) prior to the third anniversary of the Closing Date, 1.75%, or (B) on or after the third anniversary of the Closing Date, 2.00% and (ii) the Market Servicing Rate (or such higher rate as may be consented to by Noteholders representing not less than $66^{2}/_{3}$% of the Aggregate Principal Amount) and (y) the Aggregate Loan Balance of the Pledged Loans and all Defaulted Loans that have not been released from the lien of this Indenture at the beginning of such Due Period.

"*Monthly Servicing Report*" shall mean each monthly report prepared by the Servicer as provided in Section 8.1.

"*Monthly Trustee Fee*" shall mean, in respect of any Due Period, an amount equal to one-twelfth of 0.01% of the Aggregate Loan Balance as of the first day of such Due Period as an administration fee plus an amount equal to one-twelfth of 0.02% of the Aggregate Loan Balance as of the first day of such Due Period as a backup servicer fee.

"*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.

"*Net Liquidation Proceeds*" shall mean, with respect to any Defaulted Loan which is a Pledged Loan and which has not been released from the Lien of this Indenture, the proceeds of the sale, liquidation or other disposition of the Defaulted Loan, the Pledged Assets or other Collateral securing such Defaulted Loan.

"*Net Swap Payment*" shall mean, for any Payment Date, the amount, if any, by which the Fixed Amount for such date exceeds the Floating Amount for such date.

"*Net Swap Receipt*" shall mean, for any Payment Date, the amount, if any, by which the Floating Amount for such date exceeds the Fixed Amount for such date.

"*Nominee*" shall have the meaning set forth in the Purchase Agreements.

"*Non-U.S. Certificate*" shall have the meaning set forth in subsection 2.12(b).

"*Noteholder*" or "*Holder*" shall mean the Person in whose name a Note is registered in the Note Register.

"*Note Interest Rate*" shall mean with respect to each Class of Notes, the respective rate per annum set forth below:

Class of Notes	Note Interest Rate
Class A-1 Notes	3.03%
Class A-2 Notes	LIBOR as determined from time to time plus 0.45%
Class B Notes	3.33%
Class C Notes	3.87%
Class D Notes	4.85%

"*Note Owner*" shall mean, with respect to a Note, the Person who is the owner of a beneficial interest in such Note, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"*Note Purchase Agreements*" shall mean the Senior Note Purchase Agreement and the Class D Note Purchase Agreement.

"*Note Register*" shall have the meaning specified in Section 2.6.

"*Note Registrar*" shall have the meaning specified in Section 2.6.

"*Notes*" shall mean the Sierra 2003-2 Receivables Funding Company, LLC Vacation Timeshare Loan-Backed Notes, Series 2003-2.

"*Obligor*" shall mean, with respect to any Pledged Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"*Offering Circular*" shall mean the final Offering Circular dated December 2, 2003 relating to the Notes.

"*Officer's Certificate*" shall mean, unless otherwise specified in this Indenture, a certificate delivered to the Trustee signed by any Vice President or more senior officer of the Issuer or the Servicer, as the case may be, or, in the case of a Successor 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 Servicer, and delivered to the Trustee.

"*Operating Agreement*" shall mean the Ninth Amended and Restated Operating Agreement dated as of March 31, 2003 by and between FRI, FMB, FAC, Kona and the VB Subsidiaries as described therein, as the same may be further amended, supplemented or otherwise modified from time to time hereafter in accordance with its terms.

"*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*" shall have the meaning, with respect to any Pledged Loan, assigned to such term in the 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.

"*Overcollateralization Amount*," shall mean on any Payment Date, the excess, if any, of (i) the Aggregate Loan Balance as of the last day of the related Due Period over (ii) the Aggregate

Principal Amount on such Payment Date, after taking into account any distributions of principal to the Noteholders on such Payment Date.

"*Overcollateralization Deficiency Amount*" shall mean, for any Payment Date, the excess, if any, of (i) the Required Overcollateralization Amount on such Payment Date over (ii) the Pro Forma Overcollateralization Amount on such Payment Date.

"*Overcollateralization Release Amount*," shall mean (i) on any Payment Date on or after the Stepdown Date when neither a Cash Accumulation Event nor a Sequential Order Event has occurred and is then continuing, an amount equal to the excess, if any, of (a) the Pro Forma Overcollateralization Amount on such Payment Date over (b) the Required Overcollateralization Amount on such Payment Date; *provided* that such amount will not exceed the Monthly Principal for such Payment Date and (ii) on any other Payment Date, zero.

"*PAC*" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Pledged Loan via pre-authorized debit.

"*Paying Agent*" shall mean the Trustee or any successor thereto, in its capacity as paying agent.

"*Payment Date*" shall mean the 15th day of each calendar month, or, if such 15th day is not a Business Day, the next succeeding Business Day, commencing in December 2003.

"*Performance Guarantor*" shall mean Cendant Corporation, a Delaware corporation.

"*Performance Guaranty*" shall mean the Guaranty dated as of December 5, 2003 pursuant to which the Performance Guarantor guarantees the performance of FAC as Servicer under this Indenture and guarantees the Issuer's obligations under Section 5.4.

"*Permanent Regulation S Global Note*" shall have the meaning assigned thereto in subsection 2.12(a).

"*Permitted Encumbrance*" with respect to any Pledged Loan has the meaning assigned to that term under the Purchase Agreement pursuant to which such Loan has been sold to the Depositor.

"*Permitted Investments*" shall mean (i) U.S. Government Obligations 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 "A-1" by S&P and "P-l" by Moody's and "F1" by Fitch if rated by Fitch; (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 "P-1" by Moody's and "A-1" by S&P and "F1" by Fitch if rated by Fitch; (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 "P-1" by Moody's and "A-1+" by S&P and "F1" by Fitch if rated by Fitch; and (v) money market funds rated "Aaa" by Moody's and rated "AAAm" or "AAAm-G" by S&P and which invest solely in any of the foregoing (without regard to maturity), 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; *provided*, *however*, that no obligation of any Seller or the Performance Guarantor shall constitute a Permitted Investment and *provided further*, that no interest only obligation and no investment purchased by the Issuer or the Trustee at a premium shall constitute Permitted Investments.

"*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.

"*Pledged Assets*" with respect to each Pledged Loan, shall mean all right, title and interest of the Depositor in, to and under such Pledged Loan from time to time and the related Transferred Assets and all of the Depositor's rights under the related Purchase Agreement, and in and to the Collections and the proceeds of any of the foregoing.

"*Pledged Loans*" shall mean the Loans listed on the Loan Schedule.

"*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.

"*Post Office Box*" shall mean each post office box to which Obligors are directed to mail payments in respect of the Pledged Loans.

"*Predecessor Note*" shall mean, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.7 in lieu of a mutilated, lost, destroyed or stolen Note shall evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"*Principal Amount*" shall mean, the Initial Principal Amount of a Class, less principal payments previously paid to such Class as of such date.

"*Principal Distribution Amount*" shall mean, for any Payment Date, an amount equal to the sum, without duplication, of the Monthly Principal for such Payment Date plus the outstanding principal balance of all Pledged Loans that became Defaulted Loans during the related Due Period that were not repurchased by a Seller, as reduced by the Overcollateralization Release Amount, if any, for such Payment Date.

"*Priority of Payments*" shall mean the application of Available Funds in accordance with Section 3.1.

"*Pro Forma Overcollateralization Amount*" shall mean, on any Payment Date, the excess, if any, of (i) the Aggregate Loan Balance as of the last day of the related Due Period over (ii) (x) the Aggregate Principal Amount on such Payment Date, before taking into account any distributions of principal to the Noteholders on such Payment Date, minus (y) an amount equal to the sum of (i) the Monthly Principal for such Payment Date and, without duplication, (ii) the outstanding principal balance of all Pledged Loans that became Defaulted Loans during the related Due Period that were not repurchased by a Seller.

"*Proceeding*" shall have the meaning specified in Section 11.3.

"*Purchase Agreement*" shall mean a Master Loan Purchase Agreement between a Seller and the Depositor pursuant to which the Seller sells Loans to the Depositor.

"*QIB*" shall have the meaning set forth in subsection 2.6(c).

"*Qualified Substitute Loan*" shall mean a substitute Loan that is an Eligible Loan on the applicable date of substitution and that on such date of substitution (i) has a coupon rate not less than the coupon rate of the Pledged Loan for which it is to be substituted, (ii) has a remaining term to stated maturity not greater than the remaining term to maturity of the Pledged Loan for

which it is to be substituted and (iii) is provided by the same Seller as that Pledged Loan for which the Qualified Substitute Loan is to be substituted.

"*Rating Agency*" shall mean each of Fitch, S&P or Moody's as appropriate and their respective successors in interest.

"*Rating Agency Condition*" shall mean, with respect to any action taken or to be taken, 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 its then existing rating of any outstanding Class or, if so specified, of one or more particular Classes.

"*Record Date*" shall mean, for any Payment Date, (i) for Notes in book-entry form, the close of business on the day immediately preceding such Payment Date and (ii) for Definitive Notes, the close of business on the last day of the month preceding the month in which such Payment Date occurs.

"*Records*" shall, with respect to any Pledged Loan, have the meaning assigned thereto in the applicable Purchase Agreement.

"*Reference Banks*" shall mean leading banks selected by the Servicer and engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London and (ii) which have been designated as such by the Servicer.

"*Regulation S Certificate*" shall have the meaning assigned thereto in subsection 2.9(d).

"*Regulation S Global Note*" shall mean either the Temporary Regulation S Global Note or the Permanent Regulation S Global Note.

"*Release Date*" shall mean, with respect to any Pledged Loan, the date on which such Pledged Loan is released from the Lien of this Indenture.

"*Release Price*" shall mean an amount equal to the outstanding Loan Balance of the Pledged Loan as of the close of business on the Calculation Date immediately preceding the date on which the release is to be made, plus accrued and unpaid interest thereon to the date of such release; *provided* that for purposes of calculating the Release Price with respect to any Trendwest Timeshare Upgrade the Release Price will be calculated without regard to the upgrade.

"*Released Pledged Loan*" shall mean any Loan which was included as a Pledged Loan, but which has been released from the Lien of this Indenture pursuant to the terms hereof.

"*Required Overcollateralization Amount*," shall mean, as of any Payment Date, an amount equal to (i) prior to the Stepdown Date, 14.50% of the Aggregate Loan Balance as of the Cut-Off Date, and (ii) on and after the Stepdown Date, (A) if no Cash Accumulation Event has occurred and is continuing, the greater of (x) 0.50% of the Aggregate Loan Balance as of the Cut-Off Date and (y) 29.00% of the Aggregate Loan Balance as of the last day of the related Due Period and (B) if a Cash Accumulation Event has occurred and is continuing, the Required Overcollateralization Amount as determined on the immediately preceding Payment Date; *provided* that if a Sequential Order Event has occurred and is then continuing, the Required Overcollateralization Amount will be equal to the Aggregate Loan Balance as of the last day of the related Due Period.

"*Reserve Account*" shall mean the account established pursuant to Section 3.5 of this Indenture.

"*Reserve Account Amount*" shall mean, as of any date, the amount then on deposit in the Reserve Account.

"*Reserve Required Amount*" shall mean (a) as of the Closing Date, 1% of the Aggregate Loan Balance as of the Cut-Off Date, and (b) at any time after the Closing Date, (i) if no Cash Accumulation Event has occurred and is continuing 2% of the Aggregate Loan Balance at such time; and (ii) if a Cash Accumulation Event has occurred and is continuing, the product of (A) the Aggregate Loan Balance as of the last day of the immediately preceding Due Period and (B) the greater of (x) 10% or (y) 2 times the Delinquency Ratio for such Due Period; *provided* that in no event will the Reserve Required Amount be less than 0.50% of the Aggregate Loan Balance as of the Cut-Off Date; *provided further*, that in no event will the Reserve Required Amount be greater than the Aggregate Principal Amount.

"*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 Indenture.

"*Rule 144A*" shall have the meaning set forth in subsection 2.6(c).

"*Rule 144A Global Note*" shall have the meaning assigned thereto in Section 2.11.

"*S&P*" shall mean Standard & Poor's Ratings Group, a Division of the McGraw-Hill Companies, Inc. or any successor thereto.

"*Sale*" shall have the meaning specified in Section 11.13(a).

"*Sale and Assignment Agreement*" shall mean the Sale and Assignment Agreement dated as of December 5, 2003 entered into by Sierra 2002 and the Depositor and pursuant to which Sierra 2002 sells and assigns to the Depositor all of Sierra 2002's right, title and interest in the Pledged Loans and the Pledged Assets related thereto.

"*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 mean FAC or Trendwest or, in either case, any successor thereto.

"*Senior Note Purchase Agreement*" shall mean the Amended and Restated Senior Note Purchase Agreement dated December 2, 2003 among the Issuer, the Sellers and the Senior Notes Initial Purchasers named therein.

"*Senior Notes*" shall mean the Class A Notes, the Class B Notes and the Class C Notes.

"*Senior Notes Initial Purchasers*" shall mean the initial purchasers of the Senior Notes as set forth in the Senior Note Purchase Agreement.

"*Senior Priority Swap Termination Amount*" shall mean the amount, if any, owing to the Swap Counterparty in respect of Termination Payments relating to a termination of the Interest Rate Swap arising from (a) the Swap Counterparty not receiving any Net Swap Payment, (b) bankruptcy, insolvency or similar event of the Issuer or (c) the liquidation of all of the Pledged Loans (excluding Defaulted Loans) pursuant to this Indenture.

"*Sequential Order*" shall have the meaning set forth in Section 3.1(b).

"*Sequential Order Events*" shall mean: (i) an Insolvency Event has occurred with respect to the Issuer; (ii) if on any two consecutive Payment Dates, either (A) the sum of Available Funds plus, without duplication, amounts on deposit in the Reserve Account are not sufficient to pay all

Accrued Interest due on the Notes, or (B) after application of all Available Funds in accordance with the Priority of Payments, the Overcollateralization Amount would be less than the Required Overcollateralization Amount; or (iii) if on any Payment Date, after application of all Available Funds in accordance with the Priority of Payments on such Payment Date, the sum of the Aggregate Loan Balance plus the amount on deposit in the Reserve Account would be less than the Aggregate Principal Amount. The Sequential Order Events described in (ii) and (iii) above will continue to be in effect until such time, if ever, that the Noteholders representing not less than $66^{2}/_{3}$% of the Principal Amount of each Class of Notes have consented to the termination of the Sequential Order Event.

"*Series 2003-2 Term Purchase Agreement*" shall mean the Series 2003-2 Term Purchase Agreement dated as of December 5, 2003 between the Depositor as seller of the Pledged Loans and the Issuer.

"*Servicer*" shall mean FAC, in its capacity as Servicer pursuant to this Indenture and, after any Service Transfer, the Successor Servicer.

"*Servicer Advance*" shall mean amounts, if any, advanced by the Servicer, at its option, to cover any shortfall between (i) the Scheduled Payments on the 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.

"*Servicer Default*" shall mean the defaults specified in Section 12.1.

"*Service Transfer*" shall have the meaning set forth in Section 12.1.

"*Servicing Officer*" shall mean any officer of the 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 Servicer, as such list may be amended from time to time.

"*Sierra 2002*" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company.

"*Sierra 2002 Trustee*" shall mean the trustee under the terms of the Master Indenture and Servicing Agreement dated as of August 29, 2002 and the Series 2002-1 supplement thereto, each of which is among the trustee named therein, FAC and Sierra 2002.

"*Sierra 2002-1 Loans*" shall mean Loans sold by a Seller to the Depositor under the terms of the Purchase Agreements and designated as Series 2002-1 Loans, a portion of which have been sold by Sierra 2002 to the Depositor and transferred by the Depositor to the Issuer and included in the Pledged Loans.

"*Sierra 2003-1*" shall mean Sierra 2003-1 Receivables Funding Company, LLC, a Delaware limited liability company.

"*Sierra 2003-1 Trustee*" shall mean the trustee under the terms of the Indenture and Servicing Agreement dated as of March 31, 2003 which is among the trustee named therein, FAC and Sierra 2003-1.

"*Sierra 2003-2 Performance Guaranty*" shall mean the Guaranty dated as of December 5, 2003 pursuant to which the Performance Guarantor guarantees the performance of FAC as Servicer under this Indenture and guarantees the Issuer's obligations under Section 5.4.

"*Stepdown Date*" shall mean the later to occur of the Payment Date in November 2005 or the Payment Date on which the Aggregate Loan Balance as of the last day of the related Due Period is less than 50% of the Aggregate Loan Balance as of the Cut-Off Date.

"*Subservicer*" shall mean each of Trendwest and FAC (if FAC is no longer the Servicer), solely to the extent such entity enters into a Subservicing Agreement with the Servicer and agrees to perform specified servicing functions with respect to all or a portion of the Pledged Loans.

"*Subservicing Agreement*" shall mean the agreement between the Servicer and Trendwest relating to the servicing of or the performance of specified servicing functions with respect to the Pledged Loans originated by Trendwest and, if FAC is no longer the Servicer, the agreement between the Servicer and FAC relating to the servicing of the Pledged Loans originated by FAC.

"*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.

"*Substitution Adjustment Amount*" shall mean, with respect to any Qualified Substitute Loan or Qualified Substitute Loans to be substituted for a Defective Loan or a Defaulted Loan, the 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 or Defaulted Loans each determined as of the Calculation Date immediately prior to the date of substitution.

"*Successor Servicer*" shall have the meaning set forth in Section 12.2.

"*Swap Counterparty*" shall mean Bank of America, N.A. and any entity which is a replacement swap counterparty as provided in Section 3.6.

"*Tax Sharing Agreement*" shall mean the Tax Sharing Agreement dated as of December 5, 2003 by and between Cendant, FAC and the Issuer.

"*Telerate Page 3750*" shall mean the display page currently so designated on the Moneyline Telerate Service (or such other page as may replace such page on such service for the purpose of displaying comparable rates or prices).

"*Temporary Regulation S Global Note*" shall have the meaning assigned thereto in Section 2.11.

"*Termination Date*" shall have the meaning specified in Section 14.1.

"*Termination Notice*" shall have the meaning specified in Section 12.1.

"*Termination Payments*" shall mean payments required to be made by the Issuer to the Swap Counterparty under the terms of the Interest Rate Swap as a result of a termination of the Interest Rate Swap.

"*Termination Receipts*" shall mean payments required to be made by the Swap Counterparty to the Issuer under the terms of the Interest Rate Swap as a result of a termination of the Interest Rate Swap.

"*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, the Points with respect thereto under the FairShare Plus Program, 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 have the meaning assigned thereto in the applicable Purchase Agreement.

"*Title Clearing Agreement*" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"*Transaction Documents*" shall mean, collectively, this Indenture, the Series 2003-2 Term Purchase Agreement, the Sale and Assignment Agreement, the Purchase Agreements, the assignment agreements executed by the Sellers and related to the periodic sale of Pledged Loans, the Custodial Agreements, the Lockbox Agreements, the Title Clearing Agreements, 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 "*Transaction Document*" shall mean any of them.

"*Transferred Assets*" shall, with respect to each Pledged Loan, have the meaning set forth in the Purchase Agreement under which such Loan was transferred to the Depositor.

"*Trendwest*" shall mean Trendwest Resorts, Inc., an Oregon corporation, a wholly-owned indirect subsidiary of Cendant, and its successors and assigns.

"*Trendwest Loan*" shall mean a Pledged Loan which was sold to the Depositor under the Trendwest Master Loan Purchase Agreement.

"*Trendwest Master Loan Purchase Agreement*" shall mean that Master Loan Purchase Agreement dated as of August 29, 2002, as amended by the First Amendment to Master Loan Purchase Agreement dated as of July 17, 2003 between Trendwest and the Depositor and the Series 2002-1 Supplement thereto also dated as of August 29, 2002, as amended by the First Amendment thereto dated as of July 17, 2003.

"*Trendwest Originator*" shall mean Trendwest.

"*Trendwest Timeshare Upgrade*" shall mean a Pledged Loan which was sold to the Depositor by Trendwest and with respect to which the Obligor purchases a Timeshare Upgrade.

"*Trustee*" shall mean Wachovia Bank, National Association or its successor in interest, or any successor trustee appointed as provided in this Indenture.

"*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 mean an undivided 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.

"*U.S. Government Obligations*" shall mean (i) obligations of, or obligations guaranteed as to principal and interest by, the U.S. Government or any agency or instrumentality thereof, when these obligations are backed by the full faith and credit of the United States (ii) and certain obligations of government-sponsored agencies that are not backed by the full faith credit of the United States which are limited to: Federal Home Loan Mortgage Corp. debt obligations; Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes; Federal Home Loan Banks consolidated debt obligations; Federal National Mortgage Association debt obligations; Student Loan Marketing Association debt obligations which mature before September 30, 2008; Financing Corp. debt obligations; and Resolution Funding Corp. debt obligations.

"*Vacation Credits*" shall mean ownership interests in WorldMark that entitle the owner thereof to use the Resorts owned by WorldMark.

"*VB Subsidiaries*" shall mean Sea Gardens Beach and Tennis Resorts, Inc., Vacation Break Resorts, Inc. and Vacation Break Resorts at Star Island, Inc.

"*WorldMark*" shall mean WorldMark, The Club, a California not-for-profit mutual benefit corporation.

Section 1.2 *Other Definitional Provisions.*

(a) Terms used in this Indenture and not otherwise defined herein such terms shall have the meanings ascribed to them in the Series 2003-2 Term Purchase Agreement.

(b) All terms defined in this Indenture shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Indenture and in any certificate or other document made or delivered pursuant hereto, 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 GAAP as in effect from time to time. To the extent that the definitions of accounting terms herein or in any certificate or other document made or delivered pursuant hereto are inconsistent with the meanings of such terms under GAAP, 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 Class of Notes.

(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 Indenture shall refer to this Indenture as a whole and not to any particular provision of this Indenture; and Article, Section, subsection, Schedule and Exhibit references contained in this Indenture are references to Articles, Sections, subsections, Schedules and Exhibits in or to this Indenture unless otherwise specified.

Section 1.3 *Intent and Interpretation of Documents*

The arrangement established by this Indenture, the Series 2003-2 Term Purchase Agreement, the Sale and Assignment Agreement, the Purchase Agreements, the Custodial Agreements, the Collateral Agency Agreement and the other Transaction 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 Indenture and the other Transaction Documents shall be interpreted to further these intentions.

ARTICLE II

THE NOTES

Section 2.1 *Designation.*

(a) There is hereby created a series of Notes of the Issuer to be issued pursuant to this Indenture and which are hereby designated as "*Sierra 2003-2 Receivables Funding Company, LLC Vacation Timeshare Loan-Backed Notes, Series 2003-2*," the "*Series 2003-2 Notes*" or the "*Notes*."

(b) The terms of the Notes shall be as set forth in this Indenture.

Section 2.2 *Form Generally*. The 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 A with respect to the Class A Notes, Exhibit B with respect to the Class B Notes, Exhibit C with respect to the Class C Notes and Exhibit D with respect to the Class D Notes, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistent herewith, be determined by the Authorized Officers of the Issuer 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.

Section 2.3 [*Reserved*].

Section 2.4 *Determination of LIBOR*.

On each LIBOR Determination Date, the Trustee shall determine LIBOR on the basis of the rate for deposits in United States dollars for a one-month period which appears on Telerate Page 3750 as of 11:00 a.m., London time, on such date. If such rate does not appear on Telerate Page 3750, the rate for that LIBOR Determination Date will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a one-month period. If on such LIBOR Determination Date two or more Reference Banks provide such offered quotations, LIBOR for such related Interest Accrual Period will be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of 0.0001%). If on such LIBOR Determination Date fewer than two Reference Banks provide such offered quotations, LIBOR for the related Interest Accrual Period will be the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of 0.0001%) of the one-month U.S. dollar lending rates that three New York City banks selected by the Trustee are quoting at approximately 11:00 a.m. (New York City time) on the relevant LIBOR Determination Date to leading European banks.

The establishment of LIBOR on each LIBOR Determination Date by the Trustee and the Trustee's calculation of the rate of interest applicable to the Floating Rate Notes for the related Interest Accrual Period will (in the absence of manifest error) be final and binding. The Trustee shall, upon the establishment of LIBOR on each LIBOR Determination Date, notify the Issuer and the Servicer of the rate.

Section 2.5 *Execution, Authentication and Delivery*. The Notes shall be executed on behalf of the Issuer by any of its Authorized Officers. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at the time of execution of such Notes Authorized Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

The Trustee shall, upon written order of the Issuer, authenticate and deliver Notes for original issue in an aggregate principal amount of $375,000,000, including $179,400,000 principal amount of Class A-1 Notes, $75,000,000 of the Class A-2 Notes, $30,700,000 principal amount of Class B Notes, $39,450,000 principal amount of Class C Notes and $50,450,000 principal amount of Class D Notes.

The Trustee shall be entitled to rely upon such written order as authority to so authenticate and deliver the Notes without further inquiry of any Person.

Each Note shall be dated the date of its authentication. The Notes shall be issuable as registered Notes in the minimum denomination of $500,000 and in integral multiples of $1,000 in excess thereof.

No Note shall be entitled to any benefit under this Indenture 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 executed by the Trustee by the manual signature of one of its authorized signatories, 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 2.6 *Registration; Registration of Transfer and Exchange; Transfer Restrictions*. (a) The Issuer shall cause to be kept a register (the "*Note Register*") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Trustee shall be the initial "*Note Registrar*" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of Note Registrar.

If a Person other than the Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Trustee and the Swap Counterparty prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Registrar, and the Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar as to the names and addresses of the Holders of the Notes and the principal amounts and number of such Notes.

Upon surrender for registration of transfer of any Note at the office of the Note Registrar as provided in this Section 2.6, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, and upon receipt of such surrendered Note the Trustee shall authenticate and the Noteholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of the same Class and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, and upon receipt of such surrendered Note the Trustee shall authenticate and the Noteholder shall obtain from the Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

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 Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, and such other documents as the Trustee may require.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge or expense that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to subsection 15.1(e) not involving any transfer.

The preceding provisions of this section notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes (i) for a period of 20 days preceding the due date for any payment with respect to the Notes or (ii) after the Trustee sends a notice of redemption with respect to such Note in accordance with Section 2.18.

(b) The Notes have not been registered under the Securities Act or any state securities law. None of the Issuer, the Note Registrar or the Trustee is obligated to register the Notes under the Securities Act or any other securities or "Blue Sky" laws or to take any other action not otherwise required under this Indenture to permit the transfer of any Note without registration.

(c) No transfer of any Note 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 2.6 (including the applicable legend to be set forth on the face of each Note as provided in Exhibits A through D to this Indenture) and in Section 2.12 and Section 2.13 in a transaction exempt from the registration requirements of the Securities Act and applicable state securities or "Blue Sky" laws (i) to a person (A) that the transferor reasonably believes is a "qualified institutional buyer" (a "QIB") within the meaning thereof in Rule 144A under the Securities Act ("*Rule 144A*") in the form of beneficial interests in the Rule 144A Global Note, and (B) that is aware that the resale or other transfer is being made in reliance on Rule 144A or (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in the form of beneficial interests in the applicable Regulation S Global Note.

(d) Each Note Owner, by its acceptance of its beneficial interest in a Note, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(i) It understands and acknowledges that the Class A Notes, the Class B Notes and the Class C Notes will be offered and may be resold by each Senior Notes Initial Purchaser and the Class D Notes will be offered and may be resold by each Class D Notes Initial Purchaser (A) in the United States to QIBs pursuant to Rule 144A in the form of beneficial interests in the Rule 144A Global Note, or (B) outside the United States pursuant to Regulation S under the Securities Act, initially in the form of beneficial interests in the Temporary Regulation S Global Note. As set forth in Section 2.13, beneficial interests in the Temporary Regulation S Global Note may be exchanged for beneficial interests in the Permanent Regulation S Global Note.

(ii) It understands that the Notes have not been and will not be registered under the Securities Act or any state or other applicable securities law and that the 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 state or other applicable securities law.

(iii) It acknowledges that none of the Issuer or the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Issuer or the offering or sale of any Notes, other than the information contained in the Offering Circular, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary in connection with its decision to purchase the Notes.

(iv) It acknowledges that the Notes will bear a legend to the following effect unless the Issuer determines otherwise, consistent with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE, OR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE

REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO THE ISSUER, (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH NOTE OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, UNLESS SUCH PERSON ACQUIRED THIS NOTE IN A TRANSFER DESCRIBED IN CLAUSE (3) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

PRIOR TO PURCHASING ANY NOTES, PURCHASERS SHOULD CONSULT COUNSEL WITH RESPECT TO THE AVAILABILITY AND CONDITIONS OF EXEMPTION FROM THE RESTRICTION ON RESALE OR TRANSFER. THE ISSUER HAS NOT AGREED TO REGISTER THE NOTES UNDER THE SECURITIES ACT, TO QUALIFY THE NOTES UNDER THE SECURITIES LAWS OF ANY STATE OR TO PROVIDE REGISTRATION RIGHTS TO ANY PURCHASER.

AS SET FORTH HEREIN, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF."

(v) If it is acquiring any Note, or any interest or participation therein, as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgments, representations and agreements contained herein on behalf of each such account.

(vi) It (A)(i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A and if it is acquiring such Notes or any interest or participation therein for the account of another QIB, such other QIB is aware that the sale is being made in reliance on Rule 144A and (iii) is acquiring

such Notes or any interest or participation therein for its own account or for the account of a QIB, or (B) is not a U.S. person and is purchasing such Notes or any interest or participation therein in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S.

(vii) It is purchasing the 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 Notes, or any interest or participation therein as described in the Offering Circular and pursuant to the provisions of this Indenture.

(viii) It agrees that if in the future it should offer, sell or otherwise transfer such Note or any interest or participation therein, it will do so only (A) to the Issuer, (B) pursuant to Rule 144A to a person it reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, purchasing for its own account or for the account of a QIB, whom it has informed that such offer, sale or other transfer is being made in reliance on Rule 144A or (C) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act.

(ix) If it is acquiring such Note or any interest or participation therein in an "offshore transaction" (as defined in Regulation S under the Securities Act), it acknowledges that the Notes will initially be represented by the Temporary Regulation S Global Note and that transfers thereof or any interest or participation therein are restricted as set forth in this Indenture. If it is a QIB, it acknowledges that the Notes offered in reliance on Rule 144A will be represented by a Rule 144A Global Note and that transfers thereof or any interest or participation therein are restricted as set forth in this Indenture.

(x) It understands that the Temporary Regulation S Global Note will bear a legend to the following effect unless the Issuer determines otherwise, consistent with applicable law:

"THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW. NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE REFERRED TO BELOW."

(xi) 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-8BEN or W-8ECI, indicating such exemption or any successor or other forms and documentation as may be sufficient under the applicable regulations for claiming such exemption.

(xii) It acknowledges that the Depositor, the Issuer, the Initial Purchasers 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 and (A) in the case of the Class A Notes, the Class B Notes or the Class C Notes, the Senior Notes Initial Purchasers and (B) in the case of the Class D Notes, the Class D Notes Initial Purchasers.

(xiii) It acknowledges that transfers of the Notes or any interest or participation therein shall otherwise be subject in all respects to the restrictions applicable thereto contained in this Indenture.

(xiv) Either (A) it is not (i) an employee benefit plan that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code, or (iii) an entity the underlying assets of which are considered to include "plan assets" of, and it is not purchasing the Notes on behalf of, any such plan, account or arrangement; or (B) its purchase, holding and subsequent disposition of the Notes either (i) will not constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code or (ii) it is entitled to exemptive relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code in accordance with one or more available statutory class or individual prohibited transaction exemptions. It will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants as presented in this clause (xiv).

Any transfer, resale, pledge or other transfer of the Notes contrary to the restrictions set forth above and elsewhere in this Indenture shall be deemed void ab initio by the Trustee. As used in this Section 2.6, the terms "United States" and "U.S. persons" have the respective meanings given them in Regulation S under the Securities Act.

(e) It understands and acknowledges that the Issuer has structured this Indenture 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 interests therein) as indebtedness for purposes of federal, state, local and foreign income or franchise taxes or any other applicable tax.

(f) Notwithstanding anything to the contrary contained herein, each Note and this Indenture may be amended or supplemented to modify the restrictions on and procedures for resale and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally (*provided, however*, that no such amendment or supplement shall in any way impact the Interest Rate Swap). Each Noteholder shall, by its acceptance of such Note, have agreed to any such amendment or supplement.

Section 2.7 *Mutilated, Destroyed, Lost or Stolen Notes*. If (i) any mutilated Note is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) in the case of a destroyed, lost or stolen Note, there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer 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, and *provided* that the requirements of Section 8-405 of the UCC are met, the Issuer shall execute and upon

its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; *provided, however*, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within twenty (20) days shall become due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the redemption date without surrender thereof. 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, claim, liability, cost or expense incurred by the Issuer or the Trustee, its agents and/or counsel, in connection therewith.

Upon the issuance of any replacement Note under this Section 2.7, the Issuer 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 fees and expenses of the Trustee, its agents and/or counsel) connected therewith.

Except as set forth in the first paragraph of this Section 2.7, every replacement Note issued pursuant to this Section 2.7 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.7 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 2.8 *Persons Deemed Owner*. Prior to due presentment for registration of transfer of any Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name any Note is registered (as of the day of determination) as the owner of such Note for the purpose of receiving payments of principal of and interest, if any, on such Note and for all other

purposes whatsoever, whether or not such Note is overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.9 *Payment of Principal and Interest; Defaulted Interest*.

(a) The Notes of each Class shall accrue interest from and including the Closing Date at the Note Interest Rate for that Class. Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Floating Rate Notes will be calculated on the basis of a 360-day year and the actual number of days that elapsed during the related Interest Accrual Period. Interest shall be due and payable on December 15, 2003 and each Payment Date thereafter until all principal amounts on the Notes have been repaid. The amount of interest due and payable on the Notes with respect to each Payment Date shall be an amount equal to the Accrued Interest with respect to such Payment Date plus any Interest Carry-Forward Amount. Any installment of interest or principal, if any, or any other amount, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered on the Record Date, by check mailed first-class, postage prepaid to such Person's address as it appears on the Note Register on such Record Date, (i) except that with respect to Notes registered on the Record Date in the name of the nominee of the Clearing Agency (initially, such nominee to be Cede & Co.), payment will be made by wire transfer in immediately available funds to the account designated by such nominee, and (ii) except for (A) the final installment of principal payable with respect to such Note on a Payment Date and (B) the redemption price for any Note called for redemption pursuant to Section 2.18, in each case which shall be payable as provided below.

(b) To the extent of Available Funds, principal shall be due and payable on the Notes as provided in Section 3.1(a) or if a Sequential Order Event has occurred and is continuing as provided in Section 3.1(b), and the principal amount of the Notes to the extent not previously paid, shall be due and payable on the Final Maturity Date. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the date on which an Event of Default described in Section 11.1 shall have occurred and be continuing, if the Notes have been declared to be immediately due and payable as provided in Section 11.1. So long as no Sequential Order Event shall have occurred and be continuing, principal payments on the Notes shall be made pro rata to the Noteholders entitled thereto.

Notices in connection with redemptions of Notes shall be mailed or sent by facsimile to Noteholders and the Swap Counterparty as provided in Section 15.5.

(c) If the Issuer defaults in a payment of interest on the Notes when such interest becomes due and payable on any Payment Date, the Issuer shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) at the applicable Note Interest Rate in any lawful manner. The Issuer may pay such defaulted interest to the persons who are Noteholders on a subsequent special record date, which date shall be fixed or caused to be fixed by the Issuer and shall be at least three Business Days prior to the payment date. The Issuer shall fix or cause to be fixed any such payment date, and, prior to the third Business Day prior to any such special record date, the Issuer shall mail or transmit by facsimile to each Noteholder and the Swap Counterparty a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

(d) Holders of a beneficial interest in Notes sold in reliance on Regulation S as Temporary Regulation S Global Notes are prohibited from receiving payments or from exchanging beneficial interests in such Temporary Regulation S Global Notes for Permanent Regulation S Global Notes until the later of (i) the expiration of the Distribution Compliance Period (the "*Exchange Date*") and (ii) the furnishing of a certificate, substantially in the form of Exhibit F attached hereto, certifying that the beneficial owner of the Temporary Regulation S Global Note is a non-U.S. person (a "*Regulation S Certificate*") as provided in Section 2.12.

Section 2.10 *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, following its receipt thereof, be promptly canceled by the Trustee. 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 manner whatsoever, and all Notes so delivered shall, following its receipt thereof, be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.10, except as expressly permitted by this Indenture. All canceled Notes shall be returned to the Issuer.

Section 2.11 *Global Notes*. The Notes, upon original issuance, will be issued in global form (i) to QIBs in transactions exempt from the registration requirements of the Securities Act in reliance on Rule 144A, as a single note in fully registered form, without interest coupons (the "*Rule 144A Global Note*"), authenticated and delivered in substantially the forms attached hereto included in Exhibits A through D and/or (ii) as a single note in "offshore transactions" (within the meaning of Regulation S), in fully registered form, without interest coupons (the "*Temporary Regulation S Global Note*"), authenticated and delivered in substantially the forms attached hereto included in Exhibits A through D. Such Notes shall be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Issuer and shall initially be registered on the Note Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Note Owner will receive a Definitive Note representing such Note Owner's interest in such Note, except as provided in Section 2.15. Unless and until definitive, fully registered Notes (the "*Definitive Notes*") have been issued to Note Owners pursuant to Section 2.15:

(i) the provisions of this Section 2.11 shall be in full force and effect;

(ii) the Note Registrar and the Trustee shall be entitled to deal with the Clearing Agency for all purposes of this Indenture (including the payment of principal of and interest on the Notes and the giving of instructions or directions hereunder) as the sole holder of the Notes, and shall have no obligation to the Note Owners;

(iii) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Indenture, the provisions of this Section 2.11 shall control;

(iv) the rights of Note Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Note Owners and the Clearing Agency and/or the Clearing Agency Participants in accordance with the Depository Agreement. Unless and until Definitive Notes are issued pursuant to Section 2.15, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of principal of and interest on the Notes to such Clearing Agency Participants;

(v) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Notes evidencing a specified percentage of the Aggregate Principal Amount of the Notes, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Note Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the Aggregate Principal Amount of the Notes and has delivered such instructions to the Trustee; and

(vi) the Notes may not be transferred as a whole except by the Clearing Agency to a nominee of the Clearing Agency or by a nominee of the Clearing Agency to the Clearing Agency or another nominee of the Clearing Agency or by the Clearing Agency or any such nominee to a successor Clearing Agency or a nominee of such successor Clearing Agency.

Section 2.12 *Regulation S Global Notes*.

(a) Notes issued in reliance on Regulation S under the Securities Act will initially be in the form of a Temporary Regulation S Global Note. Any beneficial interest in a Note evidenced by the Temporary Regulation S Global Note is exchangeable for a beneficial interest in a Note in fully registered, global form, without interest coupons, authenticated and delivered in substantially the form with respect to each Class attached hereto in each of Exhibit A, B, C and D (the "*Permanent Regulation S Global Note*"), upon the later of (i) the Exchange Date and (ii) the furnishing of a Regulation S Certificate.

(b) (i) On or prior to the Exchange Date, each owner of a beneficial interest in a Temporary Regulation S Global Note shall deliver to Euroclear or Clearstream (as applicable) a Regulation S Certificate; *provided*, *however*, that any owner of a beneficial interest in a Temporary Regulation S Global Note on the Exchange Date or on any Payment Date that has previously delivered a Regulation S Certificate hereunder shall not be required to deliver any subsequent Regulation S Certificate (unless the certificate previously delivered is no longer true as of such subsequent date, in which case such owner shall promptly notify Euroclear or Clearstream, as applicable, thereof and shall deliver an updated Regulation S Certificate). Euroclear and/or Clearstream, as applicable, shall deliver to the Paying Agent or the Trustee a certificate substantially in the form of Exhibit F (a "*Non-U.S. Certificate*") attached hereto promptly upon the receipt of each such Regulation S Certificate, and no such owner (or transferee from such owner) shall be entitled to receive a beneficial interest in a Permanent Regulation S Global Note or any payment of or principal of interest on or any other payment with respect to its beneficial interest in a Temporary Regulation S Global Note prior to the Paying Agent or the Trustee receiving such Non-U.S. Certificate from Euroclear or Clearstream with respect to the portion of the Temporary Regulation S Global Note owned by such owner (and, with respect to a beneficial interest in the Permanent Regulation S Global Note, prior to the Exchange Date).

(c) Any payments of principal of, interest on or any other payment on a Temporary Regulation S Global Note received by Euroclear or Clearstream with respect to any portion of such Regulation S Global Note owned by a Note Owner that has not delivered the Regulation S Certificate required by this Section 2.12 shall be held by Euroclear and Clearstream solely as agents for the Paying Agent and the Trustee. Euroclear and Clearstream shall remit such payments to the applicable Note Owner (or to a Euroclear or Clearstream member on behalf of such Note Owner) only after Euroclear or Clearstream has received the requisite Regulation S Certificate. Until the Paying Agent or the Trustee has received a Non-U.S. Certificate from Euroclear or Clearstream, as applicable, that it has received the requisite Regulation S Certificate with respect to the ownership of a beneficial interest in any portion of a Temporary Regulation S Global Note, the Paying Agent or the Trustee may revoke the right of Euroclear or Clearstream, as applicable, to hold any payments made with respect to such portion of such Temporary Regulation S Global Note. If the Paying Agent or the Trustee exercises its right of revocation pursuant to the immediately preceding sentence, Euroclear or Clearstream, as applicable, shall return such payments to the Paying Agent or the Trustee and the Trustee shall hold such payments in the Collection Account until Euroclear or Clearstream, as applicable, has provided the necessary Non-U.S. Certificates to the Paying Agent or the Trustee (at which time the Paying Agent shall forward such payments to Euroclear or Clearstream, as applicable, to be remitted to the Note Owner that is entitled thereto on the records of Euroclear or Clearstream (or on the records of their respective members)).

Each Note Owner with respect to a Temporary Regulation S Global Note shall exchange its beneficial interest therein for a beneficial interest in a Permanent Regulation S Global Note on or after the Exchange Date upon furnishing to Euroclear or Clearstream (as applicable) the Regulation S Certificate and upon receipt

by the Paying Agent or the Trustee, as applicable, of the Non-U.S. Certificate thereof from Euroclear or Clearstream, as applicable, in each case pursuant to the terms of

this Section 2.12. On and after the Exchange Date, upon receipt by the Paying Agent or the Trustee of any Non-U.S. Certificate from Euroclear or Clearstream described in the immediately preceding sentence (i) with respect to the first such certification, the Issuer shall execute, upon receipt of an order to authenticate, and the Trustee shall authenticate and deliver to the Clearing Agency Custodian the applicable Permanent Regulation S Global Note and (ii) with respect to the first and all subsequent certifications, the Clearing Agency Custodian shall exchange on behalf of the applicable owners the portion of the applicable Temporary Regulation S Global Note covered by such certification for a comparable portion of the applicable Permanent Regulation S Global Note. Upon any exchange of a portion of a Temporary Regulation S Global Note for a comparable portion of a Permanent Regulation S Global Note, the Clearing Agency Custodian shall endorse on the schedules affixed to each such Regulation S Global Note (or on continuations of such schedules affixed to each such Regulation S Global Note and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the Temporary Regulation S Global Note, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the Permanent Regulation S Global Note, an increase in the principal amount thereof equal to the principal amount of the decrease in the Temporary Regulation S Global Note pursuant to clause (x) above.

Section 2.13 *Special Transfer Provisions.*

(a) If a holder of a beneficial interest in the Rule 144A Global Note wishes at any time to exchange its beneficial interest in the Rule 144A Global Note for a beneficial interest in the Regulation S Global Note, or to transfer a beneficial interest in the Rule 144A Global Note to a person who wishes to take delivery thereof in the form of a beneficial interest in the Regulation S Global Note, such holder may, subject to the rules and procedures of the Clearing Agency and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of the beneficial interest for an equivalent beneficial interest in the Regulation S Global Note. Upon receipt by the Trustee of (1) instructions given in accordance with the Clearing Agency's procedures from or on behalf of a Note Owner of the Rule 144A Global Note, directing the Trustee (via the Clearing Agency's Deposit/Withdrawal of Custodian System ("*DWAC*")), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Note in an amount equal to the beneficial interest in the Rule 144A Global Note to be exchanged or transferred, (2) a written order in accordance with the Clearing Agency's procedures containing information regarding the Euroclear or Clearstream account to be credited with such increase and the name of such account, and (3) a certificate given by such Note Owner stating that the exchange or transfer of such beneficial interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Clearing Agency (via DWAC), its nominee, or the custodian for the Clearing Agency, as the case may be, to reduce or reflect on its records a reduction of the Rule 144A Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Euroclear Bank S.A./N.V., as operator of Euroclear or Clearstream or another agent member of Euroclear, or Clearstream, or both, as the case may be, acting for and on behalf of them) a beneficial interest in such Regulation S Global Note equal to the reduction in the principal amount of the Rule 144A Global Note. Notwithstanding anything to the contrary, the Trustee may conclusively rely upon the completed schedule set forth in the certificate evidencing the Notes.

(b) If a holder of a beneficial interest in the Regulation S Global Note wishes at any time to exchange its beneficial interest in the Regulation S Global Note for a beneficial interest in the Rule 144A Global Note, or to transfer a beneficial interest in the Regulation S Global Note to a person who wishes to take delivery thereof in the form of beneficial interest in the Rule 144A Global Note, such holder may, subject to the rules and procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such beneficial interest for an equivalent beneficial interest in the Rule 144A Global Note. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, from or on behalf of a Note Owner of the Regulation S Global Note directing the Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Rule 144A Global Note in an amount equal to the beneficial interest in the Regulation S Global Note to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, containing information regarding the account with the Clearing Agency to be credited with such increase and the name of such account, and (3) prior to the expiration of the Distribution Compliance Period, a certificate given by such Note Owner stating that the person transferring such beneficial interest in such Regulation S Global Note reasonably believes that the person acquiring such beneficial interest in the Rule 144A Global Note is a QIB and is obtaining such beneficial interest for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction, the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Note by the aggregate principal amount of the beneficial interest in such Regulation S Global Note to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of the Rule 144A Global Note by the aggregate principal amount of the beneficial interest in the Regulation S Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Rule 144A Global Note equal to the reduction in the principal amount of the Regulation S Global Note. After the expiration of the Distribution Compliance Period, the certification requirement set forth in clause (3) of the second sentence of this subsection 2.13(b) will no longer apply to such exchanges and transfers. Notwithstanding anything to the contrary, the Trustee may conclusively rely upon the completed schedule set forth in the certificate evidencing the Notes.

(c) Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such a beneficial interest.

(d) Until the later of the Exchange Date and the provision of the certifications required by Section 2.9(d), beneficial interests in a Regulation S Global Note may only be held through Euroclear Bank S.A./N.V., as operator of Euroclear or Clearstream or another agent member of Euroclear and Clearstream acting for

and on behalf of them. During the Distribution Compliance Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only in accordance with the certification requirements described above.

Section 2.14 *Notices to Clearing Agency*. Whenever a notice or other communication to the Holders of the Notes is required under this Indenture, unless and until Definitive Notes shall have

been issued to Note Owners pursuant to Section 2.15, the Trustee shall give all such notices and communications specified herein to be given to Holders of the Notes to the Clearing Agency, and shall have no obligation to the Note Owners.

Section 2.15 *Definitive Notes*. If (i) the Issuer advises the Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Notes, and the Issuer is unable to locate a qualified successor, or (ii) the Issuer, at its option advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency, or (iii) after the occurrence of an Event of Default or a Servicer Default, Note Owners of beneficial interests aggregating a majority of the Aggregate Principal Amount of the Notes advise the Issuer and the Clearing Agency in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Note Owners, then the Clearing Agency shall notify all Note Owners and the Trustee of the occurrence of any such event and of the availability of Definitive Notes to Note Owners. Upon surrender to the Trustee of the typewritten Note or Notes representing the Global Notes by the Clearing Agency, accompanied by registration instructions, the Issuer shall execute and the Trustee shall authenticate the Definitive Notes in accordance with the instructions of the Clearing Agency. None of the Issuer, the Note Registrar or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes to Note Owners, the Trustee shall recognize the Holders of such Definitive Notes as Noteholders.

Section 2.16 *Payments on the Notes*.

(a) Subject to the availability of funds and to the Priority of Payments, the Notes will provide for (i) the payment of Accrued Interest on each Payment Date through the Final Maturity Date, (ii) absent the occurrence of a Sequential Order Event the payment of the Principal Distribution Amount on each Payment Date through the Final Maturity Date and (iii) if a Sequential Order Event has occurred the payment of principal in Sequential Order until the earlier of the date on which all Notes are paid in full or the Final Maturity Date. All outstanding principal of the Notes will be due and payable (unless paid on an earlier date) on the Final Maturity Date.

(b) Interest and principal payable in respect of the Notes of any Class on any Payment Date shall be paid to the Holders of the Notes of such Class as of the related Record Date.

(c) All reductions in the principal amount of a Note (or one or more predecessor Notes) effected by payments of installments of principal made on any Payment Date shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(d) Notwithstanding any other provision of this Indenture, principal of, interest on and all other amounts payable on or in respect of the Notes will constitute limited recourse obligations of the Issuer secured by, and payable solely from and to the extent of, the Collateral. The Holders of the Notes shall have recourse to the Issuer only to the extent of the Collateral, and following realization of the Collateral any claims of the Holders of the Notes shall be extinguished and shall not revive thereafter. Neither the Issuer, nor any of its respective agents, members, partners, beneficiaries, officers, directors, employees or any Affiliate of any of them or any of their respective successors or assigns or any other Person or entity shall be personally liable for any amounts payable, or performance due, under the Notes or this Indenture. It is understood that the foregoing provisions of this paragraph shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is secured by the Collateral, or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Indenture until such Collateral has been realized whereupon any outstanding indebtedness or obligation shall be extinguished. It is further understood that the foregoing provisions of this paragraph shall not limit the right of any Person to name the Issuer as party defendant in any action, suit or in the exercise of any

other remedy under the Notes or in this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against the Issuer.

(e) For so long as any of the Notes are listed on the Luxembourg Stock Exchange or any other stock exchange, to the extent required by the rules of such exchange, the Issuer or, upon Issuer Order, the Trustee, in the name and at the expense of the Issuer, shall notify such stock exchange in the event that the Notes do not receive scheduled payments of principal or interest on any Payment Date and the Servicer at the expense of the Issuer will arrange for publication of such information in a daily newspaper in Luxembourg or as otherwise required by such stock exchange.

Section 2.17 [*Reserved*].

Section 2.18 *Clean-Up Call*. The Notes are subject to redemption by the Issuer on any Payment Date on or after the date on which the Aggregate Loan Balance as of the end of the related Due Period is 10% or less of the Aggregate Loan Balance as of the Cut-Off Date. The redemption price will be equal to the Aggregate Principal Amount plus accrued and unpaid interest to the date of redemption; *provided* that any Termination Payments due to the Swap Counterparty under the Interest Rate Swap will be required to be paid concurrently with or prior to any such redemption.

At any time after the Issuer has delivered notice of an optional redemption, the Issuer will deposit or cause to be deposited funds into the Collection Account sufficient to pay all principal and interest due or to become due on the Notes in connection with such redemption and related costs and expenses incurred or to be incurred by the Trustee. Upon the payment of the Notes and all interest thereon and upon the payment of all amounts due to the Swap Counterparty, and at the written direction of the Issuer, the Trustee will release its lien on the Collateral. The Trustee will invest the funds in the Collection Account in specific investments pursuant to this Indenture and will apply such funds deposited into the Collection Account and earnings on such funds to the payment in full of all principal and interest due on the Notes.

Section 2.19 *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 Indenture 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 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 paper 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, the Swap Counterparty 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, the Swap Counterparty 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 Servicer.

(d) The Issuer agrees to pay to each Authentication Agent from time to time reasonable compensation for its services under this Section 2.19.

(e) The provisions of Sections 13.1 and 13.3 shall be applicable to any Authentication Agent.

(f) Pursuant to an appointment made under this Section 2.19, 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 2.20 *Appointment of Paying Agent.* The Paying Agent shall make payments to Noteholders from the Collection Account or other applicable Account pursuant to the provisions of this Indenture and shall report the amounts of such distributions to the Issuer. Any Paying Agent shall have the revocable power to withdraw funds from the Collection Account or other applicable 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 Indenture 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 Indenture to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

Section 2.21 *Confidentiality.* The Trustee and the Collateral Agent hereby agree not to disclose to any Person any name or address of any 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 Servicer appointed pursuant to Section 12.2, (v) in enforcing the rights of Noteholders and (vi) as requested by any Person in connection with the financing statements filed pursuant to the Transaction Documents. 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 2.21.

Nothing in the foregoing paragraph should, however, be construed to limit the ability of the Trustee and the Collateral Agent (and their respective Affiliates, employees, officers, directors, agents and advisors) to disclose to any and all Persons, without limitation of any kind, the tax structure and tax treatment (as such terms are used in sections 6011, 6111, and 6112 of the Code and the regulations

promulgated thereunder) of the Notes, and all materials of any kind (including opinions or other tax analyses) that have been provided to the Trustee or the Collateral Agent related to such tax structure and tax treatment. In this regard, the Trustee and the Collateral Agent acknowledge and agree that disclosure of the tax structure or tax treatment of the Notes is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, the Trustee and the Collateral Agent acknowledge and agree that they do not know or have reason to know that the use or disclosure of information relating to the tax structure or tax treatment of the Notes is limited in any other manner (such as where the Notes

are claimed to be proprietary or exclusive) for the benefit of any other Person. Neither the Trustee nor the Collateral Agent shall be permitted to disclose the tax structure and tax treatment of the Notes to the extent that such disclosure would constitute a violation of federal or state securities laws.

Section 2.22 *144A Information.* So long as the Issuer is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder of Notes, the Issuer shall promptly furnish or cause to be furnished to such Holder and to a prospective purchaser of such Note designated by such Holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Notes in accordance with the terms hereof (such information being contemplated to consist of a copy of the Offering Circular together with all Monthly Servicing Reports delivered to the Issuer since the Closing Date).

ARTICLE III

PAYMENTS, SECURITY AND ALLOCATIONS

Section 3.1 *Priority of Payments, Sequential Order*.

(a) The 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 and, pursuant to Section 3.5(b), amounts on deposit in the Reserve Account, if any, to make the following payments and in the following order of priority:

FIRST, to the Trustee the Monthly Trustee Fees and expenses of the Trustee and indemnity amounts which relate to the Notes to the extent not paid by the Servicer, plus accrued and unpaid Monthly Trustee Fees, expenses and indemnity amounts for prior Payment Dates; *provided*, *however*, that (i) any payments to the Trustee as reimbursement for expenses of the Trustee related to the transfer of servicing to a successor servicer and payable in priority FIRST will be limited to payments of $100,000 per calendar quarter and $340,000 in the aggregate, and (ii) payments to the Trustee as reimbursement for any other expenses of the Trustee will be limited to $10,000 per calendar year as long as no Event of Default relating to a default in the payment of interest or principal on the Notes has occurred, and the Notes have not been accelerated, or the Collateral sold, pursuant to this Indenture;

SECOND, to the Servicer, the Monthly Servicer Fee plus any unreimbursed Servicer Advances made in respect of any prior Payment Dates, plus any accrued and unpaid Monthly Servicer Fees;

THIRD, to the Swap Counterparty, the Net Swap Payment, if any;

FOURTH, to the extent not paid by the Servicer, to the Custodian the Monthly Custodian Fee, plus any accrued and unpaid Monthly Custodian Fees for prior Payment Dates, not to exceed an amount on such Payment Date equal to one-twelfth of 0.06% of the Aggregate Loan Balance on such Payment Date;

FIFTH, to the extent not paid by the Servicer, to the Collateral Agent, the Monthly Collateral Agent Fee, plus any accrued and unpaid Monthly Collateral Agent Fees for prior Payment Dates;

SIXTH, to the holders of the Class A-1 Notes, Accrued Interest on the Class A-1 Notes, and to the holders of the Class A-2 Notes, Accrued Interest on the Class A-2 Notes, pro rata in proportion to their respective Class Percentages;

SEVENTH, to the holders of the Class B Notes, Accrued Interest on the Class B Notes;

EIGHTH, to the holders of the Class C Notes, Accrued Interest on the Class C Notes;

NINTH, to the holders of the Class D Notes, Accrued Interest on the Class D Notes;

TENTH, so long as no Sequential Order Event has occurred and is continuing, (i) first, to the holders of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Principal Distribution Amount, allocated among the Classes pro rata based on their respective Class Percentages, and (ii) second, to the Swap Counterparty, the unpaid Senior Priority Swap Termination Amount, if any; if a Sequential Order Event has occurred and is continuing, all remaining Available Funds shall instead be paid in Sequential Order as set forth in subsection 3.1(b);

ELEVENTH, so long as no Sequential Order Event has occurred and is continuing, to the holders of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the Extra Principal Distribution Amount pro rata in proportion to their respective Class Percentages;

TWELFTH, to Holders of (a) the Class A-1 Notes and the Class A-2 Notes, pro rata in proportion to their respective Class Percentages, (b) the Class B Notes, (c) the Class C Notes and (d) the Class D Notes, in that order, reimbursement of any Interest Carry-Forward Amounts owing to such Class;

THIRTEENTH, if the amount on deposit in the Reserve Account is less than the Reserve Required Amount, to the Reserve Account the remaining amount of Available Funds to the extent needed to increase the amount on deposit in the Reserve Account to the Reserve Required Amount;

FOURTEENTH, to the Trustee, any other amounts due to the Trustee in respect of fees, expenses or indemnity to the extent not paid by the Servicer or pursuant to priority FIRST;

FIFTEENTH, to the Swap Counterparty, any Termination Payments relating to a termination of the Interest Rate Swap not paid pursuant to clause TENTH of this subsection 3.1(a); and

SIXTEENTH, to the Issuer, any remaining Available Funds free and clear of the Lien of this Indenture.

(b) *Sequential Order.* If a Sequential Order Event occurs and is continuing, principal payments shall not be made to the Class A Notes, Class B Notes, Class C Notes and Class D Notes on a pro rata basis but thereafter and so long as the Sequential Order Event has not been cured, on each Payment Date all Available Funds remaining after application of clause "NINTH" in subsection (a) above shall be applied in the following order of priority ("Sequential Order"):

(i) to the holders of the Class A-1 Notes the lesser of (a) the amount allocated to the Class A-1 Notes when all Available Funds are allocated pro rata between the Class A-1 Notes and the Class A-2 Notes in proportion to their respective Principal Amounts and (b) the Principal Amount of the Class A-1 Notes;

(ii) to the holders of the Class A-2 Notes and the Swap Counterparty, pro rata in proportion to the Principal Amount of the Class A-2 Notes and the unpaid Senior Priority Swap Termination Amount, respectively, until such amounts are reduced to zero;

(iii) to the holders of the Class B Notes until the Principal Amount of Class B Notes is reduced to zero;

(iv) to the holders of the Class C Notes until the Principal Amount of Class C Notes is reduced to zero; and

(v) to the holders of the Class D Notes until the Principal Amount of Class D Notes is reduced to zero.

Funds remaining on any Payment Date after making principal payments on the Notes as described above while a Sequential Order Event shall be in effect, shall be distributed as provided in provisions ELEVENTH through SIXTEENTH in subsection (a) above.

Section 3.2 *Information Provided to Trustee.* The 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 3.1 as required by Section 8.1 and the Trustee shall be entitled to rely thereon.

Section 3.3 *Payments.* On each Payment Date, the Trustee, as Paying Agent, shall distribute to the Holders and the other parties entitled thereto the amounts due and payable under this Indenture and the Notes.

Section 3.4 *Collection Account.*

(a) *Collection Account.* The Trustee, for the benefit of the Noteholders and the Swap Counterparty, shall establish and maintain in the name of the Trustee, a segregated account designated as the "Sierra 2003-2 Receivables Funding Company, LLC Series 2003-2 Collection Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders and the Swap Counterparty pursuant to this Indenture. Deposits made into the Collection Account shall be limited to amounts deposited therein on the Closing Date, amounts paid to the Issuer under the terms of the Interest Rate Swap, Collections and other Available Funds and earnings on the Account. If, at any time, the Collection Account ceases to be an Eligible Account, the Trustee (or the Servicer on its behalf) shall within 10 Business Days establish a new Collection Account as an Eligible Account and shall transfer any property in the Collection Account to the new Collection Account. So long as the Trustee is an Eligible Institution, the Collection Account may be maintained with it in an Eligible Account.

(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 Indenture and the information most recently delivered to the Trustee pursuant to Section 8.1; *provided*, *however*, that the Trustee shall be authorized to accept and act upon instructions from the Servicer regarding withdrawals or transfers of funds from the Collection Account, in all events in accordance with the provisions of this Indenture and the information most recently delivered pursuant to Sections 3.1 and 8.1. In addition, notwithstanding anything in the foregoing to the contrary, the Trustee shall be authorized to accept instructions from the 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 property owners associations 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 Servicer shall provide the Trustee and the Swap Counterparty with notice of such withdrawal or transfer, together with reasonable supporting details, on the next Monthly Servicing Report to be delivered by the Servicer following the date of such withdrawal or transfer (or in such earlier written notice as may be required by the Trustee from the 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 Servicer shall transfer all Collections processed by the 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 the Release Price in respect of releases of 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 Section 3.1 and this Section 3.4.

(c) *Administration of the Collection Account.* Funds in the Collection Account shall, at the direction of the Servicer, 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. Subject to the restrictions set forth in the first sentence of this subsection 3.4(c), the Servicer 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 Indenture. The Trustee shall be fully protected in following the investment instructions of the Servicer, 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 Servicer, 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 Indenture.

(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, carried in or credited to the Collection 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 3.5 *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 2003-2 Receivables Funding Company, LLC Reserve Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders and the Swap Counterparty pursuant to this Indenture. The Reserve Account shall be under the sole dominion and control of the Trustee; however, if so directed by the Servicer, the Reserve Account may be an Eligible Account in the name of the Trustee opened at another Eligible Institution. If, at any time, the Reserve Account ceases to be an Eligible Account, the Trustee (or the Servicer on its behalf) shall within 10 Business Days establish a new Reserve Account as an Eligible Account and shall transfer any property in the Reserve Account 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.

A deposit shall be made to the Reserve Account on the Closing Date in an amount equal to the Reserve Required Amount and, on each Payment Date, deposits shall be made to the Reserve Account to the extent provided in provision THIRTEENTH of subsection 3.1(a).

(b) *Withdrawals from the Reserve Account.* If on any Payment Date, the Available Funds are not sufficient to pay those amounts described in provisions FIRST through ELEVENTH of subsection 3.1(a), the Trustee, at the direction of the Servicer, shall withdraw an amount equal to the lesser of (i) the excess of those amounts described in provisions FIRST through ELEVENTH of subsection 3.1(a), over the Available Funds available to pay such amounts and (ii) the Reserve Account Amount

and use such amount to pay amounts due but unpaid, in the order set forth in provisions FIRST through ELEVENTH of subsection 3.1(a).

(c) *Release of Funds from Reserve Account.* On each Payment Date, the Trustee shall withdraw all cash on deposit in the Reserve Account in excess of the Reserve Required Amount and deposit such amount in the Collection Account, for application on such Payment Date as Available Funds in accordance with Section 3.1 of this Indenture.

(d) *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 this Indenture and the Notes 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 Indenture.

(e) *Administration of the Reserve Account.* Funds in the Reserve Account shall be invested in Permitted Investments as directed by the Servicer; *provided*, *however*, that all Permitted Investments shall mature on or before the next Payment Date. Subject to the restrictions set forth in the first sentence of this subsection (e), the Servicer shall instruct the Trustee in writing regarding the investment of funds on deposit in the Reserve Account. The Trustee shall be fully protected in following the investment instructions of the Servicer, 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 Servicer, 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 Indenture.

(f) *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 3.6 *Interest Rate Swap.*

(a) The Issuer shall enter into the Interest Rate Swap, certain terms of which are set forth herein for the convenience of the parties thereto for incorporation therein by reference, with the Swap Counterparty on the Closing Date. The Interest Rate Swap shall have a termination date which is the earliest of December 15, 2015 or when the notional amount thereunder has been reduced to zero, subject to early termination in accordance with the terms of the Interest Rate Swap. The Interest Rate Swap shall have a notional amount for each Interest Accrual Period equal to the Adjusted Principal Amount of the Class A-2 Notes as of the close of business on the first day of such Interest Accrual Period. Under the Interest Rate Swap, the Issuer shall be the fixed rate payer and shall pay a fixed rate of 3.20% and the Swap Counterparty shall be the floating rate payer and shall pay a floating rate of LIBOR plus 0.45%. Pursuant to the terms of the Interest Rate Swap, the Swap Counterparty shall pay to the Trustee, on behalf of the Issuer, on each Payment Date, the Net Swap Receipt, if any, plus the amount of any Net Swap Receipt due but not paid with respect to any previous Payment Date. The Trustee shall deposit such Net Swap Receipts, if any, into the Collection Account and shall apply such amounts as Available Funds pursuant to subsection 3.1 of this Indenture. In addition, in accordance with the terms of the Interest Rate Swap, the Issuer shall pay to the Swap Counterparty the Net Swap Payment, if any, for such Payment Date, plus the amount of any Net Swap Payment due but not paid on any previous Payment Date, from amounts available pursuant to provision THIRD of subsection 3.1(a).

(b) Following the termination of the Interest Rate Swap pursuant to the terms thereof, the Swap Counterparty shall pay to the Trustee for the benefit of the Issuer the amount of the Termination

Receipt, if any, to be made by the Swap Counterparty pursuant to the Interest Rate Swap. The Trustee shall, promptly upon receipt of any such Termination Receipt, if any, at the written direction of the Servicer, deposit such Termination Receipt into the Collection Account to be applied as Available Funds.

(c) Following the termination of the Interest Rate Swap pursuant to the terms thereof, the Issuer shall pay to the Swap Counterparty the amount of the Termination Payment, if any, to be made by the Issuer pursuant to the Interest Rate Swap to the extent of funds available therefore under provision TENTH of

subsection 3.1(a), if applicable, or provision FIFTEENTH, if applicable, or if a Sequential Order Event has occurred and is continuing, as provided in subsection 3.1(b).

(d) The Interest Rate Swap shall provide that if a Ratings Event (as defined below) shall occur and be continuing with respect to the Swap Counterparty, then the Swap Counterparty shall (A) within five Business Days of such Ratings Event, give notice to the Issuer of the occurrence of such Ratings Event, and (B) use reasonable efforts to transfer (at its own cost) the Swap Counterparty's rights and obligations under the Interest Rate Swap to another party, subject to satisfaction of the Rating Agency Condition solely in respect of the Class A-2 Notes. If a Ratings Event occurs, the Issuer, to the extent it has been notified of such event, shall notify the Trustee and the Servicer. Unless such a transfer by the Swap Counterparty has occurred within 20 Business Days after the occurrence of a Ratings Event, the Issuer shall demand that the Swap Counterparty post Eligible Collateral, as defined in the Interest Rate Swap, to secure the Issuer's exposure or potential exposure to the Swap Counterparty. The Eligible Collateral to be posted shall be subject to satisfaction of the Rating Agency Condition solely in respect of the Class A-2 Notes. Valuation and posting of Eligible Collateral shall be made as of each Payment Date as provided in the Interest Rate Swap. Notwithstanding the posting of Eligible Collateral, the Swap Counterparty shall continue to use reasonable efforts to transfer its rights and obligations under the Interest Rate Swap to an acceptable third party; *provided*, *however*, that the Swap Counterparty's obligations to find a transferee and to post Eligible Collateral shall remain in effect only for so long as a Ratings Event is continuing.

(e) The Interest Rate Swap shall provide that a "*Ratings Event*" will occur with respect to the Swap Counterparty if the long-term and short-term senior unsecured deposit ratings of the Swap Counterparty cease to be at least A and A-1 by S&P, or at least A1 and P-1 by Moody's, or at least A and F1 by Fitch, to the extent such obligations are rated by S&P or Moody's or Fitch.

The Interest Rate Swap shall further provide that if the long-term and short-term senior unsecured deposit ratings of the Swap Counterparty cease to be at least A2 and P-1 by Moody's, then the Swap Counterparty shall not be entitled to post Eligible Collateral, as defined in the Interest Rate Swap, but rather shall be required to use reasonable efforts to transfer the Swap Counterparty's rights and obligations under the Interest Rate Swap to an eligible transferee within 20 Business Days of the publication date of such downgrade.

If the Interest Rate Swap is terminated for any reason and no successor swap is entered into, the Servicer shall solicit bids from three or more prospective replacement swap counterparties for the price of a replacement swap agreement with a notional amount equal to the outstanding principal amount of the Class A-2 Notes. With the consent of Noteholders representing 51% or more of the Aggregate Principal Amount at such time, and upon satisfaction of the Rating Agency Condition solely in respect of the Class A-2 Notes, the Issuer will enter into such replacement swap agreement. If Noteholders representing 51% or more of the Aggregate Principal Amount do not consent to such replacement swap agreement, or if such Rating Agency Condition is not met, the Issuer will not enter into a replacement swap agreement.

Section 3.7 *Custody of Permitted Investments and other Collateral.*

The Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Trustee) and the Permitted Investments (other than the Pledged Loans, the related Loan Files, or the related Timeshare Property) as consists of instruments, certificated securities, negotiable documents, money, goods, or tangible chattel paper in the State of New York or the State of North Carolina. The Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Trustee) and the Permitted Investments (other than the Pledged Loans, the related Loan Files, or the related Timeshare Property) as constitutes investment property (other than certificated securities) through a securities intermediary, which securities intermediary shall agree with the Trustee that (I) such investment property shall at all times be credited to a securities account of the Trustee, (II) such securities intermediary shall treat the Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (III) all property credited to such securities account shall be treated as a financial asset, (IV) such securities intermediary shall comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (V) such securities intermediary will not agree with any person or entity other than the Trustee to comply with entitlement orders originated by any person or entity other than the Trustee, (VI) such securities accounts and the property credited thereto shall not be subject to any lien, security interest, encumbrance, or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Trustee), (VII) such agreement shall be governed by the laws of the State of New York, and (VIII) the State of New York shall be the "securities intermediary's jurisdiction" of such securities intermediary for purposes of the New York Uniform Commercial Code (the "NYUCC"). The Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Trustee) and the Permitted Investments (other than the Pledged Loans, the related Loan Files, or the related Timeshare Property) as constitutes a deposit account through a bank, which bank shall agree in writing with the Trustee and the Issuer that (i) such bank shall comply with instructions originated by the Trustee directing the disposition of the funds in the deposit account without further consent of any other person or entity, (ii) such bank will not agree with any person or entity other than the Trustee to comply with instructions originated by any person or entity other than the Trustee, (iii) such deposit account and the property credited thereto shall not be subject to any lien, security interest, encumbrance, or right of set-off in favor of such bank or anyone claiming through it (other than the Trustee), (iv) such agreement shall be governed by the laws of the State of New York, and (v) the State of New York shall be the "bank's jurisdiction" of such bank for purposes of Article 9 of the NYUCC. Terms used in this paragraph that are defined in the NYUCC and not otherwise defined herein shall have the meaning set forth in the NYUCC. Except as permitted by this paragraph, the Trustee shall not hold any part of the Collateral (or any other collateral that may be granted to the Trustee) or the Permitted Investments (other than the Pledged Loans, the related Loan Files, or the related Timeshare Property) through an agent or a nominee.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

Section 4.1 *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 Indenture 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 Transaction 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 Transaction 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 Series 2003-2 Term Purchase Agreement and the making of the Grants contemplated hereunder, 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 Transaction Documents); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the other Transaction 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, or orders of any court or governmental agency or body required in connection with the execution and delivery by the Issuer of any of the Transaction 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 Transaction Documents.* Each of the Transaction Documents to which the Issuer is a party has been duly and validly executed and delivered by the Issuer and constitutes 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 any Debtor Relief Law or by general principles of equity (whether considered in a suit at law or in equity).

(e) *No Litigation.* 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 Indenture or any of the other Transaction Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Indenture or any of the other Transaction Documents, (iii) seeking any determination or ruling that would adversely affect the performance by the Issuer of its obligations under this Indenture or any of the other Transaction Documents to which the Issuer is a party, (iv) seeking any determination or ruling that would adversely affect the validity or enforceability of this Indenture or any of the other Transaction 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 Series 2003-2 Term 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 Transaction 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 Issuer.* As of the date hereof, the Issuer is a limited liability company organized under the laws 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 this Indenture. From and after the Closing Date, except as provided in the Intercreditor Agreement, 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 Other Legal Names.* The Issuer has not had any legal name other than the name set forth herein 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) *Transaction Documents.* The Series 2003-2 Term Purchase Agreement is the only agreement 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 Transaction 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. The Issuer is the lawful owner of, and has good title to, each Pledged Loan and all related Pledged Assets, free and clear of any Liens (other than the Lien of this Indenture and any Permitted Encumbrances on the related Timeshare Properties), or has 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 Series 2003-2 Term Purchase Agreement. The purchase by the Issuer under the Series 2003-2 Term Purchase Agreement constitutes either a sale or a first-priority perfected security interest, 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 Transaction Documents contemplated hereby, the purchase of Loans thereunder, the issuance and payment of the 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 Transaction 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 and foreign tax returns which are required to be filed by it, and has paid or caused to be paid all taxes due and owing by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings timely instituted and diligently pursued 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) *Tax Classification.* Since its formation, for federal income tax purposes, the Issuer (i) has been classified as a disregarded entity or partnership and (ii) has not been classified as an association taxable as a corporation or a publicly traded partnership.

(r) *Solvency.* The Issuer (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.

(s) *ERISA.* The Issuer has not established and does not maintain or contribute to any Benefit Plan that is covered by Title IV of ERISA.

(t) *No Adverse Selection.* No selection procedures materially adverse to the Noteholders, the Trustee or the Collateral Agent have been employed in selecting the Pledged Loans for inclusion in the Collateral on the Closing Date.

Section 4.2 *Representations and Warranties Regarding the Loan Files.* The Issuer represents and warrants to each of the Trustee, the Collateral Agent, the Servicer and the Noteholders as to each Pledged Loan that:

(a) *Possession.* On or immediately prior to the Closing Date the 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 Loan Document 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 the Closing Date, each of the Issuer and the 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 Collateral Granted by the Issuer in accordance with the terms of this Indenture.

The representations and warranties of the Issuer set forth in this Section 4.2 shall be deemed to be remade without further act by any Person on and as of each date of substitution 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 4.2 shall survive any Grant of the respective Loans by the Issuer.

Section 4.3 *Rights of Obligors and Release of Loan Files.*

(a) Notwithstanding any other provision contained in this Indenture, 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 Indenture, 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 hereunder 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 Servicer shall notify the Trustee by a certificate substantially in the form attached hereto as Exhibit E (which certificate shall include a statement to the effect that all amounts received in connection with such payment have been deposited in the Collection Account) of a Servicing Officer and shall request delivery to the 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 Servicer (in all cases in accordance with the provisions of the Custodial Agreement), (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 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 Servicer's need therefor no longer exists.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER; ASSIGNMENT OF REPRESENTATIONS AND WARRANTIES

Section 5.1 *Representations and Warranties of the Issuer.* The Issuer hereby represents and warrants to the Trustee, the Collateral Agent and the Noteholders on the Closing Date as follows:

(a) Payment of principal and interest on the Notes and the prompt observance and performance by the Issuer of all of the terms and provisions of this Indenture are secured by the Collateral. Upon the issuance of the Notes and at all times thereafter so long as any Notes are outstanding, this Indenture creates a security interest (as defined in the applicable UCC) in the Collateral in favor of the Collateral Agent for the benefit of the Trustee, acting on behalf of the Noteholders and the Swap Counterparty to secure amounts payable under the Notes 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

(b) the Pledged Loans and the documents evidencing such Pledged Loans constitute either "accounts," "chattel paper," "instruments" or "general intangibles" within the meaning of the applicable UCC.

Section 5.2 *Eligible Loans.* The Issuer hereby represents and warrants to the Trustee and the Collateral Agent that each of the Pledged Loans is an Eligible Loan. For purposes of this Indenture, the term "Eligible Loan" means a Loan purchased by the Issuer under the Series 2003-2 Term Purchase Agreement which has the following characteristics as of the Cut-Off Date:

(a) the related Timeshare Property has been purchased by an Obligor, and with respect to a Timeshare Property which is a Fixed Week, a UDI or which constitutes Points (it being understood in the case of a Timeshare Property which constitutes Points, that references in this clause (a) to a Timeshare Property shall be deemed to be references to the related Fixed Week or UDI), (i) is not an interest in a Lot, (ii) except in the case of a Green Loan, a certificate of occupancy has been issued for the Resort related to such Timeshare Property, (iii) except in the case of a Green Loan, the unit related to the 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, (iv) the Resort in which the related Timeshare Property Regime is created 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, (v) there is no legal, judicial or administrative proceeding pending, or to the Issuer's knowledge threatened, for the total condemnation of the Resort to which the Timeshare Property relates or partial condemnation of any portion of the property in which the related Timeshare Property Regime is created that would have a material adverse effect on the value of the related Timeshare Property and (vi) the Resort related to the Timeshare Property is not located outside of the United States;

(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 Pledged 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 Pledged Loan that is an Installment Contract, with respect to which the Issuer 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 Loans which are Fairfield Loans (i) if the related Timeshare Property has been deeded to the Obligor of the related Pledged Loan, then (A) the Issuer 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 have been transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the applicable Purchase Agreement and (D) if any Mortgage relating to such Pledged 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 Pledged Loan, then a nominee has legal title to such Timeshare Property and the Issuer has an equitable interest in such Timeshare Property underlying the related Pledged Loan;

(e) that was issued in a transaction that complied, and is in compliance, in all material respects with all requirements of applicable federal, state and local law, including applicable laws relating to usury, truth-in-lending, property sales, consumer credit protection and disclosure, except, with respect only to California Business and Professions Code Section 11018, where such failure to comply would not have a Material Adverse Effect on the Sellers or a material adverse effect on the Pledged Loans;

(f) that requires the Obligor to pay the unpaid principal balance over an original term of not greater than 120 months;

(g) the Scheduled Payments on which are denominated and payable in United States dollars;

(h) that is not a Defective Loan either under this Indenture or under the terms of the Purchase Agreement applicable to such Pledged Loan or a Defaulted Loan;

(i) the Scheduled Payments on which are not 30 days or more delinquent as of the Cut-Off Date;

(j) that does not (i) finance the purchase of credit life insurance and (ii) finance, and was not originated in connection with, the Trendwest "Explorer" program, unless such Loan has been converted to a Loan in connection with the WorldMark program;

(k) with respect to which the related Timeshare Property (i) if the Loan is a Fairfield Loan (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 Pledged Loan or (ii) if the Loan is a Trendwest Loan, consists of Vacation Credits;

(l) that, if it is a Fairfield Loan (i) either (A) was transferred by FRI to FAC pursuant to the Operating Agreement, (B) in the case of any Pledged Loan originated by an Originator (other than any Pledged Loan originated by FRI, any Loan related to the Dolphin's Cove Resort or a Kona Loan), was transferred by such Originator to FRI pursuant to the Operating Agreement, (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 or (D) in the case of a Kona Loan was transferred to FRI under the terms of a July 2002 agreement or (ii) was purchased by FAC from Fairfield Receivables Corporation pursuant to an Assignment of Contracts and Mortgages, dated as of August 29, 2002;

(m) that (i) if it is a Fairfield Loan, it was, except with respect to a Loan related to Dolphin's Cove Resort, Ltd. and except with respect to Kona Loans, originated by a Fairfield 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, (ii) if it is a Fairfield Loan related to Dolphin's Cove Resort, Ltd., it was acquired by FRI in December 2000 and has since that date been consistently serviced by FAC or if it is a Kona Loan, it was originated by Kona and has since December 1, 2002 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 or (iii) if it is a Trendwest Loan, was originated by Trendwest and has been consistently serviced by FAC or Trendwest, in each case in the ordinary course of its business and in accordance with FAC's or Trendwest's Customary Practices and Credit Standards and Collection Policies;

(n) that has not been specifically reserved against by the Issuer or classified as uncollectible or charged off;

(o) that arises from transactions in a jurisdiction in which (i) with respect to Fairfield Loans, FRI and each Subsidiary of FRI (other than the Depositor, the Issuer, Sierra 2002 and Sierra 2003-1) 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 Pledged Loan and (ii) with respect to Trendwest Loans, Trendwest 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 Pledged Loan;

(p) that 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, (ii) neither statutory nor regulatively imposed rescission rights exist with respect to the related Obligor and (iii) no basis for such rights exists on the Cut-Off Date in the case of any Pledged Loan for which such rights are, at any time following the Cut-Off Date, granted or imposed;

(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 originated by Trendwest, an Equity Percentage of 10% or more of the value of all Vacation Credits owned by the related Obligor);

(t) with respect to which at least one Scheduled Payment has been made by the Obligor; and

(u) that, in the case of a Green Loan, (i) satisfies each of the eligibility criteria set forth in paragraphs (a) through (t) above other than any such criteria that cannot be satisfied due solely to (A) the related Green Timeshare Property being an interest in a unit at a Resort that is not yet complete and ready for occupancy; (B) the Issuer 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 Fairfield Resort related to the Green Timeshare Property has a scheduled completion date no more than six months following the Cut-Off Date.

Section 5.3 *Assignment of Representations and Warranties.* The Issuer hereby assigns to the Trustee and the Collateral Agent all of its rights relating to the Pledged Loans and related Pledged Assets under the Series 2003-2 Term 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 and the Depositor's rights under the First Guaranty Agreement.

Section 5.4 *Release of Defective Loans.*

(a) *Deposit of Release Price or Substitution of Qualified Substitute Loan.* Subject to subsection (b) of this section, upon discovery by the Issuer or upon written notice from the Depositor or the Trustee that any Pledged Loan is a Defective Loan, the Issuer shall, within 90 days after the earlier of its discovery or receipt of notice thereof (i) if such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, direct the applicable Seller to perform its obligation under such Purchase Agreement to either (A) deposit the Release Price with the Trustee or (B) deliver to the Trustee one or more Qualified Substitute Loans in substitution for such Defective Loan and pay to the Trustee the Substitution Adjustment Amount, or (ii) if such Defective Loan does not constitute a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, deposit the Release Price with the Trustee. If such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to

which the Depositor acquired such Defective Loan, then, notwithstanding any other provision of this Indenture, the Issuer shall have no obligation or liability with respect to such Defective Loan should the applicable Seller fail to perform its obligations under the Purchase Agreement with respect to such Defective Loan.

(b) *Substitution.* If under a Purchase Agreement, a Seller delivers a Qualified Substitute Loan for release of a Defective Loan, the Issuer shall execute a Supplemental Grant in substantially the form of Exhibit J hereto and deliver such Supplemental Grant to the Trustee and the Collateral Agent. Payments due with respect to Qualified Substitute Loans on or prior to the Calculation Date next preceding the date of substitution shall not be property of the Issuer, but, to the extent received by the Servicer, will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Payment Date. Payments due and other amounts received with respect to the Qualified Substitute Loans after the Calculation Date next preceding the date of substitution shall be property of the Issuer. Scheduled Payments due on a Defective Loan on or prior to the Calculation Date next preceding the date of substitution shall be property of the Issuer, 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 Issuer shall cause the Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Trustee and the Collateral Agent and such schedule shall be an amendment to the Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Qualified Substitute Loans shall be subject to the terms of this Indenture in all respects, the Issuer shall be deemed to have made the representations, and warranties with respect to each Qualified Substitute Loan set forth in Section 5.1 and 5.2 of this Indenture, in each case as of the date of substitution, and the Issuer shall be deemed to have made a representation and warranty that each Loan so substituted is a Qualified Substitute Loan as of the date of substitution. The provisions of Section 5.4(a) shall apply to any Qualified Substitute Loan as to which the Issuer has breached the Issuer's representations and warranties in Section 5.1 and 5.2 to the same extent as for any other Pledged Loan. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Servicer shall determine the Substitution Adjustment Amount. If such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, the Issuer shall direct the applicable Seller to perform its obligation under such Purchase Agreement to pay to the Trustee the Substitution Adjustment Amount in immediately available funds. Such Substitution Adjustment Amount shall be paid to the Trustee and treated as if it were a portion of the Release Price for the Defective Loan and included in Available Funds as such. If such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, then, notwithstanding any other provision of this Indenture, the Issuer shall have no obligation or liability to pay the Substitution Adjustment Amount with respect to such Defective Loan should the applicable Seller fail to perform its obligation under the Purchase Agreement to pay such Substitution Adjustment Amount to the Trustee.

(c) *Release of Defective Loan.* If a Seller repurchases a Pledged Loan as a Defective Loan or provides a Qualified Substitute Loan and the related Substitution Adjustment Amount, if any, for a Defective Loan, then the Issuer shall automatically and without further action sell, transfer, assign, set over and otherwise convey to such Seller, without recourse, representation or warranty, all of the Issuer'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 Pledged Assets, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors after the Calculation Date 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 applicable Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 5.4(c).

Promptly after the repurchase of Defective Loans in respect of which the Release Price has been paid or a Qualified Substitute Loan has been provided, on such date, the Issuer shall direct the Servicer to delete such Defective Loans from the Loan Schedule.

The obligations of the Issuer set forth in Section 5.4(a) shall constitute the sole remedy against the Issuer with respect to any breach of the representations and warranties set forth in Section 5.2 available hereunder to the Trustee or the Collateral Agent.

ARTICLE VI

ADDITIONAL COVENANTS OF ISSUER

Section 6.1 *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 Transaction 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 Indenture.

(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 Servicer promptly instructs such Obligor to commence one of the two alternative methods of funds transfer provided for in either of sub-clauses (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 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, hold such Collections in trust for the benefit of the Trustee, the Noteholders and the Swap Counterparty and deposit such Collections into a Lockbox Account or the 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 Indenture 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 Collateral, 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 Indenture 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. 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 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 the Closing Date, 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 the Loan File for each Pledged Loan. Such Loan File 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 the Loan Files 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 Loan Files for the benefit of the Collateral Agent on behalf of the Trustee in each case pursuant to the Custodial Agreement. Each of the Issuer and the Servicer may access the Loan Files 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 Servicer may only remove documents from the Loan File 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 Agreement and shall not enter into any modification, amendment or supplement of or to, and shall not terminate, the 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 Indenture and the other Transaction 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 Indenture or any other Transaction 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 Transaction 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 Transaction Documents, pay all expenses, indebtedness and other obligations incurred by it using its own funds.

(xiii) Except as provided herein and in any other Transaction 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 GAAP 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 4.2(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 foreign 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. The Issuer shall pay or cause to be paid all taxes due and owing 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.

(p) *Tax Classification.* For as long as the Notes are outstanding, the Issuer shall not take any action, or fail to take any action, that would cause the Issuer to not remain classified, for federal income tax purposes, as a disregarded entity or a partnership that is not classified as a publicly traded partnership.

(q) *Tax Sharing Agreement.* For as long as the Notes are outstanding, (i) the Tax Sharing Agreement shall remain in effect and (ii) no amendment shall be made to the Tax Sharing Agreement without the prior written consent of a majority of the Noteholders if such amendment (i) would reduce the amount or timing of payments for which Cendant is responsible, or (ii) would effect any limitations on payments required to be made by the Issuer pursuant to the Tax Sharing Agreement as in effect as of the date hereof.

(r) *Transaction Documents.* Comply in all material respects with the terms of, employ the procedures outlined in and enforce the obligations of the Depositor under the Series 2003-2 Term Purchase Agreement and of the parties to each of the other Transaction Documents to which the Issuer is a party, and take all such action as may reasonably be required to maintain all such Transaction Documents to which the Issuer is a party in full force and effect.

(s) *Loan Schedule.* At least once each calendar month, provide to the Trustee an amendment to the Loan Schedule, or cause the Servicer to provide an amendment to the Loan Schedule, listing the Pledged Loans released from the Collateral and adding to the Loan Schedule any Qualified Substitute Loans 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 or since the most recent amendment thereto.

(t) *Segregation of Collections.* (a) Prevent the deposit into any Account of any funds other than Collections or other funds to be deposited into such Accounts under this Indenture or the other Transaction 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).

(u) *Filings; Further Assurances.* (a) On or prior to the Closing Date, the Issuer shall have caused at its sole expense the Financing Statements, assignments and amendments thereof

necessary to perform the security interest in the Collateral to be filed or recorded in the appropriate offices.

(b) 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 Servicer or the Trustee or as the Servicer or the Trustee otherwise deems reasonably necessary or advisable to perfect the Lien created in the Collateral. The Servicer agrees, at its sole expense, to cooperate with 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 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 Servicer or the Trustee deems reasonably necessary or advisable to: (i) Grant more effectively all or any portion of the Collateral; (ii) maintain or preserve the Lien Granted hereunder (and the priority thereof) or carry out more effectively the purposes hereof; (iii) perfect, maintain the perfection of, publish notice of, or protect the validity of any Grant made pursuant to this Indenture; (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 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 Collateral.

(iii) The Issuer shall, on or prior to the date of Grant of any Pledged Loans hereunder, 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 6.1 shall be for the sole account and responsibility of the Issuer and payable under Section 3.1 to the Trustee.

(v) *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 6.2 *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 Sections 5.4, 14.4, 14.5, 14.6 and 14.7 of this Indenture, 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 this Indenture 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 Collateral hereunder. 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 Schedule 3 hereto 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 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 Indenture.

(f) *No Change in Control.* At any time fail to be (i) a wholly owned member of the Cendant Group, as defined in the Tax Sharing Agreement and (ii) an entity wholly owned directly or indirectly by FAC.

(g) *ERISA Matters.* Establish or maintain or contribute to any Benefit Plan that is covered by Title IV of ERISA.

(h) *Terminate or Reject Loans.* Without limiting anything in subsection 6.2(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 this Indenture.

(i) *Debt.* Create, incur, assume or suffer to exist any Debt except as contemplated by the Transaction 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 Indenture or as contemplated by the Transaction 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 Transaction Documents; and

(ii) to the extent not otherwise prohibited under this Indenture, 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 Transaction 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 Series 2003-2 Term 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 4.1(a) or (y) its name, unless in any such event the Issuer shall have given the Trustee and the Collateral Agent and the Swap Counterparty at least ten (10) days prior written notice thereof and shall take all action necessary or reasonably requested by the Trustee or the Collateral Agent 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 this Indenture.

ARTICLE VII

SERVICING OF PLEDGED LOANS

Section 7.1 *Responsibility for Loan Administration.* The 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 Servicer a limited power of attorney to execute and the 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 Servicer.

The Trustee, the Issuer and the Collateral Agent, at the request of a Servicing Officer, shall furnish the Servicer with any reasonable documents or take any action reasonably requested, necessary or appropriate to enable the 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 6.1(l)).

FAC is hereby appointed as the Servicer until such time as any Service Transfer shall be effected under Article XII.

Section 7.2 *Standard of Care.* In managing, administering, servicing and making collections on the Pledged Loans pursuant to this Indenture, the Servicer will exercise that degree of skill and care consistent with Customary Practices and the Credit Standards and Collection Policies.

Section 7.3 *Records.* The Servicer shall, during the period it is 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 Indenture by a Successor Servicer following a Service Transfer.

Section 7.4 *Loan Schedule.* The Servicer shall at all times maintain the Loan Schedule and provide to the Trustee, the Issuer, the Collateral Agent and the Custodian a current, complete copy of the Loan Schedule. The Loan Schedule may be in one or multiple documents including an original listing and monthly amendments listing changes.

Section 7.5 *Enforcement.*

(a) The Servicer will, consistent with Section 7.2, 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). The Servicer will diligently monitor the integration of the collection functions of FAC and Trendwest and to the extent the Servicer detects any deterioration in collections or any increase in delinquencies or defaults or other factors which indicate or might indicate any deterioration in collections, the Servicer will use its best efforts to determine the source of the problem and will use its best efforts to remedy such problem.

(b) The Servicer may sue to enforce or collect upon Pledged Loans, in its own name, if possible, or as agent for the Issuer. If the 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 Servicer for purposes of collection only. If, however, in any enforcement suit or legal proceeding it is held that the 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 Servicer's expense, take such steps as the 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 Servicer shall provide to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred thereby.

(c) The 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 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 Collection Account.

(d) The Servicer will not extend, amend, waive or otherwise modify the terms of any Pledged Loan (other than 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) The Servicer shall have discretion to sell the collateral which secures any Defaulted Loans free and clear of the Lien of this Indenture, in exchange for cash, in accordance with Customary Practices and Credit Standards and Collection Policies. All proceeds of any such sale of such collateral shall be deposited by the Servicer into the Collection Account.

(f) The Servicer shall not sell any Defaulted Loan or any collateral securing a Defaulted Loan to any Seller or Originator except for an amount at least equal to the fair market value thereof.

(g) Notwithstanding any other provision of this Indenture, the 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 Indenture, proceeds from the foreclosure by the Servicer on the collateral securing any Pledged Loans shall first be applied by the Servicer to reimburse itself for the expenses of such foreclosure, and any remaining proceeds shall be deposited into the Collection Account.

Section 7.6 *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 Servicer (including without limitation the execution of documents) and otherwise cooperate with the Servicer in enforcement of the Trustee's rights and remedies with respect to Pledged Loans.

Section 7.7 *Other Matters Relating to the Servicer.* The 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 Indenture;

(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 it shall promptly follow the instructions of the Servicer duly given to withdraw funds from the Accounts.

Section 7.8 *Servicing Compensation.* As compensation for its servicing activities hereunder the Servicer shall be entitled to receive the Monthly Servicer Fee.

Section 7.9 *Costs and Expenses.* The costs and expenses incurred by the 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 Servicer and the Servicer shall be entitled to reimbursement hereunder from the Issuer as provided in Section 3.1. Failure by the Servicer to receive reimbursement shall not relieve the Servicer of its obligations under this Indenture.

Section 7.10 *Representations and Warranties of the Servicer.* The Servicer hereby represents and warrants to the Trustee, the Collateral Agent and the Noteholders as of the date of this Indenture:

(a) *Organization and Good Standing.* The 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 Indenture. The 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.

(b) *Due Authorization.* The execution and delivery by the Servicer of each of the Transaction Documents to which it is a party, and the consummation by the Servicer of the transactions contemplated hereby and thereby have been duly authorized by the Servicer by all necessary corporate action on the part of the Servicer.

(c) *Binding Obligations.* Each of the Transaction Documents to which Servicer is a party constitutes a legal, valid and binding obligation of the Servicer enforceable against the 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 Servicer of each of the Transaction Documents to which the Servicer is a party, and the performance by the Servicer of the transactions contemplated by such agreements and the fulfillment by the Servicer of the terms hereof and thereof applicable to the 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 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 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 Servicer threatened, against the Servicer, before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Indenture or

any of the other Transaction Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Indenture or any of the other Transaction Documents, (iii) seeking any determination or ruling that, in the reasonable judgment of the Servicer, would adversely affect the performance by the Servicer of its obligations under this Indenture or any of the other Transaction Documents, (iv) seeking any determination or ruling that would adversely affect the validity or enforceability of this Indenture or any of the other Transaction 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 Servicer of this Indenture or of the other Transaction Documents to which it is a party or the performance by the Servicer of the transactions contemplated hereby and thereby and the fulfillment by the 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 7.11 *Additional Covenants of the Servicer.* The Servicer further agrees as provided in this Section 7.11.

(a) *Change in Payment Instructions to Obligors.* The Servicer will not add or terminate any bank as a Lockbox Bank from those listed in Schedule 3 to this Indenture or make any change in the 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 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 Servicer receives any Collections, the Servicer shall hold such Collections in trust for the benefit of the Trustee and deposit such Collections into a Lockbox Account or the Collection Account as soon as practicable but in any event within two Business Days following the Servicer's receipt thereof.

(c) *Compliance with Requirements of Law.* The 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 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 Collateral, or violate the Collateral Agency Agreement.

(e) *Credit Standards and Collection Policies.* The 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 Servicer will ensure that the Obligor of each Pledged Loan either:

(1) has been instructed, pursuant to the 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 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 Servicer.* The Servicer shall at all times maintain each office from which it services Pledged Loans within the United States of America.

(h) *Instruments.* The 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 this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions; *provided*, *however*, that the Custodian, the Collateral Agent and the 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 Indenture.

(i) *Loan Schedule.* The Servicer will promptly amend the Loan Schedule to reflect terms or discrepancies that become known to the Servicer at any time.

(j) *Segregation of Collections.* The Servicer will:

(a) prevent the deposit into any Account of any funds other than Collections or other funds to be deposited into such Account under this Indenture (*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 such 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.* Except to the extent necessary to address defects in the sales process or in cases of exceptional hardship of the Obligor, and without limiting anything in subsection 6.2(b), the 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 this Indenture.

(l) *Change in Business or Credit Standards and Collection Policies.* The 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 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).

(n) *Recordation of Collateral Assignments* The Servicer will cause the collateral Assignment of Mortgage to the Collateral Agent to be perfected as provided in the Fairfield Master Loan Purchase Agreement, except that the Servicer shall not be required to file or cause the filing of such collateral Assignment of Mortgage to the extent (a) the related Timeshare Property is located in the State of Florida and the Servicer shall have received 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 and (b) the long-term debt rating assigned by Moody's to the obligations of Cendant has not been withdrawn or reduced below Baa1. If the Servicer is unable to obtain the opinion described in clause (a) of the preceding sentence or if the rating described in clause (b) is withdrawn or reduced,

then the Servicer will take or cause to be taken such action as is required to record the Assignment of Mortgage with respect to the Timeshare Properties located in the State of Florida.

Section 7.12 *Servicer not to Resign.*

The entity then serving as Servicer shall not resign from the obligations and duties hereby imposed on it hereunder 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 Servicer shall have been appointed and accepted the duties as Servicer pursuant to Section 12.2. Any such determination permitting the resignation of the 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 Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 12.2.

Section 7.13 *Merger or Consolidation of, or Assumption of the Obligations of Servicer.*

The 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 Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the 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 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 Servicer hereunder;

(ii) the 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 7.13, 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 Indenture shall have occurred and be continuing.

Section 7.14 *Examination of Records.* Each of the Issuer and the 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 Indenture. Each of the Issuer and the 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 7.15 *Subservicing Agreements; Delegation of Duties.*

(a) Notwithstanding anything to the contrary in subsection 7.15(b), the Servicer, including any Successor 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 Servicer is responsible hereunder, *provided* that, in each case, the Subservicing Agreement is not inconsistent with this Indenture. References in this Indenture to actions taken or to be taken by the

Servicer include actions taken or to be taken by a Subservicer. As part of its servicing activities hereunder, the 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 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 Servicer and the Trustee. Upon the resignation or removal of a Servicer, all Subservicing Agreements shall also be terminated unless accepted or reaffirmed by the Successor Servicer.

Notwithstanding anything to the contrary contained herein, or any Subservicing Agreement, the 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 Indenture 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 Servicer and neither the Issuer nor any other Person shall bear any responsibility for such fees.

(b) In the ordinary course of business, the Servicer, including any Successor Servicer, and each Subservicer may at any time delegate any duties hereunder to any Person who agrees to conduct such duties in accordance with the terms of this Indenture. Any such delegations shall not constitute a resignation within the meaning of Section 7.12 of this Indenture. Notwithstanding anything to the contrary contained herein, or in any agreement relating to such delegations, the 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 Indenture to the same extent and under the same terms and conditions as if it alone were servicing and administering the Pledged Loans.

Section 7.16 *Servicer Advances.* On or before each Determination Date the Servicer may deposit into the Collection Account an amount equal to the aggregate amount of Servicer Advances, if any, with respect to Scheduled Payments on Pledged Loans for the preceding Due Period which are not received on or prior to such Payment Date. Such Servicer Advances shall be included as Available Funds. Neither the Servicer, any Successor Servicer nor the Trustee, acting as Servicer, shall have any obligation to make any Servicer Advance and may refuse to make a Servicer Advance for any reason or no reason. The Servicer shall not make any 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 Pledged Loan with respect to which such Servicer Advance is proposed to be made.

ARTICLE VIII

REPORTS

Section 8.1 *Monthly Servicing Report.* On or before the Determination Date prior to each Payment Date, the Servicer shall deliver to the Trustee, the Issuer and S&P a Monthly Servicing Report in a form substantially like that attached as Exhibit G to this Indenture with such additions as the Trustee may from time to time request and containing information necessary to make payments and transfer funds as provided in Sections 3.1 and 3.4 of this Indenture. Each Monthly Servicing Report shall be accompanied by a certificate of a Servicing Officer substantially in the form of Exhibit G 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 state whether or not a Sequential Order Event has occurred and shall also identify which, if any, Pledged Loans have been identified as Defective Loans or have become Defaulted Loans during the preceding Due Period and if a Cash Accumulation Event has occurred.

Section 8.2 *Other Data.* In addition, the 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 Servicer's existing data processing system without undue modification or expense; *provided*, *however*, nothing in this Section 8.2 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 VIII.

Section 8.3 *Annual Servicer's Certificate.* The 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, 2004, an Officer's Certificate substantially in the form of Exhibit H stating that (a) a review of the activities of the Servicer during the preceding calendar year (or, in the case of the first such Officer's Certificate, the period since the Closing Date) and of its performance under this Indenture during such period was made under the supervision of the officer signing such certificate and (b) to the Servicer's knowledge, based on such review, the Servicer has fully performed all of its obligations under this Indenture 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 8.4 *Notices to FAC.* In the event that FAC is not acting as Servicer, any Successor Servicer appointed and acting pursuant to Section 12.2 shall deliver or make available to FAC each certificate and report required to be prepared, forwarded or delivered thereafter pursuant to the provisions of this Article VIII.

Section 8.5 *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 Code consistent with the treatment of the Notes as indebtedness of the Issuer for federal income tax purposes.

ARTICLE IX

LOCKBOX ACCOUNTS

Section 9.1 *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 4.1(i) and 6.1. 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 that are derived from Pledged Loans, to the Collection Account 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 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 the 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 Collection Account.

ARTICLE X

INDEMNITIES

Section 10.1 *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 Indenture 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 10.2 *Tax Indemnification.* The Issuer agrees to pay, and to indemnify, defend and hold harmless the Trustee, the Noteholders and the Swap Counterparty 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, the Noteholders and the Swap Counterparty, 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 10.3 *Servicer's Indemnities.* Each entity serving as Servicer shall defend and indemnify the Issuer and the Trustee 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 Servicer (but not by any predecessor or successor Servicer) with respect to this Indenture or any Pledged Loan; *provided*, *however*, 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 Servicer. This indemnity shall survive any Service Transfer (but a Servicer's obligations under this Section 10.3 shall not relate to any actions of any Successor Servicer after a Service Transfer) and any payment of the amount owing hereunder or any release by the Issuer of any such Pledged Loan.

Section 10.4 *Operation of Indemnities.* Indemnification under this Article X shall include without limitation reasonable fees and expenses of counsel and expenses of litigation. If the Servicer has made any indemnity payments to the Trustee, the Noteholders, the Swap Counterparty or the Issuer pursuant to this Article X and if either the Trustee or the Issuer thereafter collect any of such amounts from others, the Trustee, the Noteholders, the Swap Counterparty or the Issuer will promptly repay such amounts collected to the Servicer without interest.

ARTICLE XI

EVENTS OF DEFAULT

Section 11.1 *Events of Default.* If any one of the following events shall occur:

(a) a default in the payment of any Accrued Interest on any Note when the same becomes due and payable, and such default shall continue for five Business Days; or

(b) a default in the payment of the principal of any Note when the same becomes due and payable on the Final Maturity Date; or

(c) a default in the observance or performance of any material covenant or agreement of the Issuer made with respect to itself or of the Servicer made with respect to itself in this Indenture (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 11.1 specifically dealt with), or any representation or warranty of the Issuer made as to itself or the Servicer made with respect to itself in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have

been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of which such representation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of thirty (30) days after there shall have been given, by registered or certified mail, return receipt requested to the Issuer and to the Servicer if the Servicer is in default by the Trustee or to the Issuer and the Servicer, as applicable, and the Trustee by the Holders of at least 25% of the Aggregate Principal Amount of the Notes, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) (1) the Issuer shall consent to the appointment of a conservator, receiver or liquidator in any insolvency, adjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Issuer or to all or substantially all of its property, as the case may be; (2) a decree or order of a court, agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, adjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Issuer and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or (3) the Issuer shall become insolvent or admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

(e) 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;

(f) failure on the part of FAC or Trendwest, if any, to (i) repurchase any Defective Loan or provide a Qualified Substitute Loan if required to do so under the terms of the applicable Purchase Agreement or (ii) maintain the perfection and first priority status of the security interest granted to the Depositor upon the sale of the Pledged Loans and such failure continues for a period of thirty (30) days after there shall have been given, by registered or certified mail, return receipt requested to the Issuer, and to FAC or Trendwest, as applicable, by the Trustee or to the Issuer and FAC or Trendwest, as applicable, and the Trustee by the Holders of at least 25% of the Aggregate Principal Amount of the Notes, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

THEN, with respect to the event described in subparagraph (d), an Event of Default shall occur as of the date of such event and with respect to each of the events described in subparagraphs (a), (b), (c), (e) and (f) an Event of Default shall occur upon the occurrence of the event, the passage of the applicable grace period, if any and the declaration that such event shall constitute an Event of Default which declaration shall be made by the Trustee or the Holders of at least 25% of the Aggregate Principal Amount of the Notes. If an Event of Default has occurred, it shall continue unless waived in writing by the Holders of at least 50% of the Aggregate Principal Amount of the Notes.

Promptly after the automatic occurrence of an Event of Default, and, in any event, within two Business Days thereafter, the Trustee shall notify each Noteholder and each Rating Agency 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 11.2 *Acceleration of Maturity; Rescission and Annulment.*

(a) If any Event of Default occurs under subparagraph (d) of Section 11.1, the principal of each Class of Notes then outstanding, together with accrued and unpaid interest thereon, will automatically be accelerated and become immediately due and payable. If any other Event of Default occurs, the Majority Holders of the Notes may accelerate the Notes by declaring the principal of all the Notes then

outstanding, together with accrued and unpaid interest thereon to be immediately due and payable, by a notice in writing to the Issuer, the Trustee and the Swap Counterparty and upon any such declaration such principal and interest shall become immediately due and payable.

(b) At any time after such an acceleration or declaration of acceleration of the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Indenture, such acceleration may be rescinded by the Holders of at least 50% of the Aggregate Principal Amount by written notice to the Issuer, the Trustee and the Swap Counterparty. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

(c) If an Event of Default has occurred and the Notes have been accelerated, payments will continue to be made in accordance with the Priority of Payment unless a Sequential Order Event has also occurred, in which case payments will be made as provided in Section 3.1 upon the occurrence of a Sequential Order Event; *provided*, *however*, if the Trustee has sold the Collateral under this Indenture, then payments shall be made as provided in Section 11.7.

Section 11.3 *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 and the Swap Counterparty the whole amount then due and payable on the Notes for principal and interest, with interest upon the overdue principal and upon overdue installments of interest, as determined for each Class, and any amounts due to the Swap Counterparty, 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 11.3 shall not exceed the aggregate proceeds from the sale of the relevant 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 to the Trustee for the benefit of the registered Holders to be applied as provided in this Indenture, 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 and the Swap Counterparty and as trustee of an express trust, may, with the prior written consent of or at the direction of the 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 Collateral wherever situated. In the event a Proceeding shall involve the liquidation of 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 Collection Account).

If an Event of Default occurs and is continuing, the Trustee may, and with the prior written consent of or at the direction of the Majority Holders, shall, proceed to protect and enforce its rights and the rights of the Noteholders hereunder 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 Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 11.4 *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) to file a proof of claim for the whole amount of principal and interest owing and unpaid in respect of the Notes 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 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;

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 XIII.

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 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 11.5 *Remedies.*

(a) If an Event of Default shall have occurred and be continuing, 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, do one or more of the following (subject to Section 11.6):

(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 Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral monies adjudged due;

(2) obtain possession of the Pledged Loans in accordance with the terms of the Custodial Agreement and sell the 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 11.13;

(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 this Indenture with respect to the Collateral; and

(4) exercise any remedies of a secured party under the UCC with respect to the Collateral (including any Accounts) and take any other appropriate action to protect and enforce the rights and remedies of the Trustee or the Holders and each other agreement contemplated hereby (including retaining the Collateral pursuant to Section 11.6 and applying distributions from the Collateral pursuant to Section 11.7);

provided, *however*, that neither the Trustee nor the Collateral Agent may sell or otherwise liquidate the Collateral which constitutes Pledged Loans and Pledged Assets following an Event of Default other than an Event of Default described in this Indenture resulting from an Insolvency Event, unless either (i) the Holders of 100% of the Aggregate Principal Amount of the Notes then outstanding consent

thereto, (ii) the proceeds of such sale or liquidation are sufficient to discharge in full the amounts then due and unpaid upon the Notes for principal and Accrued Interest and the fees and other amounts required to be paid prior to payment of amounts due on the Notes pursuant to Section 11.7 or (iii) the Holders of $66^2/_3\%$ of the Principal Amount of each Class consent thereto and the Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of, and interest on, the Notes 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 11.6, 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 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 11.5(a), the Trustee may, and at the request of the Majority Holders 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 11.6 *Optional Preservation of Collateral.* If the Notes 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 shall, elect to retain the Collateral securing the Notes intact for the benefit of the Holders of the Notes and the Swap Counterparty and in such event it shall deposit all funds received with respect to the Collateral into the Collection Account and apply such funds in accordance with the payment priorities set forth in this Indenture, 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 Collateral are sufficient to provide the funds required to pay the principal of and interest on the Notes as and

when such principal and interest would have become due and payable pursuant to the terms of this Indenture 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 Collateral pursuant to this Section 11.6, the Trustee shall continue to apply all distributions received on such Collateral in accordance with this Indenture. If the Trustee determines to retain the Collateral as provided in this Section 11.6, 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 11.2, 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 11.7 *Application of Monies Collected During Event of Default.* If the Notes have been accelerated following an Event of Default and such acceleration and its consequences have not been rescinded and annulled, and the Trustee has sold the Collateral, the proceeds collected by the Trustee pursuant to this Article XI or otherwise with respect to such Notes shall be applied as provided below:

FIRST, to the Trustee in payment of the Monthly Trustee Fees and in reimbursement of permitted expenses of the Trustee under each of the Transaction Documents to which the Trustee is a party and amounts due to the Trustee as indemnification; in the event of a Servicer Default and the replacement of the Servicer with the Trustee or a Successor Servicer, the costs and expenses of replacing the Servicer shall be permitted expenses of the Trustee;

SECOND, to the Servicer, the Monthly Servicer Fee plus any unreimbursed Servicer Advances plus any accrued and unpaid Monthly Servicer Fees and any unreimbursed Servicer Advances for prior Payment Dates;

THIRD, to the Swap Counterparty, the Net Swap Payment, if any;

FOURTH, to the extent not paid by the Servicer, to the Custodian the Monthly Custodian Fee, plus any accrued and unpaid Monthly Custodian Fees for prior Payment Dates;

FIFTH, to the extent not paid by the Servicer, to the Collateral Agent, the Monthly Collateral Agent Fee plus any accrued and unpaid Monthly Collateral Agent Fees for prior Payment Dates;

SIXTH, (i) to the holders of the Class A-1 Notes, Accrued Interest and any Interest Carry-Forward Amounts owing on the Class A-1 Notes, and to the holders of the Class A-2 Notes, Accrued Interest and any Interest Carry-Forward Amounts owing on the Class A-2 Notes, pro rata in proportion to their respective Class Percentages, and then, (ii) to the holders of the Class A-1 Notes the lesser of (a) the amount allocated to the Class A-1 Notes when all Available Funds are allocated pro rata between the Class A-1 Notes and the Class A-2 Notes in proportion to their respective Principal Amounts and (b) the Principal Amount of the Class A-1 Notes; and then, (iii) to the holders of the Class A-2 Notes and the Swap Counterparty, pro rata in proportion to the Principal Amount of the Class A-2 Notes and the unpaid Senior Priority Swap Termination Amount, respectively, until such amounts are reduced to zero;

SEVENTH, Accrued Interest and any Interest Carry-Forward Amounts owing on the Class B Notes and principal on the Class B Notes until the Class B Notes are paid in full;

EIGHTH, Accrued Interest and any Interest Carry-Forward Amounts owing on the Class C Notes and principal on the Class C Notes until the Class C Notes are paid in full;

NINTH, Accrued Interest and any Interest Carry-Forward Amounts owing on the Class D Notes and principal on the Class D Notes until the Class D Notes are paid in full;

TENTH, to the Trustee, any other amounts due to the Trustee under this Indenture; and

ELEVENTH, to Issuer, any remaining amounts free and clear of the Lien of this Indenture.

Section 11.8 *Limitation on Suits by Individual Noteholders.* Subject to Section 11.9, no Noteholder shall have any right to institute any Proceeding with respect to this Indenture, 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 shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(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 Indenture 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 Indenture, except in the manner herein provided.

Section 11.9 *Unconditional Rights of Noteholders to Receive Principal and Interest.* Notwithstanding any other provision in this Indenture, 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 Indenture 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 11.10 *Restoration of Rights and Remedies.* If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture 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 11.11 *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 this Indenture and the Notes issued thereunder the Holders of 50% or more of the Aggregate Principal Amount of Notes have the right to waive any Event of Default 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 Indenture but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 11.12 *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 Indenture; 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 11.13 *Sale of Collateral.*

(a) The power to effect any sale (a "*Sale*") of any portion of the Collateral pursuant to Section 11.5 shall not be exhausted by any one or more Sales as to any portion of such Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable on the Notes 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 this Indenture.

(b) The Trustee and the Collateral Agent shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the 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 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 11.14 *Action on Notes.* The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. 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 Collateral.

Section 11.15 *Control by Noteholders.* If an Event of Default has occurred and is continuing, the Majority Holders 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 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 Indenture;

(ii) any direction to the Trustee to sell or liquidate the Collateral which constitutes Loans and the related Pledged Assets shall be subject to the provisions of Sections 11.5 and 11.6;

(iii) if the conditions set forth in Section 11.6 have been satisfied and the Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Trustee by Holders of Notes representing less than $66^2/_3\%$ of the Notes Principal Amount to sell or liquidate the 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 13.1, the Trustee need not take any action that it determines might involve it in liability.

ARTICLE XII

SERVICER DEFAULTS

Section 12.1 *Servicer Defaults.* If any one of the following events (each, a "*Servicer Default*") shall occur and be continuing:

(a) any failure by the 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 Indenture and such failure remains unremedied for three Business Days; *provided, however*, that if the Servicer is

unable to make a payment, transfer or deposit when due and such failure is as a result of circumstances beyond the Servicer's control, the grace period shall be extended to five Business Days;

(b) failure on the part of the Servicer duly to observe or perform any other covenants or agreements of the Servicer set forth in this Indenture or any other Transaction Document to which the Servicer is a party and such failure continues unremedied for a period of 30 days after the earlier of the date on which the 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 Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of 25% or more of the Aggregate Principal Amount of the Notes;

(c) any representation and warranty made by the Servicer in this Indenture 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 Servicer is not in compliance with such representation or warranty within 30 Business Days after the earlier of the date on which the 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 Servicer by the Trustee or to the Servicer and the Trustee by the Holders of 25% or more of the Aggregate Principal Amount of the Notes;

(d) an Insolvency Event shall occur with respect to the Servicer or Cendant; or

(e) the Servicer shall fail to deliver the reports described in Section 8.1 of this Indenture and such failure shall continue for five Business Days.

THEN, so long as such Servicer Default shall be continuing, either the Trustee, or the Majority Holders of all Notes by notice then given in writing to the Servicer, the Swap Counterparty, the Issuer 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 Servicer as Servicer under this Indenture (such termination being herein called a "*Service Transfer*"). After receipt by the Servicer and the Trustee of such Termination Notice and subject to the terms of Section 12.2(a), the Trustee shall automatically assume the responsibilities of the Servicer hereunder until the date that a Successor Servicer shall have been appointed pursuant to Section 12.2 and all authority and power of the Servicer under this Indenture shall pass to and be vested in the Trustee or such Successor 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 Servicer to cooperate) to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments upon the failure of the 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 Servicer agrees to cooperate with the Trustee and such Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing hereunder, including without limitation the transfer to such Successor Servicer of all authority of the Servicer to service the Pledged Loans provided for under this Indenture, including without limitation all authority over any Collections which shall on the date of transfer be held by the Servicer for deposit in a Lockbox Account or which shall thereafter be received by the Servicer with respect to the Pledged Loans, and in assisting the Successor Servicer in enforcing all rights under this Indenture including, without limitation, allowing the Successor Servicer's personnel access to the Servicer's premises for the purpose of collecting payments on the Pledged Loans made at such premises. The Servicer shall promptly transfer its electronic records relating to the Pledged Loans to the Successor Servicer in such electronic form as the Successor Servicer may reasonably request and shall promptly transfer to the Successor 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 Servicer shall reasonably request. The Servicer shall allow the Successor Servicer access to the Servicer's officers and employees. To the extent that compliance with this Section 12.1 shall require the Servicer to disclose to the Successor Servicer information of any kind which the Servicer reasonably deems to be confidential, the Successor Servicer shall be required to enter into such customary licensing and confidentiality agreements as the Servicer shall deem necessary to protect its interest and as shall be satisfactory in form and substance to the Successor Servicer. The 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 Servicer with the provisions of this paragraph.

Section 12.2 *Appointment of Successor.*

(a) *Appointment.* On and after the receipt by the Servicer of a Termination Notice pursuant to Section 12.1, or any permitted resignation of the Servicer pursuant to Section 7.12, the Servicer shall continue to perform all servicing functions under this Indenture until the date specified in the Termination Notice or otherwise specified by the Trustee or until a date mutually agreed upon by the Servicer and the Trustee. Upon receipt by the Servicer of a Termination Notice, the Trustee shall as promptly as possible after the giving of a Termination Notice appoint a successor servicer (in any case, the "*Successor Servicer*") and such Successor 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 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 Indenture on the date of such termination. In the event that a Successor 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 Indenture, 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 Servicer, the Trustee will act as the Successor Servicer.

(b) *Duties and Obligations of Successor Servicer.* Upon its appointment, the Successor Servicer shall be the successor in all respects to the Servicer with respect to servicing functions under this Indenture and shall be subject to all the responsibilities and duties relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Indenture to the Servicer shall be deemed to refer to the Successor Servicer.

(c) *Compensation of Successor 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 Servicer. The costs and expenses of transferring servicing shall be paid by the 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 herein in Sections 3.1 and 11.7.

Section 12.3 *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 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 and to the Swap Counterparty. Upon any termination or appointment of a Successor Servicer pursuant to this Article XII, the Trustee shall give prompt written notice thereof to the Issuer and to the Noteholders at their respective addresses appearing in the Note Register and to the Swap Counterparty.

Section 12.4 *Waiver of Past Defaults.* With respect to a Servicer Default described in Section 12.1, the Majority Holders of the Notes may, on behalf of all Holders, waive any default by the 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 Indenture. 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 12.5 *Termination of Servicer's Authority.* All authority and power granted to the Servicer under this Indenture shall automatically cease and terminate upon termination of this Indenture 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 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 Indenture. The Servicer shall cooperate with the Issuer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing on the Pledged Loans. The 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 12.5 shall require the Servicer to disclose information of any kind which the Servicer deems to be confidential, the Issuer shall be required to enter into such customary licensing and confidentiality agreements as the Servicer shall deem necessary to protect its interests and as shall be reasonably satisfactory in form and substance to the Issuer.

Section 12.6 *Matters Related to Successor Servicer.*

The Successor Servicer will not be responsible for delays attributable to the Servicer's failure to deliver information, defects in the information supplied by the Servicer or other circumstances beyond the control of the Successor Servicer.

The Successor Servicer will make arrangements with the Servicer for the prompt and safe transfer of, and the Servicer shall provide to the Successor Servicer, all necessary servicing files and records, including (as deemed necessary by the Successor 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 Servicer, reflecting all applicable Pledged Loan information.

The Successor 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 Indenture if any such failure or delay results from the Successor Servicer acting in accordance with information prepared or supplied by a Person other than the Successor Servicer or the failure of any such Person to prepare or provide such information. The Successor 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 Servicer, the Issuer or the Trustee or for any inaccuracy or omission in a notice or communication received by the Successor 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 Servicer assumes the role of Successor Servicer hereunder, such Successor Servicer shall be entitled to appoint Subservicers whenever it shall be deemed necessary by such Successor Servicer.

ARTICLE XIII

THE TRUSTEE; THE COLLATERAL AGENT; THE CUSTODIAN

Section 13.1 *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 Indenture. 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 Indenture, 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 Indenture until the termination of this Indenture in accordance with Section 14.1 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 Indenture, 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 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 Indenture discovered by the Trustee.

(c) Subject to Section 13.1(a), no provision of this Indenture 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 Indenture 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 Indenture;

(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 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 Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, no implied covenants or obligations shall be read into this Indenture 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 Indenture.

(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 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 Indenture shall in any event require the Trustee to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer under this Indenture 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 Servicer in accordance with the terms of this Indenture.

(e) Except for actions expressly authorized by this Indenture, 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 Indenture, the Trustee shall have no power to dispose of or vary any Collateral.

(g) In the event that the Note Registrar shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the Note Registrar, as the case may be, under this Indenture, the Trustee (if it is not then the Note 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 Indenture 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 Collateral other than from funds available in the Collection Account, or (D) confirm or verify the contents of any reports or certificates of the Servicer delivered to the Trustee pursuant to this Indenture believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties.

Section 13.2 *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 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 Indenture, 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 Indenture, 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 Indenture, 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 Indenture, 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 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 Indenture, 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 13.1(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 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 Indenture 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 13.3 *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 13.14, the Trustee makes no representations as to the validity, enforceability or sufficiency of this Indenture 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 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 Indenture 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 Indenture.

Section 13.4 *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 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 Indenture 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 Indenture.

Section 13.5 *Trustee's Fees and Expenses; Indemnification.* The Trustee shall be entitled to receive from time to time pursuant to this Indenture 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 Indenture or the Collateral Agency Agreement and (b) subject to Section 10.3, the Issuer and the 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 Indenture 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 Indenture, the Collateral Agency Agreement or any other Transaction 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 Servicer pursuant to Section 10.2, the provisions of this Section 13.5 shall not apply to expenses, disbursements and advances made or incurred by the Trustee in its capacity as Successor Servicer. The agreements in this Section 13.5 shall survive the termination of this Indenture, the resignation or removal of the Trustee and all amounts payable on account of the Notes.

Anything in this Indenture 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 13.6 *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 13.6, 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 13.6, the Trustee shall resign immediately in the manner and with the effect specified in Section 13.7.

Section 13.7 *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 Swap Counterparty, the 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 13.6 and the Servicer shall notify the Trustee, the Swap Counterparty 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 (with notice to the Swap Counterparty). 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 13.6 and shall fail to resign after written request therefor by the Issuer or the 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 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 13.7 shall not become effective until acceptance of appointment by the successor Trustee as provided in Section 13.8.

Section 13.8 *Successor Trustee.*

(a) Any successor Trustee, appointed as provided in Section 13.7, shall execute, acknowledge and deliver to the Issuer, the 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 13.8 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 13.6.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section 13.8, such successor Trustee shall mail notice of such succession hereunder to the Trustee, the Issuer, the Swap Counterparty, the Servicer and all Noteholders at their addresses as shown in the Note Register.

Section 13.9 *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 13.6, 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 13.10 *Appointment of Co-Trustee or Separate Trustee.*

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the 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 Collateral and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders and the Swap Counterparty, such title to the Collateral, or any part thereof, and subject to the other provisions of this Section 13.10, 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 13.6 and no notice to the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 13.8.

(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 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 Indenture and the conditions of this

Article XIII. 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 Indenture, specifically including every provision of this Indenture 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 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 Indenture 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 13.11 *Trustee May Enforce Claims Without Possession of Notes.* All rights of action and claims under this Indenture 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 13.12 *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 XI and Section 12.1, proceed to protect and enforce its rights and the rights of the Noteholders under this Indenture 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 Indenture or in aid of the execution of any power granted in this Indenture 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 13.13 *Rights of Noteholders to Direct the Trustee.* The Majority Holders shall 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 13.1, 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 13.2, by such Holders; and *provided further*, that nothing in this Indenture 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 13.14 *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 Indenture and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture; and

(c) this Indenture 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 13.15 *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 Indenture may be served. The Trustee will give prompt written notice to the Issuer, the Swap Counterparty, the Servicer and the Noteholders of any change in the location of any such office or agency.

Section 13.16 *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 13.17 *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 Indenture in order to perfect the security interest in the Collateral, and 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 Indenture and the Collateral Agency Agreement.

Section 13.18 *Replacement of the Custodian.* Each of the Issuer and the Servicer agree not to replace the Custodian unless the Rating Agency Condition has been satisfied with respect to such replacement.

ARTICLE XIV

TERMINATION

Section 14.1 *Termination of Agreement.* The respective obligations and responsibilities of the Issuer, the 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 Collection Account sufficient to pay the Aggregate Principal Amount of all Notes plus all interest accrued on the Notes through the day preceding such Payment Date; *provided* that, all amounts required to be paid on such Payment Date pursuant to this Indenture shall have been paid.

Section 14.2 *Final Payment.*

(a) Written notice of any termination shall be given (subject to at least two Business Days' prior notice from the Servicer to the Trustee) by the Trustee to the Noteholders, the Swap Counterparty 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 Note 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 14.3 *[Reserved].*

Section 14.4 *Release of Collateral.* Upon the termination of this Indenture pursuant to Section 14.1, 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 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 Collateral.

Section 14.5 *Release of Defaulted Loans.*

(a) *Issuer May Obtain Release.* If any Pledged Loan becomes a Defaulted Loan during any Due Period, the Issuer may, subject to the limitation set forth in Section 14.5(d), obtain a release of such Pledged Loan from the Lien of this Indenture on any Payment Date thereafter. To obtain such release the Issuer shall be required either to (i) pay the Release Price of such Defaulted Loan to the Trustee for deposit into the Collection Account or (ii) deliver to the Trustee one or more Qualified Substitute Loans in substitution for such Defaulted Loan. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to this Section 14.5 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 (i) 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 or (ii) deliver the Qualified Substitute Loan or Qualified Substitute Loans by 12:00 noon, New York City time, on the Payment Date on which such release is made and pay any Substitution Adjustment Amount to the Trustee for deposit into the Collection Account not later than 12:00 noon, New York City time, on such Release Date.

(b) *Substitution.* If a Seller delivers to the Issuer a Qualified Substitute Loan or Qualified Substitute Loans in lieu of payment for the repurchase of a Defaulted Loan, the Issuer shall execute a Supplemental Grant in substantially the form of Exhibit J hereto and deliver such Supplemental Grant to the Trustee and the Collateral Agent. Payments due with respect to Qualified Substitute Loans on or prior to the Calculation Date next preceding the date of substitution shall not be property of the Issuer, but, to the extent received by the Servicer, will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Payment Date. Payments due with respect to the Qualified Substitute Loans after the Calculation Date next preceding the date of substitution shall be property of the Issuer. The Issuer shall cause the Servicer to deliver a schedule of any Defaulted Loans so removed and Qualified Substitute Loans so substituted to the Trustee and the Collateral Agent and such schedule shall be an amendment to the Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Qualified Substitute Loans shall be subject to the terms of this Indenture in all respects, the Issuer shall be deemed to have made the representations, and warranties with respect to

each Qualified Substitute Loan set forth in Section 5.1 and 5.2 of this Indenture, in each case as of the date of substitution, and the Issuer shall be deemed to have made a representation and warranty that each Loan so substituted is a Qualified Substitute Loan as of the date of substitution. The provisions of Section 5.4(a) shall apply to any Qualified Substitute Loan as to which the Issuer has breached the Issuer's representations and warranties in Section 5.1 and 5.2 to the same extent as for any other Pledged Loan. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defaulted Loans, the Servicer shall determine the Substitution Adjustment Amount. Such Substitution Adjustment Amount shall be paid to the Trustee and treated as if it were a portion of the Release Price for the Defaulted Loan and included in Available Funds as such.

(c) *Release of Defaulted Loans.* Upon each release of a Pledged Loan under this Section 14.5, 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 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 Indenture. 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 Pledged Assets pursuant to this Section 14.5. Promptly after the occurrence of a Release Date and after the payment for or substitution for and release of a Defaulted Loan, in respect to which the Release Price has been paid or Qualified Substitute Loans have been provided, the Issuer shall direct the Servicer to delete such Defaulted Loans from the Loan Schedule.

(d) *Limitations on Purchase of Defaulted Loans.* The amount of Defaulted Loans for which the Issuer is permitted to obtain a release and transfer to a Seller is limited as provided in the Fairfield Master Loan Purchase Agreement and the Trendwest Master Loan Purchase Agreement and as follows:

(i) The Loan Balance of Pledged Loans which become Defaulted Loans and which are released and transferred to FAC, as Seller, shall not exceed in the aggregate 10.5% of the Loan Balance of the Pledged Loans as of the Cut-Off Date which were Fairfield Loans; for such purposes, the Loan Balance of a Pledged Loan shall be calculated on the day prior to the day the Pledged Loan became a Defaulted Loan; and

(ii) The Loan Balance of Pledged Loans which become Defaulted Loans and which are released and transferred to Trendwest, as Seller, shall not exceed in the aggregate 16.0% of the Loan Balance of the Pledged Loans as of the Cut-Off Date which were Trendwest Loans; for such purposes, the Loan Balance of a Pledged Loan shall be calculated on the day prior to the day the Pledged Loan became a Defaulted Loan.

Section 14.6 *Release of Trendwest Timeshare Upgrades.* If a Trendwest Loan becomes a Trendwest Timeshare Upgrade, the Issuer, upon the written request of the Depositor and the receipt by the Issuer or the Trustee of the Release Price from or on behalf of the Depositor, shall obtain a release of such Pledged Loan from the Lien of this Indenture and upon such Release, shall transfer the Trendwest Loan to the Depositor. To obtain such release the Issuer shall be required to pay or cause to be paid to the Trustee the Release Price of such Trendwest Loan. Upon receipt of such Release Price, the Trustee shall deposit the Release Price into the Collection Account. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to this Section 14.6 not less than two Business Days prior to the date on which such release is to be effected, specifying the Trendwest Loan which has become a Trendwest Timeshare Upgrade 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 day on which such release is made.

Upon each release of a Pledged Loan under this Section 14.6, the Collateral Agent and the Trustee shall automatically and without further action release, sell, transfer, assign, set over and otherwise convey to the Depositor, without recourse, representation or warranty, all of the Collateral Agent's and Trustee's right, title and interest in and to such Trendwest Loan and the 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 Indenture. 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 Trendwest Loans and the related Pledged Assets pursuant to this Section 14.6. Promptly after the occurrence of a Release Date and after the payment for and release of a Trendwest Loan, in respect to which the Release Price has been paid the Issuer shall direct the Servicer to delete such Trendwest Loan from the Loan Schedule.

Section 14.7 *Release Upon Payment in Full.* At such time as the Notes have been paid in full, all fees and expenses of the Trustee and the Collateral Agent with respect to the Notes have been paid in full and all obligations relating to this Indenture 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 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 Collateral.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.1 *Amendment.*

(a) *Supplemental Indentures and Amendments Without Consent of the Noteholders.* The Issuer, the Trustee, the Collateral Agent and the 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 Indenture 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 and the Swap Counterparty 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 and the Swap Counterparty;

(iii) to correct or amplify the description of any property at any time subject to the Lien of this Indenture, 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 and the Swap Counterparty, any property subject to the Lien of this Indenture;

(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 the Notes, so long as any such modifications comply with the Securities Act and the Investment Company Act; or

(vi) 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 (vi), the Issuer shall have delivered to the Trustee an Officer's Certificate of the Issuer and an Officer's Certificate of the Servicer both to the effect that such change will not adversely affect the rights of any Noteholders.

Subject to Section 15.1(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 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 Indenture, or modifying in any manner the rights of the Holders of the Notes under this Indenture; *provided* that, so long as the Interest Rate Swap is in effect, no such amendment or supplemental indenture shall be entered into without the prior

written consent of the Swap Counterparty if the effect of such amendment or supplement would be to adversely affect the Swap Counterparty's ability or right to receive payment under the terms of the Interest Rate Swap, or if the amendment or supplemental indenture would modify the obligations of or impair the ability of the Issuer to fully perform any of its payment obligations under the Interest Rate Swap.

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 Collateral to the payment of Notes of such Series;

(iii) reduce the percentage of Noteholders required to take or approve any action under this Indenture; or

(iv) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or terminate the lien of this Indenture on any property at any time subject thereto or deprive the Noteholders of the security afforded by the lien of this Indenture.

It shall not be necessary in connection with any consent of the Noteholders under this Section 15.1(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 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 Servicer of any amendment or supplemental indenture pursuant to this Section 15.1(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 15.1 or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Sections 13.1 and 13.2) 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 Indenture and that all conditions precedent applicable thereto under this Indenture 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 Indenture or otherwise.

(d) *Effect of Amendments and Supplemental Indentures.* Upon the execution of any amendment or supplemental indenture under this Section 15.1, this Indenture shall be modified in accordance therewith, and such amendment or supplemental indenture shall form a part of this Indenture 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 15.1 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 the Authentication 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 15.2 *Discretion with Respect to Derivative Financial Instruments.* The parties to this Indenture recognize and agree that, in the course of managing its assets and obligations, the Issuer may, from time to time, find it useful and prudent to enter into, or to terminate or modify, derivative financial instruments for the purpose of hedging its interest rate risk, and the parties hereby agree that, (a) in addition to the Interest Rate Swap, the Issuer may, from time to time, enter into derivative financial instruments for the purpose of hedging the Issuer's interest rate risk and (b) the Issuer may, in its discretion, terminate, or modify, any such derivative financial instrument; *provided* that the Issuer shall not terminate or modify the Interest Rate Swap except as provided in this Indenture and solely in accordance with the appropriate mechanism(s) as set forth in the Interest Rate Swap, and, with respect to any derivative financial instruments, other than the Interest Rate Swap, the Issuer shall not enter into any such instruments unless the Rating Agency Condition has been satisfied with respect to such derivative financial instrument; *provided further*, *however*, that, so long as the Interest Rate Swap is in effect, (x) no instrument shall be entered into pursuant to clause (a) above and (y) no termination (or modification) shall be effected pursuant to clause (b) above, without the prior written consent of the Swap Counterparty if the effect of such instrument, termination (or modification) would be to adversely affect the Swap Counterparty's ability or right to receive payment under the terms of the Interest Rate Swap, or if the instrument, termination (or modification) would modify the obligations of or impair the ability of the Issuer to fully perform any of its payment obligations under the Interest Rate Swap; and *provided further*, *however*, that any termination, modification or replacement with respect to the Interest

Rate Swap effected otherwise in accordance with this Indenture and the appropriate mechanism(s) as set forth in the Interest Rate Swap shall not be subject to the provisions of this Section 15.2.

Section 15.3 *Limitation on Rights of the Noteholders.*

(a) The death or incapacity of any Noteholder shall not operate to terminate this Indenture, 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 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 Indenture pursuant to any provision hereof.

Section 15.4 *Governing Law.* This Indenture 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 15.5 *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 2003-2 RECEIVABLES FUNDING COMPANY, LLC
10750 West Charleston Boulevard
Suite 130, Mail Stop 2044
Las Vegas, Nevada 89135
Attention: President
(or such other address as may hereafter be furnished to the Trustee, the Servicer and the Collateral Agent in writing by the Issuer).

If to the Servicer:

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA
10750 West Charleston Boulevard
Suite 130
Las Vegas, Nevada 89135
Fax number: 702-227-3114
Attention: John P. Cole
(or such other address as may hereafter be furnished to the Trustee, the Issuer and the Collateral Agent in writing by the 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 2003-2 Receivables Funding Company, LLC

(or such other address as may be furnished to the Servicer, the Issuer or the Collateral Agent in writing by the Trustee).

If to the Collateral Agent:

WACHOVIA BANK, NATIONAL ASSOCIATION
269 Technology Way
Building B, Unit 3
Rocklin, CA 95765
Fax number: 916-626-3152
Attention: Structured Finance Trust Services
Re: Sierra 2003-2 Receivables Funding Company, LLC

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer by the Collateral Agent).

If to each Rating Agency:

Fitch, Inc.
Attn: Asset-Backed Securities—Timeshare
55 East Monroe
Suite 3500
Chicago, IL 60610
Fax number: 312-368-2069

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer).

Moody's Investors 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 Servicer).

Standard & Poor's Ratings Group
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 Servicer).

If to the Swap Counterparty:

Bank of America, N.A.
Sear Tower
233 South Wacker Drive, Suite 2800
Chicago, Illinois 60606
Attention: Swap Operations
Telex N.: 49663210 Answerback: NATIONSBANK CHA

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer),

with a copy to:

Bank of America, N.A.
100 N. Tryon St., NC1-007-13-01
Charlotte, North Carolina 28255
Attention: Capital Markets Documentation
(Telex No.: 9663210; Answerback: NATIONSBK CHA)
Facsimile No.: 704-386-4113

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 Indenture shall be conclusively presumed to have been duly given, whether or not the Noteholder receives such notice.

Section 15.6 *Severability of Provisions.* If any one or more of the covenants, agreements, provisions or terms of this Indenture 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 Indenture and shall in no way affect the validity or enforceability of the other provisions of this Indenture or of the Notes or rights of the Noteholders thereof.

Section 15.7 *Assignment.* Notwithstanding anything to the contrary contained herein, except as provided in Section 12.2, this Indenture may not be assigned by the Issuer or the Servicer without the prior consent of the Majority Holders and the Swap Counterparty.

Section 15.8 *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 15.9 *Further Assurances.* Each of the Issuer, the 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 Indenture, including without limitation the authorization 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 15.10 *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 15.11 *Counterparts.* This Indenture 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 15.12 *Third-Party Beneficiaries.* This Indenture will inure to the benefit of and be binding upon the parties hereto, the Swap Counterparty, the Noteholders and their respective successors and permitted assigns. Except as otherwise provided in this Article XV, no other person will have any right or obligation hereunder.

Section 15.13 *Actions by the Noteholders.*

(a) Wherever in this Indenture 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 Indenture, 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 Servicer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 15.14 *Merger and Integration.* Except as set forth in the Trustee Fee Letter, and except as *specifically* stated otherwise herein, this Indenture and the other Transaction 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 Indenture and the other Transaction Documents. This Indenture may not be modified, amended, waived or supplemented except as provided herein.

Section 15.15 *No Bankruptcy Petition.* The Trustee, the 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 15.16 *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, the Issuer, the Servicer, the Trustee and the Collateral Agent have caused this Indenture to be duly executed by their respective officers as of the day and year first above written.

SIERRA 2003-2 RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

By: /s/ John P. Cole

Name: John P. Cole
Title: President and Treasurer

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Servicer

By: /s/ John P. Cole

Name: John P. Cole
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Gregory Yanok

Name: Gregory Yanok
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Cheryl Whitehead

Name: Cheryl Whitehead
Title: Vice President

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Exhibit 10.75

THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Employment Agreement, first dated as of January 12, 2000, amended and restated as of March 1, 2000, further amended and restated as of February 14, 2003, by and between Cendant Corporation, a Delaware corporation ("Cendant") and Thomas D. Christopoul (the "Executive"), is hereby further amended and restated effective as of October 1, 2003 (the "Agreement").

WHEREAS, Cendant desires to employ the Executive as Co-Chairman and Chief Executive Officer of Cendant's Financial Services Division, and the Executive desires to serve Cendant in such capacity.

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

SECTION I
EMPLOYMENT

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

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as Co-Chairman and Chief Executive Officer of Cendant's Financial Services Division ("FSD"), and subject to the direction of the Supervising Officer (as defined below), will perform such duties and exercise such supervision with regard to the business of FSD and Cendant as are associated with such position, as well as such additional duties as may be prescribed from time to time by the Supervising Officer. The Supervising Officer will be a senior executive officer of Cendant designated by the Chief Executive Officer of Cendant (the "CEO") from time to time; provided, that the Supervising Officer will be at all times either the CEO or an officer who reports directly to the CEO (excluding the Managing Director of Cendant EMEA and the Cendant General Counsel). The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for FSD and Cendant. The Executive will be required to certify the accuracy of financial statements and results applicable to business

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units under his control, subject to and in accordance with Cendant policy in effect from time to time. The Executive will maintain a primary office and conduct his business in Parsippany, New Jersey, except for normal and reasonable business travel in connection with his duties hereunder.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will begin on the date hereof and end on October 31, 2006, subject to earlier termination as provided in this Agreement.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of Cendant or any of their respective subsidiaries, divisions or affiliates, the Executive will be compensated as follows:

i. Base Salary.

Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than $650,000, per annum. The Executive will be eligible to receive annual increases as the Board of Directors of Cendant (the "Board") deems appropriate, in accordance with Cendant's customary procedures regarding the salaries of senior officers, but with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area. Base Salary will be payable according to the customary payroll practices of Cendant, but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus opportunity in respect of each fiscal year of Cendant during the Period of Employment based upon a target bonus of not less than 100% of Base Salary, subject to the attainment by Cendant of applicable performance targets established and certified by the Compensation Committee of the Board (the "Committee"). The parties acknowledge that it is currently contemplated that such performance targets

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will be stated in terms of "earnings before interest and taxes" of Cendant; however, such targets may relate to such other financial and business criteria of Cendant, or any of its subsidiaries or business units, as determined by the Committee in its sole discretion (each such annual bonus, an "Incentive Compensation Award").

iii. Long-Term Incentive Awards

The Executive will be eligible for stock option awards subject to the sole discretion of the Committee; provided, however, that such options shall be granted in accordance with the terms and conditions of the applicable option plans of Cendant and shall have such other terms and conditions as determined by the Committee in its sole discretion.

iv. Additional Benefits

The Executive will be entitled to participate in all other compensation and employee benefit plans or programs, and receive all benefits and perquisites, for which salaried employees of Cendant are generally eligible under any plan or program now in effect, or later established by Cendant, on the same basis as similarly situated senior officers or Senior Executive Vice Presidents of Cendant with comparable duties and responsibilities. Without limiting the generality of the foregoing, the Executive shall remain eligible to participate in the Cendant Deferred Compensation Plan and shall be entitled to supplemental executive medical benefits, tax and financial planning services, Park Avenue Club membership, one automobile under any Cendant officer automobile program, Fiddler's Elbow Cendant Corporate Golf Membership, and air transportation benefits; provided, however, that all such benefits and perquisites referenced in this paragraph will be provided to the Executive if and to the extent Cendant continues to provide them to other Senior Executive Vice Presidents of Cendant. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, and in accordance with the terms of such plans and program. Cendant has no obligation hereunder or otherwise to maintain any plan or program referenced under this paragraph.

Pursuant to prior agreement by letter dated May 2, 2003, the Executive agrees that Cendant may terminate the Executive's existing split dollar insurance policy and that the Executive will transfer, immediately upon request by Cendant, all of his rights pursuant to such policy (including rights to the cash surrender value) to Cendant. The Executive will execute such documents necessary to effectuate the foregoing.

SECTION V
BUSINESS EXPENSES

Cendant will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive will comply with such limitations and reporting requirements with respect to expenses as may be established by Cendant from time to time and will promptly provide all appropriate and requested documentation in connection with such expenses.

SECTION VI
DISABILITY

A. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for Base Salary and Incentive Compensation Awards earned but unpaid as of the date of such termination. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder, with or without reasonable accommodation, as a result of serious physical or mental illness or injury for a period of no less than 90 consecutive days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of 180 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VII
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for Base Salary and Incentive Compensation Awards earned but unpaid through the date of death, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, and except for benefits provided under the terms of any applicable employee benefit plan sponsored by Cendant.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates during the Period of Employment due to either a Without Cause Termination or a Constructive Discharge as defined below, subject to the Executive executing a release of claims against Cendant as more fully described in paragraph D of this Section VIII (i) Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such event (a) a lump sum amount equal to the Executive's then current Base Salary, plus the Executive's then current target Incentive Compensation Award, multiplied by three (3); provided, however, that in no event will the Incentive Compensation Award exceed 100% of then current Base Salary for purposes of such calculation and (b) any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination, (ii) each option to purchase shares of Cendant common stock granted to the Executive on or after January 12, 2000 shall, upon such event, become fully vested and exercisable and shall remain exercisable until the first to occur of the second anniversary of such termination of employment or the original expiration date of such option and (iii) the Executive shall be provided with post-termination medical insurance benefits for such period of time, and on such terms and conditions, no less favorable than as provided to any other Senior Executive Vice President of Cendant following the date of this Agreement (such benefits shall be limited to medical, dental and vision benefits, and MERP and executive physical benefits; provided, that Cendant may provide such benefits pursuant to individual policies or arrangements or pursuant to Cendant plans).

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

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

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

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gross negligence in the performance of his duties or (v) the Executive purposefully or negligently makes (or has been found to have made) a false certification to Cendant pertaining to its financial statements.

ii. "Constructive Discharge" means (i) any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other material element of compensation), (ii) a material and adverse change to, or a material reduction of, the Executive's duties and responsibilities to Cendant; provided, however, that a Constructive Discharge will not occur if Cendant requires the Executive to assume either of the following positions: (A) the Chief Administrative Officer Position (as defined below) or (B) the chairman and chief executive officer position of a division of Cendant, (iii) the relocation of the Executive's primary office to any location more than fifty (50) miles from Parsippany, New Jersey, (iv) the Supervising Officer is neither the CEO nor a senior executive officer of Cendant who reports directly to the CEO or (v) the Period of Employment expires on October 31, 2006 and Cendant does not offer to extend such Period of Employment on substantially similar professional and economic terms by at least two, and not more than three, additional year(s). The Executive will provide Cendant a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge. For purposes of this paragraph, the Chief Administrative Officer Position is a senior executive officer position of Cendant, reporting to either the CEO, the Chief Operating Officer of Cendant, or the Chief Financial Officer of Cendant, and having responsibility for oversight, coordination, administration and management of all or substantially all of the following corporate functions: Human Resources, Facilities, Telecommunications, Telephone Call Centers, Information Technology and Corporate-based Marketing and Relationships (or such other function of equivalent size, scope and responsibility to Corporate-based Marketing and Relationships).

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

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

D. Conditions to Payment and Acceleration. All payments and benefits due to the Executive under this Section VIII shall be made or provided as soon as practicable; provided, however, that such payments and benefits shall be

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subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form determined by Cendant in its sole discretion (so long as such release does not limit the Executive's right to indemnification under Section X hereof). The payments due to the Executive under this Section VIII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates. To the extent any term or condition of any option to purchase Cendant common stock conflicts with any term or condition of this Agreement applicable to such option, the term or condition set forth in this Agreement shall govern.

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

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party; provided, that such cooperation does not impose unreasonable hardship on the Executive and; further, provided, that Cendant reimburses the Executive for reasonable expenses.

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

C. i. During the Period of Employment and for a two (2) year period thereafter (the "Restricted Period"), irrespective of the cause, manner or

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time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

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

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

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

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v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" will include without limitation all subsidiaries and licensees of Cendant.

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

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

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

SECTION X
INDEMNIFICATION

Cendant will indemnify the Executive to the fullest extent permitted by the laws of the state of Cendant's incorporation in effect at that time, or the certificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive.

SECTION XI
MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the

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Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XII
WITHHOLDING TAXES

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

SECTION XIII
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive hereof, including, without limitation, that certain letter agreement between Cendant and the Executive dated as of April 1, 1999 (except with respect to any provisions in such letter agreement applicable to the treatment of Cendant stock options in connection with any termination of the Executive's employment), and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

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

or sale of assets the term “Cendant” will mean the other corporation and this Agreement will continue in full force and effect.

SECTION XV
MODIFICATION

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

SECTION XVI
GOVERNING LAW

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

SECTION XVII
ARBITRATION

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

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

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

D. The parties agree that this Section XVII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVII will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration

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actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

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

SECTION XVIII
SURVIVAL

Sections IX, X, XI, XII, and XVII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XIX
SEPARABILITY

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

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

CENDANT CORPORATION

/s/ Terry Conley

By: Terry Conley
Title: Executive Vice President,
Human Resources

THOMAS D. CHRISTOPOUL

/s/ Thomas D. Christopoul

Exhibit 10.76

Cendant Corporation
Senior Executive Officer Supplemental Life Insurance Program

This Senior Executive Officer Supplemental Life Insurance Program (the "Program") has been established by Cendant Corporation (the "Corporation"). The Program will have substantially such terms and conditions as set forth below, and shall be subject to such amendments, modifications and interpretations determined from time to time by the Corporation's Compensation Committee (the "Committee") in its sole and absolute discretion.

1. Participation. Participation in the Program is limited solely to senior executive officers of the Corporation as determined by the Committee in its sole and absolute discretion. No employee or officer of the Corporation shall have any right to participate in the Program absent the express written approval and designation of the Committee. Upon the Commencement of the Program in August 2003, Participation in the Program is limited to the senior executive officers listed below. From time to time, the Committee may approve and designate additional senior executive officers as eligible to participate. A senior executive officer of the Corporation approved and designated as a participant in the Program pursuant to a duly authorized act of the Committee is referred to herein as a "Participant."

Jim Buckman
Steve Holmes
Ron Nelson
Richard Smith
Sam Katz
Kevin Sheehan
Tom Christopoul
Scott Forbes

2. Removal From Participation. A Participant may be, and shall be, terminated from participating in the Program on the first to occur of the following: (i) upon the Committee's duly authorized action to terminate the Program for all then active Participants; provided, however, that each such Participant is provided no less than 30 days written notice of the termination of the Program; (ii) immediately upon a Participant's termination of employment with the Corporation and its subsidiaries for any reason whatsoever; (iii) upon any duly executed determination by the Committee that a Participant shall no longer be a Participant for any reason, or no reason, in the sole and absolute discretion of the Committee; provided, however, that any such Participant is provided no less than 30 days written notice of his or her termination as a Participant of the Program and (iv) immediately upon a Participant's failure to comply with the terms of the Program, including without limitation such Participant's failure to apply the after-tax proceeds of the Program Bonus (as defined below) towards the payment of premiums into an Approved Policy (as defined below) or the termination or surrender of such Participant's Approved Policy.

3. Description of the Program. Upon the commencement of the Program in August 2003 and upon each anniversary thereof, the Committee shall approve a lump sum cash bonus to each Participant (the "Program Bonus"). The amount of the Program Bonus for each

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Participant shall be determined by the Committee in its sole discretion, based upon such criteria and factors that it shall determine in its sole discretion. The amounts of the Program Bonuses for each Participant for each Program year shall be submitted to and approved, or disapproved, by the Committee. For the Program year commencing 2004, the Program Bonuses are set forth on Annex A hereto (under Alternative A).

Upon a Participant's receipt of a Program Bonus, such Participant shall be required to apply the entire after-tax proceeds of such Program Bonus towards the payment of premiums into a life insurance policy on the life of such Participant which policy has been approved by the Corporation's most senior human resources officer (an "Approved Policy"). Such payment into an Approved Policy must occur within 30 days following the Participant's receipt of the Program Bonus. The Corporation may develop such criteria as it determines reasonable and appropriate with respect to whether an insurance policy qualifies as an Approved Policy.

Unless the Committee determines otherwise, instead of applying all or part of the Program Bonus towards an Approved Policy, each Participant may elect to defer receipt of all or part of the Program Bonus and apply the proceeds into the Corporation's Deferred Compensation Plan, subject to execution of necessary deferral election forms. If a Participant makes an election to defer the Program Bonus into the Deferred Compensation Plan, then the amount of the Program Bonus may be altered as set forth on Annex A hereto (under Alternative B).

There is no requirement hereunder that Program Bonuses to respective Participants be of equal value, or that Approved Policies have equivalent terms and conditions or face amounts.

Each participant (or his or her duly established insurance trust) shall at all times be the sole owner of the Approved Policy and shall maintain all rights under such Approved Policy. Each Participant shall remain obligated to maintain his or her Approved Policy, and to make all required premium contributions. Participants shall not take policy loans or surrender any portion of an Approved Policy without the written approval of the Corporation. Any required premium payments into an Approved Policy in excess of the after-tax proceeds of the Program Bonus will be the sole responsibility of the Participant. Notwithstanding the foregoing or anything to the contrary herein, each Participant may assign ownership of his/her policy to an appropriate insurance trust approved by the Corporation, and upon such approval, the Corporation will recognize as appropriate such trust's ownership of such policy in accordance with the provisions hereunder.

For each of the initial Participants listed in paragraph 1 above, the initial Program Bonus will be made following each such Participant (i) providing the Corporation with a written acknowledgment stating they understand and agree with the terms of the Program and (ii) executing (or obtaining appropriate execution of) such appropriate documents as requested by the Corporation transferring all rights under their existing split dollar insurance policies to the Corporation.

3. Amendment and Termination. The Corporation intends to maintain the Program for each Participant so long as each such Participant remains an officer of the Corporation; provided, however, that the Corporation retains the right to amend, modify or terminate the Program at any time by the Committee in its sole and absolute discretion. In the event the Program is terminated because it is determined to be unlawful, the Corporation

will use its reasonable efforts to provide each Participant with an equitable replacement benefit. Upon the termination of the Program, no further Program Bonuses shall be paid, however each Participant shall retain all rights in respect of their respective Approved Policies. Except as provided above, upon the termination of the Program, no Participant will be entitled to any benefits or consideration in lieu of participation. The termination or amendment of the Program will not be deemed to constitute a constructive discharge of any Participant under applicable law or the employment agreement of any Participant, and will not be deemed to constitute a breach of any employment agreement of any Participant.

5. Miscellaneous. Any determinations made by the Committee in respect of the Program shall be final and binding on all parties, including Participants and the Corporation. Nothing contained herein is intended to provide any Participant a right to continued employment with the Corporation. Nothing contained herein is intended to modify or amend any provision in any employment agreement between the Corporation and any Participant.

Cendant Corporation
2003 Executive Life Insurance Program
Annex A

Participant	Alternative A-Policy Program Bonus Amount	Alternative B-Deferred Comp Program Bonus Amount
Jim Buckman	$ 166,047	$ 135,328
Steve Holmes	$ 62,795(1)	$ 80,128
Ron Nelson	$ 118,078	$ 96,233
Richard Smith	$ 96,582	$ 91,833
Sam Katz	$ 63,039	$ 51,377
Kevin Sheehan	$ 131,530	$ 119,473
Tom Christopoul	$ 56,820	$ 54,027
Scott Forbes	$ 80,498	$ 76,540

(1) Existing policy would remain in effect, Cendant would terminate its rights under Collateral Assignment and gift the value in the policy to Mr. Holmes.

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Exhibit 12

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

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Earnings available to cover fixed charges:					
Income (loss) before income taxes, minority interest and equity in Homestore	$ 2,231	$ 1,617	$ 663	$ 993	$ (668)
Plus: Fixed charges	1,025	828	963	546	594
Less: Equity income (loss) in unconsolidated affiliates	—	2	(5)	17	18
Minority interest (pre-tax) in mandatorily redeemable preferred interest in a subsidiary	6	14	23	25	—
Minority interest (pre-tax) in mandatorily redeemable trust preferred securities	—	—	14	106	96
Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges	25	20	—	—	—
Earnings available to cover fixed charges	$ 3,225	$ 2,409	$ 1,594	$ 1,391	$ (188)
Fixed charges [(a)]:					
Interest, including amortization of deferred financing costs	$ 880	$ 718	$ 816	$ 381	$ 463
Minority interest (pre-tax) in mandatorily redeemable preferred interest in a subsidiary [(b)]	6	14	23	25	—
Minority interest (pre-tax) in mandatorily redeemable trust preferred securities	—	—	14	106	96
Interest portion of rental payment	139	96	110	34	35
Total fixed charges	$ 1,025	$ 828	$ 963	$ 546	$ 594
Ratio of earnings to fixed charges	3.15x	2.91x	1.66x	2.55x	(c)

(a) Consists of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor. Interest expense on all indebtedness is detailed as follows:

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Incurred by the Company's PHH subsidiary	$ 264	$ 201	$ 258	$ 156	$ 133
Related to the Company's stockholder litigation settlement liability	—	—	131	63	—
Related to the debt under management and mortgage programs incurred by the Company's car rental subsidiary	270	213	189	—	—
All other	346	304	238	162	330

(b) Includes minority expense related to the Company's (i) mandatorily redeemable preferred interest in a subsidiary of $6 million, $14 million, $23 million and $25 million during 2003, 2002, 2001 and 2000, respectively, (ii) mandatorily redeemable trust preferred securities issued by subsidiary holding solely senior debentures issued by the Company of $14 million, $106 million and $96 million during 2001, 2000 and 1999, respectively, and (iii) venture with Marriott International, Inc. of $25 million and $20 million during 2003 and 2002, respectively.

(c) Earnings were inadequate to cover fixed charges for 1999 (deficiency of $688 million) as a result of other charges of $3,032 million, partially offset by $1,109 million related to the net gain on dispositions of businesses. Excluding such charges and net gain, the ratio of earnings to fixed charges is 2.92x.

QuickLinks

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

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 21

Cendant Corporation

Subsidiary	Jurisdiction of Incorporation
Advance Ross Corporation	DE
Advance Ross Electronics Corporation	IL
Advance Ross Intermediate Corporation	DE
Advance Ross Sub Company	DE
Aesop Funding II L.L.C.	DE
Aesop Leasing L.P.	DE
AFL Management Services, Inc.	DE
AFS Mortgage	CA
Amerihost Franchise Systems, Inc.	DE
Apanage B.V.	Netherlands
Apex Marketing, Inc.	AR
Apex Real Estate Information Services LLP	PA
Apollo Galileo USA Sub I, Inc.	DE
Apollo Galileo USA Partnership	DE
Apollo Galileo USA Sub II, Inc.	DE
ARAC Management Services, Inc.	DE
Atrium Insurance Corporation	NY
Avis Asia and Pacific, Limited	DE
Avis Car Holdings LLC	DE
Avis Car Holdings, Inc.	DE
Avis Car Rental Group, Inc.	DE
Avis Caribbean, Limited	DE
Avis Enterprises, Inc.	DE
Avis Fleet Leasing and Management Corporation	TX
Avis Group Holdings, Inc.	DE
Avis International, Ltd.	DE
Avis Management Pty. Limited	Australia
Avis Rent A Car de Puerto Rico, Inc.	Puerto Rico
Avis Rent A Car Limited	New Zealand
Avis Rent A Car System, Inc.	DE
Aviscar Inc.	Canada
Axiom Financial, Inc.	Utah
Bassae Holding, B.V.	Netherlands
Benefit Consultants Membership, Inc.	DE
Budget Rent A Car Australia Pty. Ltd.	Australia
Budget Rent A Car Operations Pty. Ltd.	Australia
Budget Rent A Car System, Inc.	DE
Burnet Title, Inc.	MN
Burnet Title, L.L.C.	MN
Burrow Escrow Services, Inc.	CA
Cendant (UK) Holdings Limited	UK
Cendant Auto Services, Inc.	DE
Cendant Canada, Inc.	Canada
Cendant Car Rental Group, Inc.	DE
Cendant Denmark Aps	Denmark
Cendant Finance Holding Corporation	DE
Cendant Hotel Group, Inc.	DE
Cendant International Holdings Limited	UK
Cendant Internet Group, Inc.	DE
Cendant Membership Services Holdings Subsidiary, Inc.	DE
Cendant Membership Services Holdings, Inc.	DE
Cendant Membership Services, Inc.	DE
Cendant Mobility Financial Corporation	DE
Cendant Mobility Government Financial Services Corporation	DE
Cendant Mobility Holdings Limited	UK
Cendant Mobility II Ltd.	UK
Cendant Mobility Limited.	UK
Cendant Mobility Services Corporation	DE
Cendant Mortgage Corporation	NJ
Cendant Operations, Inc.	DE
Cendant Publishing, Inc.	DE
Cendant Real Estate Holdings Inc.	DE
Cendant Settlement Services Group, Inc.	DE

Cendant Timeshare Resort Group, Inc.	DE
Cendant Transportation Corp.	DE
Cendant Travel Distribution Service Group, Inc.	DE
Cendant Travel Germany Verwaltungs GmbH	Frankfurt
Cendant Travel Germany GmbH & Co, KG	Frankfurt
Cendant Travel, Inc.	TN
Cendant Vacation Holdco Subsidiary LLC	DE
Cendant Vacation Holdco, Inc.	DE
Central Florida Title Company	FL
Century 21 Mortgage Corporation	MA
Century 21 Real Estate Corporation	DE
Chaconne Pty. Ltd.	Australia
Cheap Tickets, Inc.	DE
Chesapeake Funding LLC	DE
Cims B.V.	Netherlands
Cims Limited	UK
Coldwell Banker Corporation	DE
Coldwell Banker Mortgage Corporation	MA
Coldwell Banker Real Estate Corporation	CA
Coldwell Banker Real Estate Services, Inc.	NJ
Coldwell Banker Residential Brokerage Company	CA
Coldwell Banker Residential Brokerage Corporation	DE
Coldwell Banker Residential Real Estate Services of Wisconsin, Inc.	WI
Coldwell Banker Residential Real Estate, Inc.	CA
Coldwell Banker Residential Referral Network, Inc.	CA
Comp-U-Card Services, Inc.	DE
Constellation Reinsurance Company Limited	Barbados
Corcoran Group Brooklyn Landmark LLC	NY
Cornish & Carey Residential, Inc.	CA
Credentials Services International, Inc.	DE
Cuendent S.p.A.	Italy
D. L. Peterson Trust	DE
Days Inns Worldwide, Inc.	DE

Distribution Systems, Inc.	DE
Douglas & Jean Burgdorff, Inc.	NJ
Driversshield.com FS Corp.	NY
Eastern Resorts Corporation	DE
EFI Development Funding, Inc.	DE
EFI Funding Company, Inc.	DE
EMEA Holdings C.V.	Netherlands
Entriks Holdings B.V.	Netherlands
Equity Title Company	CA
Equivest Capital, Inc.	DE
Equivest Finance, Inc.	DE
Equivest Louisiana, Inc.	DE
Equivest Maryland, Inc.	DE
Equivest St. Thomas, Inc.	US Virgin Islands
Equivest Vacation and Travel Club, Inc.	NC
ERA Franchise Systems, Inc.	DE
ERA Mortgage Corporation	MA
Extra Holidays, LLC	DE
FAH Company, Inc.	DE
Fairfield Acceptance Corporation—Nevada	DE
Fairfield Funding Corporation, II	DE
Fairfield Funding Corporation, III	DE
Fairfield Myrtle Beach, Inc.	DE
Fairfield Receivables Corporation	DE
Fairfield Resorts, Inc.	DE
Fairtide Insurance Ltd.	Bermuda
FFD Development Company, LLC	DE
Galileo BA, Inc.	DE
Galileo Canada Distribution Systems, Inc.	Canada
Galileo Canada Holding, ULC	Nova Scotia
Galileo International Canada ULC	Nova Scotia
Galileo International Limited	UK
Galileo International, Inc.	DE
Galileo International, L.L.C.	DE
Galileo Switzerland AG	Switzerland
Galileo Technologies, Inc.	DE
GI Worldwide Holdings C.V.	Netherlands
GIW Holdings, C.V.	Netherlands
Haddonfield Holding Corporation	DE

Hamera Corp.	CA
Hewfant, Inc.	VA
HFS Truck Funding Corporation	DE
Holiday Cottages Group Limited	UK
Howard Johnson International, Inc.	DE
Instamortgage.com Corporation	MD
Intercambios Endless Vacation IEV, Inc.	IN
International Life Leisure Group Limited	UK
Internetwork Publishing Corporation	FL
Jack Gaughen, Inc.	PA

Jackson Hewitt Inc.	VA
Joseph J. Murphy Realty, Inc.	NJ
Knights Franchise Systems, Inc.	DE
Long Term Preferred Care, Inc.	TN
Magellen Technologies, Inc.	DE
National Internet Travel Agency, LP	FL
NE Moves Mortgage Corporation	MA
Neat Group Corporation	DE
Netmarket Group Inc.	DE
Netmarket, Inc.	DE
NGI Holdings, Inc.	DE
Nisbet Corporation	OH
Novasol A/S	Denmark
NRT Colorado, Inc.	CO
NRT Columbus, Inc.	DE
NRT Incorporated	DE
NRT Mid-Atlantic, Inc.	MD
NRT Missouri, Inc.	MO
NRT New England Incorporated	DE
NRT New York, Inc.	DE
NRT Settlement Services of Missouri, Inc.	DE
NRT Sunshine Inc.	DE
NRT Texas, Inc.	TX
NRT Utah, Inc.	DE
Ocean City Coconut Malorie Resort Inc.	MD
Palm Resort Group, Inc.	FL
Palm Vacation Group	FL
Pathfinder Insurance Company	CO
Peppertree Resorts Ltd.	NC
Peppertree Resorts Villas, Inc.	NC
PHH Canadian Holdings, Inc.	DE
PHH Corporation	MD
PHH Do Brasil Participacoes, LTDA	Brazil
PHH Financial Services, Inc.	MD
PHH Holdings Corporation	TX
PHH National Leasing, Inc.	MD
PHH Solutions and Technologies, LLC	DE
PHH Title Services Corporation	DE
PHH Vehicle Management Services Inc.	Canada
PHH Vehicle Management Services LLC	DE
Pointtravel Co. Ltd.	UK
Pointuero V Limited	UK
Preferred Mortgage Group, Inc.	VA
Progeny Marketing Innovations, Inc.	DE
Progressive Title Company, Inc.	CA
Quantitude, Inc.	DE
Raccoon Acquisition I, LLC	DE
Ramada Franchise Systems, Inc.	DE
Raven Funding LLC	DE

RCI Argentina, Inc.	IN
RCI Asia-Pacific Pty. Ltd	Australia
RCI Brasil Ltda.	Brazil
RCI Call Centre (Ireland) Limited	Ireland
RCI Canada, Inc.	IN
RCI Consulting, Inc.	IN
RCI Europe	UK

RCI General Holdco 2, Inc.	DE
RCI India Pvt. Ltd.	India
RCI Resort Management, Inc.	IN
RCI Technology Corp.	CO
RCI Tourism Development (India) Ltd.	UK
Reserve Claims Management Co.	DE
Residential Equity LLC	DE
Resort Condominiums International De Mexico S. De R.L. De C.V.	Mexico
Resort Condominiums International, LLC	DE
RMR Financial	CA
S.D. Shepard Systems, Inc.	TX
SafeCard Services, Incorporated	DE
Sierra Deposit Company, LLC	DE
Sierra Receivable Funding Company, LLC	DE
Soleil Florida Corp.	FL
Speedy Title & Appraisal Review Services Corporation	MD
St. Joe Real Estate Services, Inc.	FL
St. Joe Title Services, Inc.	FL
Sunbelt Lending Services, Inc.	FL
Super 8 Motels, Inc.	SD
Tax Services of America, Inc.	DE
Team Fleet Financing Corporation	DE
Terramar Guaranty title & Trust, Inc.	FL
Terren Corporation	Canada
The DeWolfe Companies, Inc.	MA
The DeWolfe Company, Inc.	MA
The Galileo Company	UK
The Sunshine Group (Florida) Ltd. Corp.	DE
The Sunshine Group (Florida) Limited Partnership	FL
TM Acquisition Corp.	DE
Travel 2 Limited	England & Wales
Travel 4 Limited	England & Wales
Travel Industries, Inc. (d/b/a THOR, Inc.)	DE
Travelodge Hotels, Inc.	DE
Travelport Corporate Solutions, Inc.	WA
Travelwire A/S	Denmark
Trendwest Funding I, Inc.	DE
Trendwest Resorts, Inc.	OR
Trendwest South Pacific Pty. Limited	Australia
TRI Funding Company I, LLC	DE
TRI Funding II, Inc.	DE
TRI Funding III, Inc.	DE

TRI Funding IV, Inc.	DE
TRI Funding V, Inc.	DE
Trilegiant Corporation	DE
Trip.com, Inc.	DE
TRUST International Hotel Reservation Services GmbH	Germany
TTG Independent Holidays Group Limited	UK
TW Holdings III, Inc.	DE
Two Flags Joint Venture LLC	DE
Vacation Break Resorts at Palm Aire, Inc.	FL
Vacation Break U.S.A., Inc.	FL
Vacation Exchanges International Pty. Limited	South Africa
Vacation Management Services	South Africa
Valley of California, Inc.	CA
Villager Franchise Systems, Inc.	CA
VMS Holdings, Inc.	DE
Welcome Holidays Limited	UK
West Coast Escrow Company	CA
Wingate Inns International, Inc.	DE
Wizard Co., Inc.	DE
WizCom International, Ltd.	DE
Wright Express Financial Services Corporation	UT
Wright Express LLC	DE
Wright Express Solutions and Technologies, LLC	DE
WTH Canada, Inc.	Canada
WTH Pty Limited	Australia

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Cendant Corporation

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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, 33-80834, 333-09633, 333-09637, 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, 333-98933, 333-102059 and 333-22003 on Form S-8 of our report dated February 25, 2004 (which expresses an unqualified opinion and includes an explanatory paragraph with respect to the adoption of the fair value method of accounting for stock-based compensation and the consolidation provisions for variable interest entities in 2003, the non-amortization provisions for goodwill and other indefinite-lived intangible assets in 2002, and the modification of the accounting treatment relating to securitization transactions and the accounting for derivative instruments and hedging activities in 2001) appearing in this Annual Report on Form 10-K of Cendant Corporation for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP
New York, New York
February 25, 2004

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INDEPENDENT AUDITORS' CONSENT

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Exhibit 31.1

CERTIFICATIONS

I, Henry R. Silverman, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2004

/s/ HENRY R. SILVERMAN

Chief Executive Officer

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CERTIFICATIONS

Exhibit 31.2

I, Ronald L. Nelson, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2004

/s/ RONALD L. NELSON

Chief Financial Officer

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Exhibit 32

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 for the period ended December 31, 2003, 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 Ronald L. Nelson, 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
March 1, 2004

/s/ RONALD L. NELSON

Ronald L. Nelson
Chief Financial Officer
March 1, 2004

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 Section 18 of the Securities Exchange Act of 1934, as amended.

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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