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

Form 10-Q

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

For the quarterly period ended June 30, 2003

Commission File No. 1-10308

Cendant Corporation

(Exact name of Registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**06-0918165** *(I.R.S. Employer Identification Number)*
9 West 57th Street **New York, NY** *(Address of principal executive office)*	**10019** *(Zip Code)*

(212) 413-1800
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed in Section 13 or 15(d) of the Securities 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 whether the Registrant is an accelerated filer (as defined in the Exchange Act Rule 12b-2): Yes ☒ No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the Registrant's common stock was 1,013,773,152 shares as of July 31, 2003.

Cendant Corporation and Subsidiaries

Table of Contents

		Page
PART I	Financial Information	
Item 1.	Financial Statements	
	Independent Accountants' Report	3
	Consolidated Condensed Statements of Income for the Three and Six Months Ended June 30, 2003 and 2002	4
	Consolidated Condensed Balance Sheets as of June 30, 2003 and December 31, 2002	5
	Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2003 and 2002	6
	Notes to Consolidated Condensed Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risks	43
Item 4.	Controls and Procedures	43

PART II	Other Information	
Item 1.	Legal Proceedings	43
Item 4.	Submission of Matters to a Vote of Security Holders	44
Item 6.	Exhibits and Reports on Form 8-K	44
	Signatures	45

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 and 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, war, pandemic illness, 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 and on our financing costs;
- 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;
- our ability 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, vehicle rental and real estate brokerage businesses;
- our ability 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;
- competitive and pricing pressures in the travel industry, including the vehicle rental and global distribution services industries;
- changes, if any, in the vehicle manufacturer repurchase arrangements in our Avis and Budget vehicle rental business;
- the performance of Trilegiant Corporation, which will be included in our consolidated results as of July 1, 2003 despite our limited ability to control the operations of Trilegiant;

- 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;

- in relation to our management and mortgage programs, (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 become limited in the event that our or PHH's credit ratings are downgraded below investment grade and, in certain circumstances, where we or PHH fail to meet certain financial ratios; and

- changes in laws and regulations or the applications thereof, including changes in accounting standards, global distribution services rules, telemarketing and timeshare sales regulations, state, international and federal tax laws, privacy policy regulations or other laws that impact our businesses.

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—FINANCIAL INFORMATION

Item 1. Financial Statements

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Cendant Corporation
New York, New York

We have reviewed the accompanying consolidated condensed balance sheet of Cendant Corporation and subsidiaries (the "Company") as of June 30, 2003, the related consolidated condensed statements of income for the three and six month periods ended June 30, 2003 and 2002, and the related consolidated condensed statements of cash flows for the six month periods ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated condensed financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 5, 2003 (March 3, 2003 as to the subsequent events described in Note 31), we expressed an unqualified opinion (and included an explanatory paragraph with respect to the adoption of the non-amortization provisions for goodwill and other indefinite lived intangible assets, the modification of the accounting treatment relating to securitization transactions and the accounting for derivative instruments and hedging activities and the revision of certain revenue recognition policies, as discussed in Note 1 to the consolidated financial statements) on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
New York, New York
August 6, 2003

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002

Revenues				
Service fees and membership, net	$ 3,170	$ 2,792	$ 5,960	$ 4,501
Vehicle-related	1,406	981	2,673	1,871
Other	4	11	41	28
Net revenues	4,580	3,784	8,674	6,400
Expenses				
Operating	2,401	1,831	4,414	2,695
Vehicle depreciation, lease charges and interest, net	617	510	1,213	1,009
Marketing and reservation	413	358	821	679
General and administrative	340	294	681	575
Non-program related depreciation and amortization	129	111	257	216
Non-program related interest, net:				
Interest expense, net	80	60	161	126
Early extinguishment of debt	6	38	54	38
Acquisition and integration related costs:				
Amortization of pendings and listings	4	194	7	194
Other	8	13	15	13
Total expenses	3,998	3,409	7,623	5,545
Income before income taxes and minority interest	582	375	1,051	855
Provision for income taxes	193	130	348	293
Minority interest, net of tax	7	6	12	8
Income from continuing operations	382	239	691	554
Income from discontinued operations, net of tax	—	24	—	51
Loss on disposal of discontinued operations, net of tax	—	(256)	—	(256)
Net income	$ 382	$ 7	$ 691	$ 349
Earnings per share				
Basic				
Income from continuing operations	$ 0.38	$ 0.23	$ 0.68	$ 0.55
Net income	0.38	0.01	0.68	0.35
Diluted				
Income from continuing operations	$ 0.37	$ 0.23	$ 0.67	$ 0.54
Net income	0.37	0.01	0.67	0.34

See Notes to Consolidated Condensed Financial Statements.

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

	June 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 627	$ 126
Restricted cash	309	307
Receivables, net	1,510	1,457
Deferred income taxes	334	334
Other current assets	934	1,134
Total current assets	3,714	3,358
Property and equipment, net	1,749	1,780
Deferred income taxes	946	1,115
Goodwill	10,809	10,699
Other intangibles, net	2,422	2,464
Other non-current assets	1,052	1,359
Total assets exclusive of assets under programs	20,692	20,775
Assets under management and mortgage programs:		
Restricted cash	312	354
Mortgage loans held for sale	2,182	1,923
Relocation receivables	335	239
Vehicle-related, net	10,915	10,052
Timeshare-related, net	1,029	675
Mortgage servicing rights, net	1,260	1,380
Derivatives related to mortgage servicing rights	118	385
Mortgage-backed securities	99	114

	16,250	15,122
Total assets	$ 36,942	$ 35,897
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	$ 4,298	$ 4,287
Current portion of long-term debt	711	30
Deferred income	610	680
Total current liabilities	5,619	4,997
Long-term debt, excluding Upper DECS	4,834	5,571
Upper DECS	863	863
Deferred income	317	320
Other non-current liabilities	789	692
Total liabilities exclusive of liabilities under programs	12,422	12,443
Liabilities under management and mortgage programs:		
Debt	13,347	12,747
Deferred income taxes	1,022	1,017
	14,369	13,764
Mandatorily redeemable preferred interest in a subsidiary	375	375
Commitments and contingencies (Note 10)		
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 1,245,528,430 and 1,238,952,970 shares	12	12
Additional paid-in capital	10,210	10,090
Deferred compensation	(83)	—
Retained earnings	3,949	3,258
Accumulated other comprehensive income (loss)	60	(14)
CD treasury stock, at cost—232,861,433 and 207,188,268 shares	(4,372)	(4,031)
Total stockholders' equity	9,776	9,315
Total liabilities and stockholders' equity	$ 36,942	$ 35,897

See Notes to Consolidated Condensed Financial Statements.

Cendant Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Six Months Ended June 30,	
	2003	**2002**
Operating Activities		
Net income	$ 691	$ 349
Adjustments to arrive at income from continuing operations	—	205
Income from continuing operations	691	554
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Non-program related depreciation and amortization	257	216
Amortization of pendings and listings	7	194
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Receivables	(60)	(123)
Income taxes and deferred income taxes	280	(64)
Accounts payable and other current liabilities	(78)	(97)
Payment of stockholder litigation settlement liability	—	(2,850)
Deferred income	(73)	(153)
Proceeds from termination of fair value hedges	200	—
Other, net	94	48
Net cash provided by (used in) operating activities exclusive of management and mortgage programs	1,318	(2,275)
Management and mortgage programs:		
Vehicle depreciation	989	868
Amortization and provision for impairment of mortgage servicing rights	453	238
Net (gain) loss on mortgage servicing rights and related derivatives	(132)	9
Origination of mortgage loans	(31,473)	(17,736)
Proceeds on sale of and payments from mortgage loans held for sale	31,209	18,212
	1,046	1,591
Net cash provided by (used in) operating activities	**2,364**	**(684)**
Investing Activities		
Property and equipment additions	(198)	(139)
Proceeds from stockholder litigation settlement trust	—	1,410
Net assets acquired, net of cash acquired, and acquisition-related payments	(135)	(623)
Net proceeds from disposition of business	—	1,200

Other, net	155	(21)
Net cash provided by (used in) investing activities exclusive of management and mortgage programs	(178)	1,827
Management and mortgage programs:		
Investment in vehicles	(12,412)	(7,577)
Payments received on investment in vehicles	10,842	6,397
Origination of timeshare receivables	(707)	(498)
Principal collection of timeshare receivables	674	414
Equity advances on homes under management	(2,566)	(2,909)
Repayment on advances on homes under management	2,474	2,974
Additions to mortgage servicing rights	(459)	(425)
Cash received (paid) on derivatives related to mortgage servicing rights, net	526	(11)
Proceeds from sales of mortgage servicing rights	—	9
Other, net	14	15
	(1,614)	(1,611)
Net cash provided by (used in) investing activities	**(1,792)**	**216**
Financing Activities		
Proceeds from borrowings	2,651	3
Principal payments on borrowings	(2,834)	(1,126)
Issuances of common stock	126	106
Repurchases of common stock	(461)	(137)
Other, net	(86)	(18)
Net cash used in financing activities exclusive of management and mortgage programs	(604)	(1,172)
Management and mortgage programs:		
Proceeds from borrowings	13,625	7,355
Principal payments on borrowings	(12,825)	(7,187)
Net change in short-term borrowings	(238)	(36)
Other, net	(9)	(6)
	553	126
Net cash used in financing activities	**(51)**	**(1,046)**
Effect of changes in exchange rates on cash and cash equivalents	(20)	(16)
Cash provided by discontinued operations	—	74
Net increase (decrease) in cash and cash equivalents	501	(1,456)
Cash and cash equivalents, beginning of period	126	1,942
Cash and cash equivalents, end of period	**$ 627**	**$ 486**

See Notes to Consolidated Condensed Financial Statements.

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

1. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Cendant Corporation and its subsidiaries (collectively, the "Company"), as well as affiliates in which the Company directly or indirectly has a controlling financial interest. In management's opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. In addition, management is required to make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

The Company segregates the financial data related to its management and mortgage programs as such activities are autonomous and distinct from the Company's other activities. Assets classified under management and mortgage programs are assets generated in the operations of the Company's vehicle rental, vehicle management, relocation, mortgage services and vacation ownership businesses. The Company seeks to offset the interest rate exposures inherent in these assets by matching them with financial liabilities that have similar term and interest rate characteristics. Fees generated from these assets are used, in part, to repay the interest and principal associated with the financial liabilities. Funding for the Company's assets under management and mortgage programs is also provided by both unsecured borrowings and asset-backed financing arrangements, which are classified as liabilities under management and mortgage programs, as well as securitization facilities with special purpose entities. Cash inflows and outflows relating to the generation or acquisition of 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 Consolidated Condensed Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K filed on March 5, 2003.

Changes in Accounting Policies
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 Statement of Financial Accounting Standards ("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 Financial Accounting Standards Board ("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. Under the fair value method of accounting provisions of SFAS No. 123, the Company is required to expense all employee stock options over their vesting period based upon the fair value of the award on the date of grant. Under SFAS No. 148, which amended SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting provisions, the Company elected to use the prospective transition method when adopting SFAS No. 123. Accordingly, the Company is only required to expense employee stock options that were granted subsequent to December 31, 2002.

The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all employee stock awards granted by the Company:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Reported net income	$ 382	$ 7	$ 691	$ 349
Add back: Stock-based employee compensation expense included in reported net income, net of tax[(a)]	3	2	3	2
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax[(b)]	13	44	23	82
Pro forma net income (loss)	$ 372	$ (35)	$ 671	$ 269
Net income (loss) per share:				
Reported				
Basic	$ 0.38	$ 0.01	$ 0.68	$ 0.35
Diluted	0.37	0.01	0.67	0.34
Pro Forma				
Basic	$ 0.37	$ (0.03)	$ 0.66	$ 0.27
Diluted	0.36	(0.03)	0.65	0.26

(a) The 2003 amounts reflect the adoption of SFAS No. 123. For a detailed account of compensation expense recorded within the Consolidated Condensed Statements of Income for stock awards granted subsequent to December 31, 2002, see Note 12—Stock-Based Compensation.

(b) 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. 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 pretax net losses on the early extinguishments of debt to continuing operations as a component of net non-program related interest ($38 million and $4 million were recorded during the second and third quarters of 2002, respectively).

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 requires costs associated with exit or disposal activities (including restructurings) initiated after December 31, 2002 to be recognized when the costs are incurred, rather than at the date of commitment to an exit or disposal plan. This 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 is not recognized until such liability has actually been incurred whereas under EITF Issue No. 94-3 a liability was recognized at the time of a 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 any guarantee 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.

Recently Issued Accounting Pronouncements

Consolidation of Variable Interest Entities. On January 17, 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). Such Interpretation addresses the consolidation of entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as special purpose entities ("SPE"), although other non-SPE-type entities may be subject to the Interpretation. This Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also requires disclosures for both the primary beneficiary of a variable interest entity and other parties with significant variable interests in the entity. Transferors to a qualifying SPE ("QSPE") and certain other interests in QSPEs are not subject to this Interpretation.

Pursuant to FIN 46, the Company will consolidate Bishop's Gate Residential Mortgage Trust ("Bishop's Gate") and Trilegiant Corporation ("Trilegiant") on July 1, 2003 through the application of the prospective transition method. Therefore, the consolidation of these entities will not result in any changes to the Company's consolidated financial statements for any prior periods (including first and second quarters of 2003).

The consolidation of Bishop's Gate will not affect the Company's results of operations but will cause its total assets and liabilities under management and mortgage programs to increase by approximately $2.1 billion each on July 1, 2003. See Note 9—Off—Balance Sheet Financing Arrangements for more information regarding the Bishop's Gate mortgage securitization facility.

The consolidation of Trilegiant will result in a non-cash charge of approximately $300 million, which will be recorded on July 1, 2003 as a cumulative effect of accounting change. This non-cash charge will not impact income from continuing operations or the related per share amounts. Although the Company will be recording Trilegiant's profits and losses in its consolidated results of operations (beginning July 1, 2003), the Company is not obligated to infuse capital or otherwise fund or cover any losses incurred by Trilegiant. Therefore, the Company's maximum exposure to loss as a result of its involvement with Trilegiant is substantially limited to the advances and loans made to Trilegiant, as well as any receivables due from Trilegiant (collectively aggregating $112 million as of June 30, 2003), as such amounts may not be recoverable if Trilegiant were to cease operations. Upon consolidation of Trilegiant, the Company's total assets and liabilities will increase by approximately $100 million and $400 million (approximately $250 million of which represents deferred income), respectively. See Note 13—Related Party Transactions for more information regarding the Company's relationship with Trilegiant.

Derivative Instruments and Hedging Activities. On April 30, 2003, the FASB issued 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 provisions of this standard are generally effective for contracts entered into or modified after June 30, 2003 and are not expected to have a material impact on the Company's consolidated financial statements.

Financial Instruments with Characteristics of Both Liabilities and Equity. On May 31, 2003, the FASB issued 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. The provisions of this standard are primarily effective as of July 1, 2003.

Upon adoption of this standard, the Company will reclassify its $375 million mandatorily redeemable preferred interest in a subsidiary (which is currently presented as a mezzanine instrument in between the liability and equity sections on the Consolidated Condensed Balance Sheets) to long-term debt. The $375 million mandatorily redeemable preferred interest was issued by a subsidiary of the Company in March 2000. Such amount is secured by the assets of the subsidiary, which primarily comprise a real estate trademark. The preferred interest is mandatorily redeemable by the holder in 2015 and may be redeemed by the Company on any quarterly distribution date. The quarterly distribution the Company is required to pay on the preferred interest is currently based on the three-month LIBOR plus a margin of 1.77%. In March 2005 and 2010, the preferred interest is subject to a remarketing, upon which the distribution rate will be reset. In the event of a failed remarketing, the quarterly distributions would increase by 150% (based upon the Company's credit ratings in effect as of June 30, 2003). The distributions on the preferred interest are currently reflected as minority interest in the Consolidated Condensed Statements of Income. During the three months ended June 30,

2003 and 2002, such minority interest expense (pretax) approximated $3 million and $3 million, respectively, and during the six months ended June 30, 2003 and 2002, such minority interest expense (pretax) approximated $6 million and $6 million, respectively. Beginning in the third quarter of 2003, the distributions will be recorded as non-program related interest expense. Prior period amounts are precluded from being reclassified pursuant to this standard.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS").

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Income from continuing operations:				
Income from continuing operations for basic EPS	$ 382	$ 239	$ 691	$ 554
Convertible debt interest, net of tax	—	—	—	1
Income from continuing operations for diluted EPS	$ 382	$ 239	$ 691	$ 555
Net income:				
Net income for basic EPS	$ 382	$ 7	$ 691	$ 349
Convertible debt interest, net of tax	—	—	—	1

Net income for diluted EPS	$ 382	$ 7	$ 691	$ 350
Weighted average shares outstanding:				
Basic	1,017	1,023	1,022	1,001
Stock options, warrants and non-vested shares	22	30	17	32
Convertible debt	—	—	—	3
Diluted	1,039	1,053	1,039	1,036
Earnings per share:				
Basic				
Income from continuing operations	$ 0.38	$ 0.23	$ 0.68	$ 0.55
Income from discontinued operations, net of tax	—	0.03	—	0.05
Loss on disposal of discontinued operations, net of tax	—	(0.25)	—	(0.25)
Net income	$ 0.38	$ 0.01	$ 0.68	$ 0.35
Diluted				
Income from continuing operations	$ 0.37	$ 0.23	$ 0.67	$ 0.54
Income from discontinued operations, net of tax	—	0.02	—	0.05
Loss on disposal of discontinued operations, net of tax	—	(0.24)	—	(0.25)
Net income	$ 0.37	$ 0.01	$ 0.67	$ 0.34

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

	As of June 30,	
	2003	2002
Options [(a)]	131	121
Warrants [(b)]	2	2
Upper DECS [(c)]	40	40

(a) The increase in the number of antidilutive options as of June 30, 2003 principally reflects the impact of a lower average stock price during the six months ended 2003 ($13.67) as compared to the same period for 2002 ($17.84). The weighted average exercise prices for antidilutive options at June 30, 2003 and 2002 were $21.02 and $21.56, respectively.

(b) The weighted average exercise price for antidilutive warrants at June 30, 2003 and 2002 was $21.31.

(c) The price of the Company's common stock would need to exceed $28.42 for the Upper DECS to become dilutive.

The Company's contingently convertible debt securities, which provided for the potential issuance of 56 million and 125 million shares of common stock as of June 30, 2003 and 2002, respectively, were not included in the computation of diluted EPS for such periods as the related contingency provisions were not satisfied.

3. Acquisitions

2003 Acquisitions

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 goodwill resulting from the allocation of the purchase price approximated $17 million and was allocated to the Company's Hospitality segment. FFD, which was formed prior to the Company's April 2001 acquisition of Fairfield Resorts, Inc. ("Fairfield"), is the primary developer of timeshare inventory for Fairfield. See Note 13—Related Party Transactions for more information regarding the Company's relationship with FFD prior to the acquisition.

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 interests for $4 million in cash. The Company recorded aggregate goodwill of $41 million in connection with these transactions. Such goodwill was allocated to the Travel Distribution segment. Trip Network is an online travel agent. See Note 13—Related Party Transactions for more information regarding the Company's relationship with Trip Network prior to the acquisition.

During the six months ended June 30, 2003, the Company also acquired six real estate brokerage operations through NRT Incorporated ("NRT") for approximately $9 million in cash. The goodwill resulting from these acquisitions approximated $9 million and was allocated to the Company's Real Estate Services segment.

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

2002 Acquisitions
In April 2002, the Company acquired NRT for $230 million, resulting in goodwill of approximately $1.6 billion, and Trendwest Resorts, Inc. ("Trendwest") for $936 million, resulting in goodwill of $687 million. The following table sets forth the Company's results of operations on a pro forma basis as if the acquisitions of NRT and Trendwest had occurred on January 1, 2002:

		Six Months Ended June 30, 2002
Net revenues	$	7,352
Income from continuing operations		489
Net income		284
Earnings per share:		
Basic		
Income from continuing operations	$	0.47
Net income		0.27
Diluted		
Income from continuing operations	$	0.46
Net income		0.27

These pro forma results do not give effect to any synergies expected to result from the acquisitions of NRT and Trendwest, are not necessarily indicative of what actually would have occurred if the acquisitions had been consummated on January 1, 2002, and are not necessarily indicative of future consolidated results. The pro forma results are reflective of the seasonality of the NRT business, whereby the operating results are typically weakest in the first quarter of every year. Although the Company acquired other businesses during 2002 (including certain assets of Budget Group, Inc. in November), such businesses were not significant to the Company's results of operations on a pro forma basis and, as such, have not been reflected in the above table.

Utilization of Purchase Accounting Liabilities for Exiting Activities
In connection with the Company's 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.

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 the acquired entities. The recognition of such costs and the corresponding utilization are summarized by category as follows:

Budget Group, Inc. (assets acquired in November 2002)

	Costs	Cash Payments	Balance at December 31, 2002	Cash Payments	Other Additions	Balance at June 30, 2003
Personnel related	$ 35	$ —	$ 35	$ (19)	$ 3	$ 19
Contract termination	6	—	6	—	—	6
Facility related	7	—	7	(1)	2	8
Total	$ 48	$ —	$ 48	$ (20)	$ 5	$ 33

The principal cost reduction opportunity is expected to result from the relocation of the corporate headquarters of Budget Group, Inc. ("Budget"). In connection with this initiative, the Company is relocating selected Budget employees, involuntarily terminating other Budget employees and abandoning certain facilities. As a result, the Company incurred severance and other personnel costs related to the involuntary termination or relocation of employees and facility related costs primarily representing future lease payments for abandoned facilities due to relocation. 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 980 employees, representing a wide range of employee groups and as of June 30, 2003, the Company had terminated approximately 470 of these employees. The Company anticipates that the majority of remaining personnel related costs will be paid during 2004. Additionally, the Company will terminate a contractual service agreement upon the integration of the Budget reservation system and, as such, incurred a termination fee (which is not required to be paid until March 2004) related to the cancellation of this agreement. This plan is expected to be completed in the second quarter of 2004.

Galileo International, Inc. (acquired October 2001)

	Costs	Cash Payments	Other Additions (Reductions/ Utilization)	Balance at December 31, 2002	Cash Payments	Balance at June 30, 2003
Personnel related	$ 44	$ (62)	$ 33	$ 15	$ (7)	$ 8
Asset fair value adjustments and contract terminations	93	(25)	(56)	12	(4)	8

Facility related	16	(2)	8	22	(4)	18
Total	$ 153	$ (89)	$ (15)	$ 49	$ (15)	$ 34

The principal cost reduction opportunities are expected to result from (i) rightsizing the core business functions of Galileo International, Inc. ("Galileo") and relocating the corporate and other offices (including the back office support functions) and (ii) exiting certain activities and certain acquired businesses, including the sale of assets. To complete these initiatives, the Company (i) involuntarily terminated Galileo employees, (ii) relocated the Galileo corporate headquarters, back office support functions and other offices, (iii) merged numerous offices in Europe to a single European headquarters and (iv) abandoned assets in connection with such relocation, as well as terminated contractual service agreements associated with the activities to be exited. 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 Company anticipates that the majority of remaining personnel related costs will be paid during 2003.

Acquisition and Integration Related Costs
During the three and six months ended June 30, 2003, the Company incurred $12 million and $22 million, respectively, of acquisition and integration related costs, of which $4 million and $7 million, respectively, represented the non-cash amortization of the contractual pendings and listings intangible asset. The remaining costs ($8 million and $15 million during the three and six months ended June 30, 2003, respectively) primarily related to the integration of Budget's information technology systems with the Company's platform and the integration of real estate brokerages acquired by NRT.

During the three and six months ended June 30, 2002, the Company incurred $207 million of acquisition and integration related costs, of which $194 million represented the non-cash amortization of the contractual pendings and listings intangible asset (primarily related to the acquisition of NRT). The remaining costs of $13 million related to (i) the acquisition and integration of NRT and Arvida Realty Services, a residential real estate brokerage firm in Florida acquired by NRT in April 2002 ($8 million) and (ii) an outsourcing agreement with IBM ($5 million).

4. Discontinued Operations

On May 22, 2002, the Company sold its car parking facility business, National Car Parks ("NCP"), for $1.2 billion in cash and recognized an after-tax loss of approximately $256 million during the three months and six months ended June 30, 2002. NCP, a former wholly-owned subsidiary within the Company's Vehicle Services segment, operated off-street commercial parking facilities and managed on-street parking and related operations on behalf of town and city administrations in England. Pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the activities of NCP were segregated and reported as a discontinued operation for the three and six months ended June 30, 2002. NCP generated net revenues of $57 million and $155 million, respectively, and income from discontinued operations of $28 million ($24 million, after tax) and $60 million ($51 million, after tax), respectively, during the three and six months ended June 30, 2002.

5. Intangible Assets

Intangible assets consisted of:

	As of June 30, 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	$ 1,154	$ 320	$ 834	$ 1,151	$ 301	$ 850
Customer lists	547	135	412	544	116	428
Pendings and listings	33	29	4	267	256	11
Other	99	36	63	99	34	65
	$ 1,833	$ 520	$ 1,313	$ 2,061	$ 707	$ 1,354
Unamortized Intangible Assets						
Goodwill	$ 10,809			$ 10,699		
Trademarks	$ 1,075			$ 1,076		
Other	34			34		
	$ 1,109			$ 1,110		

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 June 30, 2003**

Real Estate Services	$ 2,658	$ 9(a)	$ —	$ —	$ 2,667
Hospitality	2,386	17(b)	18(d)	14	2,435
Travel Distribution	2,463	41(c)	10(e)	2	2,516
Vehicle Services	2,576	—	(3)(f)	2	2,575
Financial Services	616	—	—	—	616
Total Company	$ 10,699	$ 67	$ 25	$ 18	$ 10,809

(a) Relates to the acquisitions of real estate brokerages by NRT.
(b) Relates to the acquisition of FFD.
(c) Relates to the acquisition of Trip Network.
(d) Primarily relates to the acquisition of Equivest Finance, Inc. (February 2002).
(e) Primarily relates to the acquisition of distribution partners by the Company's Galileo subsidiary (June 2002 and forward).
(f) Relates to the acquisition of Budget (November 2002).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Franchise agreements	$ 10	$ 9	$ 19	$ 24
Customer lists	9	10	19	19
Pendings and listings	4	194	7	194
Other	2	3	5	9
Total	$ 25	$ 216	$ 50	$ 246

Based on its amortizable intangible assets (excluding mortgage servicing rights) as of June 30, 2003, the Company expects related amortization expense for the remainder of 2003 and the five succeeding fiscal years to approximate $40 million, $80 million, $80 million, $80 million, $60 million and $50 million, respectively.

6. Mortgage Servicing Activities

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

	Six Months Ended June 30,	
	2003	2002
Balance, January 1,	$ 114,079	$ 97,205
Additions	31,935	19,396
Payoffs/curtailments	(27,802)	(12,927)
Purchases, net	9,203	2,274
Balance, June 30,(*)	$ 127,415	$ 105,948

(*) Does not include approximately $1.9 billion and $1.6 billion of home equity mortgages serviced by the Company as of June 30, 2003 and 2002, respectively.

Substantially all of the mortgage loans within this servicing portfolio were sold by the Company without recourse. However, approximately $2.7 billion (approximately 2%) of loans within this servicing portfolio as of June 30, 2003 were sold with recourse. The majority of such loans were sold under a program where the Company retains the credit risk for a limited period of time and only for a specific default event. For these loans, the Company accrues a provision (equal to the fair value of the recourse obligation) for expected losses. As of June 30, 2003, the provision approximated $4 million and was recorded as a component of accounts payable and other current liabilities on the Consolidated Condensed Balance Sheets. There was no significant activity during 2003 that would cause the Company to utilize any of this provision. The Company believes that this provision is adequate to cover expected losses and that such losses would not be material to its results of operations.

The weighted average note rate on all the underlying mortgages within this servicing portfolio was 5.7% and 6.6% as of June 30, 2003 and 2002, respectively.

The activity in the Company's capitalized mortgage servicing rights ("MSR") asset consisted of:

	Six Months Ended June 30,	
	2003	2002
Balance, January 1,	$ 1,883	$ 2,081
Additions, net	465	429
Changes in fair value	(127)	(104)
Amortization	(296)	(175)
Sales	(8)	(13)
Permanent impairment	(160)	—
Balance, June 30,	1,757	2,218
Valuation Allowance		
Balance, January 1,	(503)	(144)
Additions(*)	(157)	(63)
Reductions	3	—
Permanent impairment	160	—
Balance, June 30,	(497)	(207)
Mortgage Servicing Rights, net	$ 1,260	$ 2,011

(*) Represents provision for impairment recorded within net revenues in the Consolidated Condensed Statements of Income.

As of June 30, 2003, the Company expects MSR amortization expense for the remainder of 2003 and the five succeeding fiscal years to approximate $175 million, $350 million, $255 million, $220 million, $190 million and $160 million, respectively. As of June 30, 2003, the MSR portfolio had a weighted average life of approximately 4.2 years.

The Company uses derivatives to mitigate the impact that accelerated prepayments 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 activity in the Company's derivatives related to mortgage servicing rights asset consisted of:

	Six Months Ended June 30,	
	2003	2002
Balance, January 1,	$ 385	$ 100
Additions, net	255	232
Changes in fair value	259	95
Sales/proceeds received or paid	(781)	(221)
Balance, June 30,	$ 118	$ 206

The net impact to the Company's Consolidated Condensed 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Adjustment of MSR asset under hedge accounting	$ (139)	$ (181)	$ (127)	$ (104)
Net gain on derivatives related to MSR asset	208	178	259	95
Net gain (loss)	69	(3)	132	(9)
Provision for impairment of MSR asset	(96)	(32)	(157)	(63)
Net impact	$ (27)	$ (35)	$ (25)	$ (72)

7. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity	As of	As of

	Date	June 30, 2003	December 31, 2002
Term notes:			
$7^3/4$% notes[(a)]	December 2003	$ 229	$ 966
$6^7/8$% notes	August 2006	849	849
$6^1/4$% notes[(b)]	January 2008	796	—
11% senior subordinated notes[(c)]	May 2009	398	530
$6^1/4$% notes[(d)]	March 2010	348	—
$7^3/8$% notes[(b)]	January 2013	1,190	—
$7^1/8$% notes[(d)]	March 2015	250	—
Contingently convertible debt securities:			
Zero coupon senior convertible contingent notes	February 2004[(*)]	425	420
Zero coupon convertible debentures[(e)]	May 2004[(*)]	7	857
$3^7/8$% convertible senior debentures[(f)]	November 2004[(*)]	804	1,200
Other:			
Revolver borrowings[(g)]	December 2005	—	600
Net hedging gains[(h)]		163	89
Other		86	90
Total long-term debt, excluding Upper DECS		5,545	5,601
Less: current portion[(i)]		711	30
Long-term debt, excluding Upper DECS		4,834	5,571
Upper DECS		863	863
Long-term debt, including Upper DECS		$ 5,697	$ 6,434

(*) Indicates earliest mandatory redemption date.

(a) The change in the balance at June 30, 2003 reflects the redemption of $737 million of these notes for approximately $771 million in cash. In connection with such redemption, the Company recorded a pretax charge of approximately $22 million.

(b) These notes, issued in January 2003, are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

(c) The change in the balance at June 30, 2003 primarily reflects (i) the redemption of $111 million in face value of these notes, with a carrying value of $123 million, for $124 million in cash and (ii) $9 million related to the amortization of a premium. In connection with such redemption, the Company recorded a pretax charge of approximately $1 million.

(d) These notes, issued in March 2003, are senior unsecured obligations and rank equally in right of payment with all the Company's existing and future unsecured senior indebtedness.

(e) The change in the balance at June 30, 2003 reflects redemptions aggregating $850 million for approximately $851 million in cash. In connection with such redemptions, the Company recorded a pretax charge of approximately $12 million.

(f) The change in the balance at June 30, 2003 reflects the redemption of $396 million of these debentures for approximately $408 million in cash. In connection with such redemption, the Company recorded a pretax charge of approximately $19 million.

(g) Reflects the repayment of outstanding revolver borrowings during the six months ended June 30, 2003.

(h) As of June 30, 2003, the balance primarily represents $225 million of realized gains resulting from the termination of fair value hedges, which will be amortized by the Company to reduce future interest expense. These hedge positions were immediately reset to create a desired balance between the Company's floating rate debt and floating rate assets. Partially offsetting the gains of $225 million are mark to market adjustments of $62 million on these new fair value interest rate hedges.

(i) The balance as of June 30, 2003 includes the $229 million outstanding balance of the $7^3/4$% notes, the $7 million outstanding balance of the zero coupon convertible debentures and the $425 million outstanding balance of the zero coupon senior convertible contingent notes.

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

	As of June 30, 2003	As of December 31, 2002
Zero coupon convertible debentures	0.3	33.5
Zero coupon senior convertible contingent notes	22.0	22.0
$3^7/8$% convertible senior debentures	33.4	49.9
	55.7	105.4

Committed Credit Facilities

As of June 30, 2003, there were no outstanding borrowings under the Company's $2.9 billion revolving credit facility; however, letters of credit of $1.1 billion were issued and outstanding. These letters of credit were issued primarily as credit enhancements to provide additional collateralization for

the Company's vehicle rental financing arrangements. Accordingly, as of June 30, 2003, the Company had approximately $1.8 billion of availability under this facility (including $630 million of availability to issue additional letters of credit, which reflects an increase of $500 million in the Company's capacity to issue letters of credit under this facility).

As of June 30, 2003, the Company also had $400 million of availability for public debt or equity issuances under a shelf registration statement.

Debt Maturities and Covenants

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

		As of June 30, 2003
Within 1 year[(a)]	$	711
Between 1 and 2 years[(b)]		828
Between 2 and 3 years[(c)]		2
Between 3 and 4 years		917
Between 4 and 5 years		828
Thereafter		2,259
	$	5,545

(a) Includes $432 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.

(b) Includes $804 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.

(c) Excludes $863 million of Upper DECS. If the Upper DECS are not successfully remarketed in 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 June 30, 2003, approximately 40 million shares would be purchased).

At June 30, 2003, the Company was in compliance with all restrictive and financial covenants of its debt instruments and credit facilities.

8. Debt Under Management and Mortgage Programs and Borrowing Arrangements

Debt under management and mortgage programs consisted of:

		As of June 30, 2003		As of December 31, 2002
Asset-Backed Debt:				
Vehicle rental program[(a)]	$	6,904	$	6,082
Vehicle management program[(b)]		3,096		3,058
Mortgage program[(c)]		300		871
Timeshare program[(d)]		315		145
Relocation program[(c)]		—		80
		10,615		10,236
Unsecured Debt:				
Term notes[(e)]		1,989		1,421
Commercial paper		523		866
Bank loans		70		107
Other		150		117
		2,732		2,511
Total debt under management and mortgage programs	$	13,347	$	12,747

(a) The change in the balance at June 30, 2003 principally reflects an increase in outstanding term notes at various interest rates. At June 30, 2003, approximately $5.5 billion of asset-backed term notes were included in outstanding borrowings.

(b) At June 30, 2003, approximately $2.1 billion of asset-backed term notes were included in outstanding borrowings.

(c)

The change in the balance at June 30, 2003 reflects the repayment of outstanding borrowings as the operations of these businesses are being supported in 2003 largely through borrowings of unsecured debt.

(d) The change in the balance at June 30, 2003 primarily reflects the borrowing of $185 million under a timeshare financing agreement.

(e) The change in the balance at June 30, 2003 principally reflects (i) the issuance of $400 million of 6% term notes due March 2008, (ii) the issuance of $600 million of 7 1/8% term notes due March 2013, (iii) the issuance of $194 million of term notes with various interest rates and maturity dates and (iv) the February 2003 repayment of $650 million of 8 1/8% term notes.

Available Funding Arrangements and Committed Credit Facilities

As of June 30, 2003, available funding under the Company's asset-backed debt programs and committed credit facilities 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	$ 8,120	$ 6,904	$ 1,216
Vehicle management program	3,097	3,096	1
Mortgage program	700	300	400
Timeshare program	400	315	85
Relocation program	100	—	100
	12,417	10,615	1,802
Committed Credit Facilities[b]			
Maturing in February 2004	750	—	750
Maturing in February 2005	750	—	750
	1,500	—	1,500
	$ 13,917	$ 10,615	$ 3,302

(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 Corporation ("PHH"), a subsidiary of the Company.

As of June 30, 2003, the Company also had $874 million of availability for public debt issuances under a shelf registration statement at its PHH subsidiary.

Debt Maturities and Covenants

The following table provides the contractual maturities for debt under management and mortgage programs at June 30, 2003 (except for notes issued under the Company's vehicle management program, where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management and mortgage programs and for which appropriate estimates have been used).

	Unsecured[*]	Asset-Backed	Total
Within 1 year	$ 192	$ 1,976	$ 2,168
Between 1 and 2 years	727	2,624	3,351
Between 2 and 3 years	67	2,859	2,926
Between 3 and 4 years	154	1,045	1,199
Between 4 and 5 years	473	769	1,242
Thereafter	1,119	1,342	2,461
	$ 2,732	$ 10,615	$ 13,347

(*) Unsecured commercial paper borrowings of $523 million are assumed to be repaid with borrowings under PHH's committed credit facility expiring in February 2005, as such amount is fully supported by PHH's committed credit facilities, which are described above.

At June 30, 2003, the Company was in compliance with all restrictive and financial covenants of its debt instruments and credit facilities related to management and mortgage programs.

9. Off-Balance Sheet Financing Arrangements

The Company sells specific assets under management and mortgage programs in exchange for cash. In the Company's timeshare business, timeshare receivables are sold to Sierra Receivables Funding Company LLC ("Sierra"), a bankruptcy remote QSPE (prior to the establishment of Sierra, the Company sold timeshare receivables to multiple bankruptcy remote QSPEs). The Company's PHH subsidiary sells relocation receivables to Apple Ridge Funding LLC ("Apple Ridge"), also a bankruptcy remote QSPE. Additionally, the Company's PHH subsidiary sells mortgage loans originated by its mortgage business into the secondary market, which is customary practice in the mortgage industry. Such mortgage loans are sold into the secondary

market primarily through one of the following means: (i) the direct sale to a government-sponsored entity, (ii) through capacity under a subsidiary's public registration statement (which approximated $1.97 billion as of June 30, 2003) or (iii) through Bishop's Gate, a bankruptcy remote SPE. Presented below is detailed information as of June 30, 2003 regarding off-balance sheet financing and sale arrangements.

	Assets Serviced[(a)]	Maximum Funding Capacity	Debt Issued	Maximum Available Capacity[(b)]
Timeshare				
Sierra[(c)]	$ 781	$ 819	$ 683	$ 136
Others	462	404	404(d)	—
Relocation				
Apple Ridge	555	600	400(d)	200
Mortgage				
Bishop's Gate[(e)]	2,102	3,176(f)	1,964(d)	1,061

(a) Does not include cash of $47 million, $34 million, $20 million and $31 million at Sierra, other timeshare QSPEs, Apple Ridge and Bishop's Gate, respectively.

(b) Subject to maintaining sufficient assets to collateralize debt.

(c) Consists of a (i) $550 million conduit facility with outstanding borrowings of $414 million and available capacity of $136 million and (ii) a term note agreement under which $269 million was outstanding. At June 30, 2003, the Company was servicing receivables of $486 million under the conduit facility and $295 million under the term note agreement.

(d) Primarily represents term notes.

(e) As discussed in Note 1—Summary of Significant Accounting Policies, the Company will consolidate Bishop's Gate in its financial statements as of July 1, 2003, as required by FIN 46.

(f) Includes the Company's ability to fund assets with $151 million of outside equity certificates.

The receivables and mortgage loans transferred to the above SPEs, as well as the mortgage loans sold to the secondary market through other means, are generally non-recourse to the Company and to PHH. Pretax gains recognized on all securitizations of financial assets, which are recorded within net revenues on the Company's Consolidated Condensed Statements of Income, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Timeshare-related	$ 13	$ 4	$ 28	$ 6
Mortgage loans	259	76	462	199

10. Commitments and 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 taken the position that similarly structured transactions do not qualify as tax-free reorganizations under the Internal Revenue Code Section 368(a)(1)(A). If the transaction is not considered a tax-free reorganization, the resultant incremental liability could range between $10 million and $170 million depending upon certain factors, including utilization of tax attributes. Notwithstanding the IRS interpretive ruling, the Company believes that, based upon analysis of current tax law, its position would prevail, if challenged.

The Company is involved in litigation asserting claims associated with accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation. While the Company has an accrual of approximately $100 million recorded on its Consolidated Condensed Balance Sheets 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 pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. Stockholders' Equity

During the six months ended June 30, 2003, the Company repurchased $461 million (32.3 million shares) of common stock under its common stock repurchase program. As of June 30, 2003, the Company had approximately $210 million in remaining availability for repurchases under this program (after giving effect to a $500 million increase authorized by the Company's Board of Directors on April 3, 2003).

The components of comprehensive income are summarized as follows:

	Three Months Ended June 30,	Six Months Ended June 30,

	2003	2002	2003	2002
Net income	$ 382	$ 7	$ 691	$ 349
Other comprehensive income (loss):				
Currency translation adjustments:				
Currency translation adjustments arising during period	50	51	68	21
Reclassification adjustment for currency translation adjustments recognized in net income	—	245	—	245
Unrealized gains (losses) on cash flow hedges, net of tax	8	(14)	10	3
Minimum pension liability adjustment, net of tax	—	1	—	—
Unrealized losses on marketable securities, net of tax	(2)	(4)	(4)	(9)
Total comprehensive income	$ 438	$ 286	$ 765	$ 609

The after-tax components of accumulated other comprehensive income (loss) are as follows:

	Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Minimum Pension Liability Adjustment	Unrealized Gains (Losses) on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2003	$ 81	$ (41)	(58)	$ 4	$ (14)
Current period change	68	10	—	(4)	74
Balance, June 30, 2003	$ 149	$ (31)	$ (58)	$ —	$ 60

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

12. Stock-Based Compensation

During second quarter 2003, following the Company's decision to significantly reduce the granting of stock options to its employees, the Company began issuing restricted stock units to its employees (including officers) as a form of compensation. Each restricted stock unit entitles the employee to receive one share of common stock upon vesting, which occurs ratably over a four year period. As of June 30, 2003, the Company had issued approximately 6.4 million restricted stock units to its employees, with an aggregate grant-date fair value of approximately $88 million. Accordingly, the Company recorded compensation expense of approximately $4 million during the three and six months ended June 30, 2003.

During second quarter 2003, the Company also issued approximately 1.1 million common stock options to its employees, with a weighted average grant-date fair value of $5.07 per option (calculated using the Black-Scholes option-pricing model) and a vesting period of four years. Accordingly, the Company recorded compensation expense of approximately $1 million during the three and six months ended June 30, 2003.

The Company also recorded approximately $1 million of expense during the six months ended June 30, 2003 relating to 55,000 shares of restricted stock granted to members of its Board of Directors during first quarter 2003 (included within general and administrative expenses on the Consolidated Condensed Statement of Income).

13. Related Party Transactions

As previously discussed in Note 3—Acquisitions, the Company acquired all of the common interests of FFD and Trip Network during 2003. Accordingly, these entities are now reflected in the Company's Consolidated Condensed Financial Statements, as discussed below. Additionally, in April 2002, the Company acquired all the outstanding common stock of NRT and, as such, has been consolidating NRT since second quarter 2002. Therefore, as of June 30, 2003, the only affiliated operating entity not consolidated by the Company was Trilegiant. In connection with the Company's adoption of FIN 46 (discussed in Note 1—Summary of Significant Accounting Policies), the Company will consolidate Trilegiant beginning in the third quarter of 2003.

FFD Development Company, LLC
FFD has been included within the Company's consolidated results of operations, cash flows and financial position since February 3, 2003. During the six months ended June 30, 2003 (through the date of acquisition) and the three and six months ended June 30, 2002, the Company recognized non-cash dividend income on its preferred interest of $1 million, $3 million and $6 million, respectively. Such amounts are recorded within other revenues on the Company's Consolidated Condensed Statements of Income.

Trip Network, Inc.
Trip Network has been included in the Company's consolidated results of operations, cash flows and financial position since March 31, 2003. During the six months ended June 30, 2003 (through the date of acquisition) and the three and six months ended June 30, 2002, the Company recorded $1 million, $1 million and $5 million, respectively, of revenue within its Consolidated Condensed Statements of Income in connection with its relationship with Trip Network.

Trilegiant Corporation

Trilegiant operates membership-based clubs and programs and other incentive-based programs through an outsourcing arrangement with the Company. Pursuant to such arrangement, the Company retained substantially all of the assets and liabilities of its existing membership business and licensed Trilegiant the right to market products utilizing the Company's intellectual property to new members. Accordingly, the Company continues to collect membership fees from, and is obligated to provide membership benefits to, members of the Company's 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 pursuant to the Third Party Administrator agreement. 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 the Company's franchise businesses, the Company receives a royalty from Trilegiant on all future revenue generated by the new members.

During the three months ended June 30, 2003 and 2002, revenues from existing members approximated $84 million and $139 million, respectively. Trilegiant charged the Company $34 million and $44 million during the three months ended June 30, 2003 and 2002, respectively, in connection with providing fulfillment services to these members. During the three months ended June 30, 2003 and 2002, the Company also recorded revenues of $16 million and $13 million, respectively (representing royalties and licensing and leasing fees), and marketing expenses of $4 million and $2 million, respectively (related to the advance made to Trilegiant in 2001), in connection with the outsourcing arrangement. The resultant impact of these activities to the Company's cash position was a net inflow of $7 million and $9 million to cash provided by operating activities during the three months ended June 30, 2003 and 2002, respectively.

During the six months ended June 30, 2003 and 2002, revenues from existing members approximated $174 million and $296 million, respectively. Trilegiant charged the Company $70 million and $95 million during the six months ended June 30, 2003 and 2002, respectively, in connection with providing fulfillment services to these members. During the six months ended June 30, 2003 and 2002, the Company also recorded revenues of $33 million and $24 million, respectively, (representing royalties and licensing and leasing fees) and marketing expenses of $8 million and $12 million, respectively (related to the advance made to Trilegiant in 2001) in connection with the outsourcing agreement. The resultant impact of these activities to the Company's cash position was a net inflow of $29 million and $36 million to cash provided by operating activities during the six months ended June 30, 2003 and 2002, respectively.

As of June 30, 2003, the Company's equity ownership interest in Trilegiant approximated 35% on a fully diluted basis; however, after giving consideration to the applicable stockholder's agreement, the Company believes that it has the right to acquire an additional 7% ownership interest.

NRT Incorporated

NRT has been included in the Company's consolidated results of operations, cash flows and financial position since April 17, 2002. Reflected within the Company's Consolidated Condensed Statement of Income for the three months ended June 30, 2002 (through the date of acquisition) are $17 million of revenues (comprised of $13 million of royalty and marketing fees, $2 million of dividend income and $2 million of real estate referral fees) and $1 million of non-program related depreciation and amortization expense. Reflected within the Company's Consolidated Condensed Statement of Income for the six months ended June 30, 2002 (through the date of acquisition) are $101 million of revenues (comprised of $66 million of royalty and marketing fees, $10 million of dividend income, $9 million of real estate referral fees and $16 million of termination fees) and $7 million of non-program related depreciation and amortization expense.

Entertainment Publications, Inc.

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 Condensed Statement of Income for the six months ended June 30, 2003. At December 31, 2002, the Company's investment of $5 million was accounted for using the equity method and was included within other non-current assets of its Corporate and Other segment.

14. 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 the three and six months ended June 30, 2002 has been revised to reflect this change. The Company's presentation of EBITDA may not be comparable to similar measures used by other companies. Presented below are the revenues and EBITDA for each of the Company's reportable segments and a reconciliation of EBITDA to income before income taxes and minority interest for the three and six months ended June 30, 2003 and 2002.

	Three Months Ended June 30,			
	2003		2002	
	Revenues	EBITDA	Revenues	EBITDA
Real Estate Services	$ 1,775	$ 354	$ 1,440	$ 315
Hospitality	635	150	565	173
Travel Distribution	426	104	438	130
Vehicle Services	1,463	132	1,030	123
Financial Services	275	75	311	88
Total Reportable Segments	4,574	815	3,784	829
Corporate and Other[(a)]	6	(14)	—	(51)
Total Company	$ 4,580	801	$ 3,784	778

Less: Non-program related depreciation and amortization	129	111
Non-program related interest, net	86	98
Amortization of pendings and listings	4	194
Income before income taxes and minority interest	$ 582	$ 375

	Six Months Ended June 30,			
	2003		2002	
	Revenues	EBITDA	Revenues	EBITDA
Real Estate Services	$ 3,126	$ 579	$ 1,850	$ 497
Hospitality	1,215	294	969	285
Travel Distribution	842	232	882	277
Vehicle Services	2,786	182	1,963	193
Financial Services	664	240	730	252
Total Reportable Segments	8,633	1,527	6,394	1,504
Corporate and Other[(a)]	41	3	6	(75)
Total Company	$ 8,674	1,530	$ 6,400	1,429
Less: Non-program related depreciation and amortization		257		216
Non-program related interest, net		215		164
Amortization of pendings and listings		7		194
Income before income taxes and minority interest		$ 1,051		$ 855

(a) Includes the results of operations of the Company's non-strategic businesses, unallocated corporate overhead, the elimination of transactions between segments and, in the six months ended June 30, 2003, a $30 million gain on the sale of the Company's investment in Entertainment Publications, Inc.

15. Subsequent Events

On July 3, 2003, the terms of PHH's $750 million committed credit facility, which was scheduled to mature in February 2004, were amended to extend the maturity date to February 2005 and reduce the capacity to $500 million.

On July 17, 2003, the Company amended certain terms of its Sierra conduit facility used to securitize timeshare receivables, including increasing the facility limit to $600 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2002 Annual Report on Form 10-K filed with the Commission on March 5, 2003. Unless otherwise noted, all dollar amounts are in millions.

We are one of the foremost providers of travel and real estate services in the world. Our businesses provide a wide range of consumer and business services and are intended to complement one another and create cross-marketing opportunities both within and among our following five business segments. Our Real Estate Services segment franchises our three residential and one commercial real estate brands, provides real estate brokerage services, provides home buyers with mortgages, title, appraisal review and closing services and facilitates employee relocations; our Hospitality segment develops, markets, sells and manages vacation ownership interests, provides consumer financing to individuals purchasing these interests, facilitates the exchange of vacation ownership intervals, franchises our nine lodging brands and markets vacation rental properties in Europe; our Travel Distribution segment provides global distribution and computer reservation and travel agency services; our Vehicle Services segment operates and franchises our Avis and Budget vehicle rental brands and provides fleet management and fuel card services; our Financial Services segment provides financial institution enhancement products, insurance-based and loyalty solutions, operates and franchises tax preparation offices and provides a variety of membership programs through an outsourcing arrangement with Trilegiant Corporation.

We are focused on building long-term value through operational excellence and growing our businesses organically. Historically, a significant portion of our growth has been generated through the strategic acquisitions of businesses that have strengthened our position in the travel and real estate services industries and helped us to develop 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 our operating management has emphasized organic growth and the generation of cash flow as principal objectives. Throughout 2003, our spending on new acquisitions has been inconsequential, aggregating only $44 million in cash. We remain highly disciplined in our acquisition activity and may augment organic growth through the select acquisition of (or possible joint venture with) complementary businesses primarily in our

real estate brokerage operations. The purchase price of any such acquisitions is expected to be funded with cash generated by our core operations in 2003. Currently, we expect to use approximately $100 million for such acquisitions.

With the curtailment of acquisitions, we are steadfast in our commitment to deploy our cash to strengthen our liquidity position and increase shareholder value. To this end, we completed the first phase of our corporate debt reduction 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, by the end of 2004, we intend to reduce outstanding corporate indebtedness by $2 billion. Our plan is to capitalize upon the opportunity to use call provisions and maturities wherever possible rather than paying a significant premium to repurchase our debt in the open market. In addition to replacing our near-term obligations, the redemption/retirement of our convertible debt instruments has, to date, eliminated 83 million shares of potential dilution to our future earnings per share. Further, through July 2003, we have repurchased 37.3 million shares of our common stock at an average price of $14.88 and beginning in 2004, we intend to return additional value to our shareholders through the payment of a quarterly cash dividend of 7 cents per share (28 cents per share annually), subject to final approval by our Board of Directors. We expect to increase this dividend over time as our earnings and cash flow grow.

In addition, we 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.

Finally, during the first half of 2003, we made significant progress toward our goal of simplifying our corporate structure as demonstrated by the acquisition of two affiliated but previously unconsolidated businesses, FFD Development Company LLC and Trip Network, Inc. We believe that our consolidation of Trilegiant Corporation (following which we will have consolidated all of our off-balance-sheet operating affiliates) and Bishop's Gate Residential Mortgage Trust in the third quarter of 2003 will further enhance the transparency of our financial results. Additionally, we requested that the boards of directors of the qualified special purpose entities we use to securitize our timeshare receivables amend these structures to enable us to begin consolidating these entities.

In summary, we continue to pay close attention to the profitability and growth of our businesses, the generation and deployment of cash flow and the building of long-term shareholder value.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 VS. THREE MONTHS ENDED JUNE 30, 2002

Our consolidated results from continuing operations comprised the following:

	Three Months Ended June 30,		
	2003	2002	Change
Net revenues	$ 4,580	$ 3,784	$ 796
Total expenses	3,998	3,409	589
Income before income taxes and minority interest	582	375	207
Provision for income taxes	193	130	63
Minority interest, net of tax	7	6	1
Income from continuing operations	$ 382	$ 239	$ 143

Net revenues and total expenses increased approximately $796 million (21%) and $589 million (17%), respectively, principally due to the acquisitions of the following businesses, which contributed incremental revenues and expenses aggregating $664 million and $665 million, respectively.

Acquired Business	Date of Acquisition	Incremental Contribution to Net Revenues	Incremental Contribution to Total Expenses
NRT Incorporated[(a)]	April 2002	$ 166	$ 177
Trendwest Resorts, Inc.[(b)]	April 2002	40	37
Net assets of Budget Group, Inc.	November 2002	458	451
Total Contributions		$ 664	$ 665

(a) Represents NRT and NRT's significant brokerage acquisitions subsequent to our ownership. Principally reflects the results of operations from April 1 through April 16, 2003 (the corresponding period during which these businesses were not included during the second quarter of 2002).

(b) Reflects the results of operations from April 1 through April 30, 2003 (the corresponding period during which these businesses were not included during the second quarter of 2002).

In addition to the contributions made by acquired businesses, the diversity of our portfolio of businesses allowed us to mitigate the effects of a challenging economic and geo-political environment, particularly for our travel-related businesses. Weak comparisons in our travel-related businesses were more than offset by organic growth in our real estate services businesses, particularly in our mortgage business where revenues increased 55% quarter-over-quarter. The growth in our mortgage business also contributed to the increase in total expenses to support the continued high level of mortgage loan production and related servicing activities. Partially offsetting the increase in total expenses incurred by our mortgage business was (i) a decrease of $195 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 (less than five months), and (ii) a decrease of $32 million in losses incurred on the early extinguishments of debt. Our overall effective tax rate decreased to 33% for second quarter 2003 from 35% for the comparable period in 2002. The effective tax rate was lower primarily due to a decrease in taxes on our foreign operations, which was partially offset by higher state taxes and an increase in non-deductible items. As a result of the above-mentioned items, income from continuing operations increased $143 million (60%).

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 and minority interest. On January 1, 2003, we changed our performance measure used to evaluate the operating results of our reportable segments and, as such, the information presented below for second quarter 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	$ 1,775	$ 1,440	23%	$ 354	$ 315	12%
Hospitality	635	565	12	150	173	(13)
Travel Distribution	426	438	(3)	104	130	(20)
Vehicle Services	1,463	1,030	42	132	123	7
Financial Services	275	311	(12)	75	88	(15)
Total Reportable Segments	4,574	3,784	21	815	829	(2)
Corporate and Other[(a)]	6	—	*	(14)	(51)	*
Total Company	$ 4,580	$ 3,784	21	801	778	
Less: Non-program related depreciation and amortization				129	111	
Non-program related interest expense, net				86	98	
Amortization of pendings and listings				4	194	
Income before income taxes and minority interest				$ 582	$ 375	

* 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 $335 million (23%) and $39 million (12%), respectively, in second quarter 2003 compared with 2002.

Revenues and EBITDA were greatly impacted by increased production volume at our mortgage business and the April 17, 2002 acquisition of NRT and subsequent acquisitions by NRT of other real estate brokerages (the operating results of which have been included from their acquisition dates forward). NRT (inclusive of the title and closing business) and NRT's significant brokerage acquisitions, subsequent to our ownership, contributed an incremental $166 million of revenues and an EBITDA decline of $7 million from April 1, 2003 through April 16, 2003. This 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 progressively strengthen during the second and third quarters. Excluding the incremental impact of the NRT acquisition and NRT's significant acquisitions of real estate brokerages subsequent to our acquisition of NRT, net brokerage commission revenues increased $6 million in 2003. Prior to our acquisition of NRT, we received royalty and marketing fees from NRT of $13 million and real estate referral fees of $2 million during second quarter 2002. We also had a preferred stock investment in NRT, prior to our acquisition, which generated dividend income of $2 million during second quarter 2002. Upon the acquisition of NRT, we merged our pre-existing title and appraisal businesses with and into the larger-scale title and closing business of NRT and made certain accounting reclassifications within our pre-existing businesses to conform to NRT's accounting presentation. Such reclassification changes resulted in an increase in revenues of $25 million with no impact on EBITDA in second quarter 2003. Excluding such reclassification, our settlement services business generated incremental revenues of $30 million compared with second quarter 2002. Title, appraisal and other closing fees all increased due to higher volumes, consistent with the growth in the mortgage origination markets, and cross-selling initiatives.

On a comparable basis, including post-acquisition intercompany royalties paid by NRT to our real estate franchise business, our real estate franchise brands generated incremental royalties and marketing fund revenues of $8 million in second quarter 2003, an increase of 5% over second quarter 2002 primarily due to a 6% 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.

Revenues from mortgage-related activities grew $95 million (55%) in second quarter 2003 compared with second quarter 2002 due to a significant increase in mortgage loan production as low interest rates have prompted record levels of mortgage refinancing activity. Revenues from mortgage loan production increased $166 million (89%) in second quarter 2003 compared with the prior year quarter and was derived from growth in our fee-based mortgage origination operations (discussed below) and an increase in the volume of loans that we packaged and sold, which more than doubled quarter-over-quarter. We sold $16.3 billion of mortgage loans in second quarter 2003 compared with $8.1 billion in second quarter 2002, generating incremental production revenues of $118 million. In addition, production revenues generated from our fee-based mortgage-origination activity increased $48 million (89%) as compared with second quarter 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 (typically 30-60 days after closing). Accordingly, our production revenue in second quarter 2003 was driven by a mix of mortgage loans closed and mortgage loans sold. Total mortgage loans closed increased $10.9 billion (87%) to $23.3 billion in second quarter 2003, comprised of a $9.3 billion (121%) increase in

closed loans to be securitized (sold by us) and a $1.6 billion (33%) increase in closed loans that were fee-based. The increase in loan origination volume was principally driven by continued substantial refinancing activity during second quarter 2003. Refinancings increased $9.7 billion (226%) to $14.0 billion and purchase mortgage closings grew $1.2 billion (14%) to $9.3 billion.

Net revenues from servicing mortgages loans declined $71 million, although recurring servicing fees (fees received for servicing existing loans in the portfolio) increased $7 million (7%) driven by a 16% quarter-over-quarter increase in the size of our average servicing portfolio to $119.8 billion. Net servicing revenues included an increase of $143 million in mortgage servicing rights ("MSRs") amortization and provision for impairment (both of which are recorded against revenue) due to the high levels of refinancings and related loan prepayments, resulting from the lower interest rate environment. However, this was partially offset by $72 million of incremental gains from hedging and other derivative activities to protect against changes in the fair value of MSRs due to fluctuations in interest rates. Excluding the impact from the acquisition of NRT and its subsequent acquisitions, operating and administrative expenses within this segment increased approximately $100 million, primarily due to the direct costs incurred in connection with continued high level of mortgage loan production and related servicing activities.

Hospitality

Revenues increased $70 million (12%), while EBITDA declined $23 million (13%) in second quarter 2003 compared with second quarter 2002. We completed the acquisitions of Trendwest, a leading vacation ownership company, in June 2002 (90% was acquired in April 2002), and certain European vacation rental companies during 2002 (the operating results of which have been included from their acquisition dates forward). Accordingly, Trendwest and the other acquired vacation rental companies contributed incremental revenues of $40 million and $12 million, respectively, and EBITDA of $4 million and $1 million, respectively, in second quarter 2003 compared with second quarter 2002. Excluding the impact from these acquisitions, revenues increased $18 million (3%), while EBITDA declined $28 million (16%) quarter-over-quarter. Sales of vacation ownership interests in our developed timeshare units contributed incremental revenues of $20 million in second quarter 2003, a 12% increase over second quarter 2002, primarily as a result of increased tour flow and higher revenue per tour at our Fairfield subsidiary resort sites. Financial income from the funding we provided to the purchasers of our timeshare units decreased $8 million principally due to an 11% reduction in the securitization of such receivables. Timeshare subscription and exchange fee revenues within our timeshare exchange business increased $8 million (7%) primarily due to a 14% increase in the average fee per exchange, which was partially offset by a 5% reduction in the volume of exchange transactions, which we believe was driven by apprehension over the military conflict in Iraq.

Royalties and marketing and reservation fund revenues within our lodging franchise operations declined $6 million (6%) in second quarter 2003 due to a 5% decline in the number of weighted average rooms available following our decision to remove from our franchise system certain properties that were not meeting required standards. Revenue per available room remained relatively unchanged quarter-over-quarter. Our lodging franchise business and our franchisees were unfavorably impacted in second quarter 2003 by the military conflict in Iraq, which compounded an already weak travel environment. As a result, during second quarter 2003, we recorded an incremental $5 million non-cash expense related to the doubtful collectibility of certain franchise receivables. Excluding acquisitions, operating and administrative expenses within this segment increased approximately $40 million in second quarter 2003 principally due to increased timeshare sales-related expenses, including variable expense increases on higher sales volumes and an increased investment in guest generation spending to enhance tour flows. In addition, expense increases represent volume-related growth in our timeshare exchange business in prior quarters and our maintenance of current service levels.

Travel Distribution

Revenues and EBITDA declined $12 million (3%) and $26 million (20%), respectively, in second quarter 2003 compared with second quarter 2002. Galileo air travel booking fees decreased $30 million (9%) due to a 10% decline in worldwide air booking volumes. Like other industry participants, we experienced a decline in travel demand affecting volumes and revenues across the majority of our travel distribution businesses due to a number of factors, including military conflict in Iraq, continuing economic pressures, terrorist threat alerts, and health concerns in the Asia/Pacific region and other parts of the world (SARS). However, as apprehension regarding the military conflict in Iraq and the risk posed by SARS subsided, air travel booking volumes have begun to rebound during second quarter with quarter-over-quarter booking volumes having progressively improved in each respective month during second quarter 2003. To mitigate the impact of the industry decline, we initiated aggressive global cost containment efforts within this business segment. Galileo subscriber fees and EBITDA during second quarter 2003 increased $14 million and $4 million, respectively, due to the acquisition of national distribution companies (NDCs) in Europe during 2002. NDCs are independent organizations that market and sell Galileo global distribution and computer reservation services to travel agents and other subscribers.

Trip Network, which we acquired in April 2003 and which operates Cheap Tickets, contributed $10 million in revenues and an EBITDA loss of $11 million in second quarter 2003 due to factors contributing to reductions in travel demand, as noted above. In addition, during the summer of 2002, we acquired two other companies that supply reservation and distribution services to the hospitality industry. The operating results of such companies were included from their acquisition dates forward and collectively contributed revenue of $11 million with a nominal EBITDA impact during second quarter 2003. Additionally, revenues from our travel agency business declined $6 million due to a general industry decline in travel demand as discussed above, reductions in commission rates paid by airlines, the lack of reduced-rate air inventory availability and a decline in travel-related clubs which are serviced by us. However, the impact on EBITDA of lower travel agency revenues was offset by variable expense savings on lower revenues and expense reductions due to cost containment initiatives relating to our travel agency business implemented in 2002 and 2003.

Vehicle Services

Revenues and EBITDA increased $433 million (42%) and $9 million (7%), respectively, in second quarter 2003 compared with the prior year quarter. In November 2002, we acquired substantially all of the domestic assets of the vehicle rental business of Budget, as well as selected international operations. Budget's operating results, including integration costs, were included from the acquisition date forward and contributed revenues and EBITDA of $458 million and $13 million, respectively, in second quarter 2003. Excluding Budget's second quarter 2003 results, revenue and EBITDA declined $25 million (2%) and $4 million (3%), respectively, in second quarter 2003, which is primarily attributable to reduced car rental demand offset by increased pricing at Avis. Avis domestic car rental revenues declined $41 million (7%) in second quarter 2003 compared with second quarter 2002. The net reduction in domestic car rental revenues at Avis was primarily due to a 10% quarter-over-quarter reduction in domestic car rental days, which was partially offset by a 1% increase in time and mileage revenue per domestic rental day, reflecting an increase in pricing that substantially flows to EBITDA. In addition, EBITDA, quarter-over-quarter, includes favorable interest costs of $8 million on the financing of vehicles due to lower interest rates, which were offset by incremental vehicle-related net expenses and customer service costs. The increase in vehicle-related net expenses includes incremental maintenance and damage costs due to a reduction in warranty-related services provided to car manufacturers, a decline in gas reimbursements from Avis car rental customers and higher vehicle license and registration costs. Despite reduced Avis revenue domestically, revenues from Avis' international operations increased $10 million due to increased transaction volume and the favorable impact to revenues of exchange rates, principally in Australia, which was principally offset in EBITDA by the unfavorable impact on expenses. Avis' and Budget's revenues are primarily derived from car rentals at airport locations. Wright Express, our fuel card business, recognized incremental revenues of $6 million (20%) in second quarter 2003 compared with the prior year second quarter. This was primarily due to growth in fuel cards, card usage and higher gasoline prices whereby Wright Express earns a percentage of the total gas purchased by its clients.

Financial Services

Revenues and EBITDA decreased $36 million (12%) and $13 million (15%), respectively, in second quarter 2003 compared with the prior year quarter. Revenue and EBITDA reflect a continued attrition of the membership base retained by us in connection with the outsourcing of our individual membership business to Trilegiant; however, the impact 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 $51 million (net of $4 million of royalty income from Trilegiant), which was partially offset in EBITDA by favorable membership operating expenses of $35 million. See the section entitled "Liquidity and Capital Resources—Affiliated Entities" for a discussion concerning our consolidation of Trilegiant on July 1, 2003 pursuant to FASB Interpretation No. 46, "Consolidation of Variable

Interest Entities" ("FIN 46"). Partially offsetting the impact from the attrition of the membership business was the increased operating results of our Jackson Hewitt tax preparation franchise and the favorable impact of foreign currency exchange rates on the revenues of our international membership business. Jackson Hewitt generated incremental revenues of $7 million in second quarter 2003, which was primarily driven by franchise royalty growth and by the timing of certain financial product program revenues as such revenues were earned in the second quarter of 2003 when in 2002 those revenues were earned in the third quarter. Franchise royalties grew at Jackson Hewitt as a result of a 9% increase in the total tax return volume and an 18% increase in average price per return. EBITDA, in second quarter 2003, was also impacted by an $8 million expense incurred in connection with a litigation settlement.

Corporate and Other

Revenues and EBITDA increased $6 million and $37 million, respectively in second quarter 2003 compared with second quarter 2002. EBITDA reflects a greater absorption of overhead expenses by our reportable operating segments during second quarter 2003 compared with second quarter 2002, principally due to expense allocations in second quarter 2003 to companies that were acquired during 2002 and did not receive overhead allocations in the second quarter of last year. Also contributing to favorable EBITDA quarter-over-quarter was the absence of costs incurred in second quarter 2002 associated with the December 2001 outsourcing of substantially all of our domestic data center operations and other information technology functions.

SIX MONTHS ENDED JUNE 30, 2003 VS. SIX MONTHS ENDED JUNE 30, 2002

Our consolidated results from continuing operations comprised the following:

	Six Months Ended June 30,		
	2003	2002	Change
Net revenues	$ 8,674	$ 6,400	$ 2,274
Total expenses	7,623	5,545	2,078
Income before income taxes and minority interest	1,051	855	196
Provision for income taxes	348	293	55
Minority interest, net of tax	12	8	4
Income from continuing operations	$ 691	$ 554	$ 137

Net revenues and total expenses increased approximately $2.3 billion (36%) and $2.1 billion (37%), respectively, principally due to the acquisitions of the following businesses, which contributed incremental revenues and expenses each aggregating $2.0 billion.

Acquired Business	Date of Acquisition	Incremental Contribution to Net Revenues	Incremental Contribution to Total Expenses
NRT Incorporated[(a)]	April 2002	$ 954	$ 998
Trendwest Resorts, Inc.[(b)]	April 2002	169	150
Net assets of Budget Group, Inc.	November 2002	847	867
Total Contributions		$ 1,970	$ 2,015

(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 the six months ended June 30, 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 the six months ended June 30, 2002).

In addition to the contributions made by acquired businesses, the diversity of our portfolio of businesses allowed us to mitigate the effects of a challenging economic and political environment, particularly for our travel-related businesses. Weak comparisons in our travel-related businesses were more than offset by organic growth in our real estate services businesses, especially in our mortgage business where revenues increased 69% period-over-period. The growth in our mortgage business also contributed to the increase in total expenses in order to support the continued high level of mortgage loan production and related servicing activities. Partially offsetting the increase in total expenses incurred by our mortgage business was a decrease of $185 million in acquistion and integration related costs primarily due to the amortization in 2002 of the pendings and listings intangible asset acquired as part of the acquistion of NRT, which was amortized over the closing period of the underlying contracts (less than five months). Our overall effective tax rate decreased to 33% for the six months ended June 30, 2003 from 34% for the comparable period in 2002. The effective tax rate was lower primarily due to a decrease in taxes on our foreign operations, which was partially offset by higher state taxes and an increase in non-deductible items. As a result of the above-mentioned items, income from continuing operations increased $137 million (25%).

Discussed below are the results of operations for each of our reportable segments. The information presented for the six months ended June 30, 2002 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		
	2003	2002	% Change	2003	2002	% Change
Real Estate Services	$ 3,126	$ 1,850	69%	$ 579	$ 497	16%
Hospitality	1,215	969	25	294	285	3
Travel Distribution	842	882	(5)	232	277	(16)
Vehicle Services	2,786	1,963	42	182	193	(6)
Financial Services	664	730	(9)	240	252	(5)
Total Reportable Segments	8,633	6,394	35	1,527	1,504	2
Corporate and Other[(a)]	41	6	*	3	(75)	*
Total Company	$ 8,674	$ 6,400	36	1,530	1,429	
Less: Non-program related depreciation and amortization				257	216	
Non-program related interest expense, net				215	164	
Amortization of pendings and listings				7	194	
Income before income taxes and minority interest				$ 1,051	$ 855	

* Not meaningful.

(a) Includes the results of operations of our non-strategic businesses, unallocated corporate overhead, the elimination of transactions between segments and, in 2003, a $30 million gain on the sale of our investment in Entertainment Publications, Inc.

Real Estate Services

Revenues and EBITDA increased $1,276 million (69%) and $82 million (16%), respectively, in six months 2003 compared with six months 2002.

Revenues and EBITDA were primarily impacted by increased production volume at our mortgage business and by the April 17, 2002 acquisition of NRT and subsequent acquisitions by NRT of other real estate brokerages (the operating results of which have been included from the acquisition dates forward). NRT (inclusive of its title and closing business) and NRT's significant brokerage acquisitions subsequent to our ownership contributed an incremental $954 million of revenues and an EBITDA decline of $25 million from January 1, 2003 through April 16, 2003. This 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 progressively strengthen during the second and third quarters. Excluding the incremental impact of the NRT acquisition and NRT's significant acquisitions of real estate brokerages subsequent to our acquisition, net brokerage commission revenues increased $6 million in 2003. Prior to our acquisition of NRT, during six months 2002, we received royalty and marketing fees from NRT of $66 million, real estate referral fees of $9 million, and a $16 million fee in connection with the termination of a franchise agreement under which NRT operated our ERA real estate brand. We also had a preferred stock investment in NRT, prior to our acquisition, which generated dividend income of $10 million during six months 2002. In addition, revenues in six months 2003 benefited by $72 million from certain accounting reclassifications made in 2003 (with no impact on EBITDA), primarily in connection with the merger of our pre-existing title and appraisal businesses with and into the larger-scale title and closing business of NRT. Upon the combining of 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 $36 million compared with six months 2002. Title, appraisal and other closing fees all increased due to higher volumes, consistent with the growth in the mortgage origination markets, and cross-selling initiatives.

On a comparable basis, including post-acquisition intercompany royalties paid by NRT to our real estate franchise business, our real estate franchise brands generated incremental royalties and marketing fund revenues of $21 million in six months 2003, an increase of 7% over six months 2002 due to a 7% increase in the average price of homes sold and a 2% increase in volume of home sales transactions. 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.

Revenues from mortgage-related activities grew $219 million (69%) in six months 2003 compared with six months 2002 due to a significant increase in mortgage loan production as low interest rates have prompted record levels of mortgage refinancing activity. Revenues from mortgage loan production increased $276 million (75%) in six months 2003 compared with the prior year quarter and was derived from growth in our fee-based mortgage origination operations (discussed below) and a 74% increase in the volume of loans that we packaged and sold. We sold $29.0 billion of mortgage loans in six months 2003 compared with $16.7 billion in six months 2002, generating incremental production revenues of $197 million. In addition, production revenues generated from our fee-based mortgage-origination activity increased $79 million (79%) as compared with six months 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 (typically 30-60 days after closing). Accordingly, our production revenue in six months 2003 was driven by a mix of mortgage loans closed and mortgage loans sold. Total mortgage loans closed increased $16.1 billion (64%) to $41.2 billion in six months 2003, comprised of a $13.8 billion (89%) increase in closed loans to be securitized (sold by us) and a $2.3 billion (24%) increase in closed loans that were fee-based. Refinancings increased $14.2 billion (124%) to $25.7 billion and purchase mortgage closings grew $1.9 billion (14%) to $15.4 billion.

Net revenues from servicing mortgage loans declined $57 million, although recurring servicing fees (fees received for servicing existing loans in the portfolio) increased $19 million (9%) driven by a 16% period-over-period increase in the size of our average servicing portfolio to $117.8 billion. Net servicing revenues included an increase of $215 million in MSR amortization and provision for impairment (both of which are recorded against revenue) due to the high levels of refinancings and related loan prepayments resulting from the lower interest rate environment. However, this was partially offset by $141 million of incremental gains from hedging and other derivative activities to protect against changes in the fair value of MSR due to fluctuations in interest rates. Excluding the impact

from the acquisition of NRT and its subsequent acquisitions, operating and administrative expenses within this segment increased approximately $145 million, primarily due to the direct costs incurred in connection with continued high level of mortgage loan production and related servicing activities.

Hospitality
Revenues and EBITDA increased $246 million (25%) and $9 million (3%) respectively, in six months 2003 compared with six months 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 certain 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 six months 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 $46 million, respectively, and EBITDA of $23 million, $2 million and $13 million, respectively, in six months 2003 compared with six months 2002. Excluding the impact from these acquisitions, revenues increased $23 million (2%) while EBITDA declined $29 million (10%), for the comparable six month periods in 2003 and 2002. Sales of vacation ownership interests in our developed timeshare units contributed incremental revenues of $16 million in six months 2003, a 5% increase over six months 2002, primarily as a result of increased tour flow at our Fairfield subsidiary resort sites. Timeshare subscription and exchange fee revenues within our timeshare exchange business increased $15 million (7%), primarily due to a 12% increase in the average fee per exchange which was partially offset by a 5% reduction in the volume of exchange transactions which we believe was driven by apprehension over the military conflict in Iraq.

Royalties and marketing and reservation fund revenues within our lodging franchise operations declined $5 million (3%) in six months 2003 due to a 5% decline in the number of weighted average rooms available following our decision to remove from our franchise system certain properties that were not meeting required standards. This was partially offset by a 1% period-over-period increase in revenue per available room. Our lodging franchise business and our franchisees were unfavorably impacted in six months 2003 by the military conflict in Iraq, which compounded an already weak travel environment. As a result, during six months 2003, we recorded an incremental $11 million non-cash expense related to the doubtful collectibility of certain franchise receivables. Excluding acquisitions, operating and administrative expenses within this segment increased approximately $45 million in six months 2003, principally due to increased timeshare sales-related expenses, including variable expense increases on higher sales volumes and an increased investment in guest generation spending to enhance tour flows. In addition, expense increases represent volume-related growth in our timeshare exchange business in prior quarters, and our maintenance of current service levels.

Travel Distribution
Revenues and EBITDA declined $40 million (5%) and $45 million (16%), respectively, in six months 2003 compared with six months 2002. Galileo air travel booking fees decreased $61 million (9%) due to an 11% decline in worldwide air booking volumes. Like other industry participants, we experienced a decline in travel demand affecting volumes and revenues across the majority of our travel distribution businesses due to a number of factors, including military conflict in Iraq, continuing economic pressures, terrorist threat alerts, and health concerns in the Asia/Pacific region and other parts of the world (SARS). However, as apprehension regarding the military conflict in Iraq and the risk posed by SARS subsided, air travel booking volumes have begun to rebound with booking volumes having progressively improved in each respective month during the second quarter of 2003. To mitigate the impact of the industry decline, we initiated aggressive global cost containment efforts within this business segment. Galileo subscriber fees and EBITDA during six months 2003 increased $28 million and $8 million, respectively, due to the acquisition of national distribution companies (NDCs) in Europe during 2002. NDCs are independent organizations that market and sell Galileo global distribution and computer reservation services to travel agents and other subscribers.

Trip Network, which we acquired in April 2003 and which operates Cheap Tickets, contributed $10 million in revenues and an EBITDA decline of $11 million in six months 2003 due to factors contributing to reductions in travel demand, as noted above. In addition, during the summer of 2002, we 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 $21 million with a nominal EBITDA impact during six months 2003. Additionally, revenues from our travel agency business declined $17 million in six months 2003 due to a general industry decline in travel demand, as discussed above, reductions in commission rates paid by airlines, the lack of reduced-rate air inventory availability and a decline in travel-related clubs which are serviced by us. However, the impact on EBITDA of lower travel agency revenues was more than offset by variable expense savings on lower revenues and expense reductions due to cost containment initiatives relating to our travel agency business implemented in 2002 and 2003. EBITDA in six months 2003 was favorably impacted by $8 million in connection with a contract termination settlement during first quarter 2003.

Vehicle Services
Revenues increased $823 million (42%) while EBITDA declined $11 million (6%), in six months 2003 compared with the prior year period, primarily due to our acquisition of Budget. Budget's operating results, including integration costs, were included from the acquisition date forward and contributed revenues of $847 million and EBITDA losses of $7 million in six months 2003. Excluding Budget's six months 2003 results, revenue and EBITDA declined $24 million (1%) and $4 million (2%), respectively, in six months 2003, which is primarily attributable to reduced car rental demand offset by increased pricing at Avis. Avis domestic car rental revenues declined $61 million (6%) in six months 2003 compared with six months 2002. The net reduction in domestic car rental revenues at Avis was primarily due to an 8% period-over-period reduction in domestic car rental days, which was partially offset by a 2% increase in time and mileage revenue per domestic rental day, reflecting an increase in pricing that substantially flows to EBITDA. In addition, EBITDA, period-over-period, includes favorable interest costs of $18 million on the financing of vehicles due to lower interest rates, which were offset by incremental vehicle-related net expenses and customer service costs. The increase in vehicle-related net expenses includes incremental maintenance and damage costs due to a reduction in warranty-related services provided to car manufacturers, a decline in gas reimbursements from Avis car rental customers and higher vehicle license and registration costs. Despite reduced Avis revenue domestically, revenues from Avis' international operations increased $22 million, due to increased transaction volume and the favorable impact to revenues of exchange rates, in Australia, New Zealand, and Canada, which was principally offset in EBITDA by the unfavorable impact on expenses. Wright Express, our fuel card business, recognized incremental revenues of $17 million (28%) in six months 2003 compared with the prior year period. This was primarily due to growth in fuel cards, card usage and higher gasoline prices whereby Wright Express earns a percentage of the total gas purchased by its clients.

Financial Services
Revenues and EBITDA decreased $66 million (9%) and $12 million (5%), respectively, in six months 2003 compared with the comparable prior year six months. Revenue and EBITDA reflect a continued attrition of the membership base retained by us in connection with the outsourcing of our individual membership business to Trilegiant; however, the impact 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 $114 million (net of $8 million of royalty income from Trilegiant), which was partially offset in EBITDA by favorable membership operating expenses of $74 million. See the section entitled "Liquidity and Capital Resources—Affiliated Entities" for a discussion concerning our consolidation of Trilegiant on July 1, 2003 pursuant to FIN 46. Partially offsetting the impact from the attrition of the membership business was growth in our Jackson Hewitt tax preparation franchise operations.

Jackson Hewitt generated incremental franchise royalty and tax preparation revenues of $20 million in six months 2003 compared with six months 2002, which was principally driven by a 12% increase in tax return volume and a 10% increase in the average price per return. Favorable results in the tax preparation franchise business are recognized with nominal increases in expenses due to significant operating leverage within this business. In addition, Jackson Hewitt also generated $11 million of incremental revenues from financial products and programs primarily due to timing, as revenues from a certain financial product program were earned in the first six months of 2003, when in 2002 such revenues were earned in the third quarter. Revenues benefited $13 million from incremental foreign currency translation gains at our international membership business. EBITDA, in six months 2003, was also impacted by an $8 million expense incurred in connection with a litigation settlement.

Corporate and Other

Revenues and Adjusted EBITDA increased $35 million and $78 million, respectively in six months 2003 compared with six months 2002. Revenues and EBITDA include a $30 million gain in connection with the sale of our equity investment in Entertainment Publication, Inc., during first quarter 2003. EBITDA also reflects a greater absorption of overhead expenses by our reportable operating segments during six months 2003 compared with six months 2002, principally due to expense allocations in six months 2003 to companies that were acquired during 2002 and did not receive overhead allocations in the six months of last year. Also contributing to an increase in EBITDA period-over-period was the absence of costs incurred in six months 2002 associated with the December 2001 outsourcing of substantially all of our domestic data center operations and other information technology functions.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Within our vehicle rental, vehicle management, relocation, mortgage services and vacation ownership businesses, we purchase assets or finance the purchase of assets on behalf of our clients. Assets generated in this process are classified as assets under management and mortgage programs. We seek to offset the interest rate exposures inherent in these assets by matching them with financial liabilities that have similar term and interest rate characteristics. As a result, we minimize the interest rate risk associated with managing these assets and create greater certainty around the financial income that they produce. Fees generated from our clients are used, in part, to repay the interest and principal associated with the financial liabilities. Funding for our assets under management and mortgage programs is also provided by both unsecured borrowings and asset-backed financing arrangements, which are classified as liabilities under management and mortgage programs, as well as securitization facilities with special purpose entities. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our management and mortgage programs. Our finance activities vary from the rest of our businesses based upon the impact of the relative business and financial risks and asset attributes, as well as the nature and timing associated with the respective cash flows. Accordingly, we believe that it is appropriate to segregate our assets under management and mortgage programs and our liabilities under management and mortgage programs separately from the assets and liabilities of the rest of our businesses because, ultimately, the source of repayment of such liabilities is the realization of such assets.

FINANCIAL CONDITION

	June 30, 2003	December 31, 2002	Change
Total assets exclusive of assets under management and mortgage programs	$ 20,692	$ 20,775	$ (83)
Total liabilities exclusive of liabilities under management and mortgage programs	12,422	12,443	(21)
Assets under management and mortgage programs	16,250	15,122	1,128
Liabilities under management and mortgage programs	14,369	13,764	605
Mandatorily redeemable preferred interest	375	375	—
Stockholders' equity	9,776	9,315	461

Total assets exclusive of assets under management and mortgage programs decreased slightly primarily due to (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 (iii) the sale of properties and the related mortgages, which we had acquired upon foreclosure due to borrowers'

delinquencies. Such decreases were partially offset by an increase of $501 million in cash and cash equivalents (see "Liquidity and Capital Resources—Cash Flows" below for a detailed discussion of such increase).

Total liabilities exclusive of liabilities under management and mortgage programs decreased slightly primarily due to the repurchase/redemption of approximately $2.7 billion of debt securities, which was substantially offset by the issuance of approximately $2.6 billion in longer-term debt securities during first quarter 2003 (see "Liquidity and Capital Resources—Financial Obligations—Corporate Indebtedness" for a detailed account of this activity).

Assets under management and mortgage programs increased primarily due to (i) the purchase of vehicles used primarily in our vehicle rental operations, (ii) the acquisition of FFD Development Company LLC and the timeshare financing referred to above and (iii) timing differences in the balance of mortgage loans held for sale arising between the origination and sales of such loans. Such increases were partially offset by a net reduction of $387 million in our mortgage servicing rights assets, including the related derivatives (see Note 6 to our Consolidated Condensed Financial Statements for a detailed account of the change in our mortgage servicing rights asset and related derivative assets).

Liabilities under management and mortgage programs increased primarily due to issuances of debt during 2003 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 Related to Management and Mortgage Programs" for a detailed account of the change in debt related to management and mortgage programs).

Stockholders' equity increased primarily due to (i) $691 million of net income generated during the six months ended June 30, 2003 and (ii) $117 million related to the exercise of employee stock options. Such increases were partially offset by our repurchase of $461 million (32.3 million shares) in 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 credit and securitization facilities, each of which is discussed below.

CASH FLOWS

At June 30, 2003, we had $627 million of cash on hand, an increase of $501 million from $126 million at December 31, 2002. The following table summarizes such increase:

	Six Months Ended June 30,		
	2003	2002	Change
Cash provided by (used in):			
Operating activities	$ 2,364	$ (684)(a)	$ 3,048
Investing activities	(1,792)	216 (b)	(2,008)
Financing activities	(51)	(1,046)	995
Effects of exchange rate changes	(20)	(16)	(4)
Cash provided by discontinued operations	—	74	(74)
Net change in cash and cash equivalents	$ 501	$ (1,456)	$ 1,957

(a) Includes (i) the 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 the first half of 2003, we generated approximately $2.4 billion of net cash from operating activities as compared to using $684 million of net cash during the comparable period in 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 $198 million. Such change primarily represents (i) greater net income, (ii) better management of our working capital and (iii) proceeds received from the termination of fair value hedges of corporate debt instruments (we subsequently reset these hedge positions to create a desired balance between its floating rate debt and floating rate assets). These increases were partially offset in the operating activities of our management and mortgage programs due to a decrease in net cash inflows provided by mortgage origination and sale activities, which results from a timing difference on the receipt of proceeds from the sales of originated loans.

During the first half of 2003, we used approximately $1.8 billion of net cash for investing activities as compared to generating $216 million of net cash during the comparable period in 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) $1.2 billion in proceeds received from the May 2002 sale of our car parking facility business. Excluding these amounts, we used $602 million less cash for investing activities during 2003 as compared to the same period in 2002. This decrease primarily reflects our decision to significantly curtail acquisitions, as evidenced by an almost $500 million reduction in cash used for this purpose. Also contributing to this change aggregate proceeds of $72 million received in 2003 on the sale of our investment in Entertainment Publications, Inc. ($33 million) and the sale/leaseback of one of our New Jersey facilities ($39 million). The investing activities of our management and mortgage programs remained relatively flat period-over-period as the increase in net cash used to acquire vehicles was partially offset by greater cash inflows on derivative contracts used to manage the interest rate risk inherent in our MSR asset. We also used $59 million more cash in 2003 for capital expenditures to support operational growth and businesses acquired in 2002 and to enhance marketing opportunities and develop operating efficiencies through technological improvements. We continue to anticipate aggregate capital expenditure investments for 2003 to be in the range of $450 million to $480 million.

During the first half of 2003, we used $995 million less cash for financing activities as compared to the first half of 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 to increase debt repayments by approximately $1.7 billion and to increase share repurchases by $324 million period-over-period. These changes demonstrate our dedication to strengthening our liquidity position. Further contributing to this change is an increase of $427 million in the financing activities of our management and mortgage programs, which primarily represents greater borrowings in 2003 to support the purchase of vehicles used in our vehicle rental operations. See "Liquidity and Capital Resources—Financial Obligations" for a detailed discussion of financing activities during the six months ended June 30, 2003.

Throughout the second half of 2003, we intend to deploy our available cash and the cash generated through our operations primarily to reduce/retire corporate indebtedness and repurchase outstanding shares of our common stock. Management currently expects that we will use $229 million of cash in December 2003 to retire our $7^{3}/4$% notes. Additionally, management currently intends to use cash to redeem our zero coupon senior convertible contingent notes and zero coupon convertible debentures on their call dates (February 2004 and May 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. We also intend to begin paying a quarterly cash dividend in 2004. While we expect the quarterly dividend to start at 7 cents per share (or 28 cents per share annually), we anticipate increasing the dividend over time as our earnings and cash flow grow.

FINANCIAL OBLIGATIONS

At June 30, 2003, we had approximately $20.1 billion of indebtedness (including corporate indebtedness of $5.5 billion, Upper DECS of $863 million, debt under management and mortgage programs of $13.3 billion and our mandatorily redeemable preferred interest of $375 million).

Corporate Indebtedness
Corporate indebtedness consisted of:

	Earliest Mandatory Redemption Date	Final Maturity Date	June 30, 2003	December 31, 2002	Change
Term notes:					
7 3/4% notes[a]	December 2003	December 2003	$ 229	$ 966	$ (737)
6 7/8% notes	August 2006	August 2006	849	849	—
6 1/4% notes[b]	January 2008	January 2008	796	—	796
11% senior subordinated notes[c]	May 2009	May 2009	398	530	(132)
6 1/4% notes[d]	March 2010	March 2010	348	—	348
7 3/8% notes[b]	January 2013	January 2013	1,190	—	1,190
7 1/8% notes[d]	March 2015	March 2015	250	—	250
Contingently convertible debt securities:					
Zero coupon senior convertible contingent notes	February 2004	February 2021	425	420	5
Zero coupon convertible debentures[e]	May 2004	May 2021	7	857	(850)
3 7/8% convertible senior debentures[f]	November 2004	November 2011	804	1,200	(396)
Other:					
Revolver borrowings[g]		December 2005	—	600	(600)
Net hedging gains[h]			163	89	74
Other			86	90	(4)
Total corporate debt, excluding Upper DECS			5,545	5,601	(56)
Upper DECS			863	863	—
Total corporate debt, including Upper DECS			$ 6,408	$ 6,464	$ (56)

(a) The change in the balance at June 30, 2003 reflects the redemption of $737 million of these notes for approximately $771 million in cash. In connection with such redemption, we recorded a pretax charge of approximately $22 million.

(b) These notes, issued in January 2003, are senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured senior indebtedness.

(c) The change in the balance at June 30, 2003 reflects (i) the redemption of $111 million in face value of these notes, with a carrying value of $123 million, for $124 million in cash and (ii) $9 million related to the amortization of a premium. In connection with such redemption, we recorded a pretax charge of approximately $1 million.

(d) These notes, issued in March 2003, are senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured senior indebtedness.

(e) The change in the balance at June 30, 2003 reflects redemptions aggregating $850 million for approximately $851 million in cash. In connection with such redemptions, we recorded a pretax charge of approximately $12 million.

(f) The change in the balance at June 30, 2003 reflects the redemption of $396 million of these debentures for approximately $408 million in cash. In connection with such redemption, we recorded a pretax charge of approximately $19 million.

(g) Reflects the repayment of outstanding revolver borrowings during the six months ended June 30, 2003.

(h) As of June 30, 2003, the balance primarily represents $225 million of realized gains resulting from the termination of fair value hedges, which we will amortize to reduce future interest expense. These hedge positions were immediately reset to create a desired balance between our floating rate debt and floating rate assets. Partially offsetting the gains of $225 million are mark to market adjustments of $62 million on these 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 eleven years, the proceeds of which were primarily used to repurchase debt with nearer-term maturities. Through second quarter 2003, we have repurchased a total of $2.1 billion in debt, $1.6 billion of which was scheduled to mature or potentially become due in 2003 (7 3/4% notes and zero coupon convertible debentures). Through these repurchases, we have not only eliminated a significant liquidity need, we have also removed 49.7 million shares of potential dilution from our future earnings per share which, together with the repurchase of $396 million of our 3 7/8% convertible senior debentures, brings the total number of shares of potential dilution removed to 83 million.

The number of shares of common stock potentially issuable for each of our contingently convertible debt securities are detailed below (in millions):

	June 30, 2003	December 31, 2002	Change
Zero coupon convertible debentures	0.3	33.5	(33.2)
Zero coupon senior convertible contingent notes	22.0	22.0	—
3 7/8% convertible senior debentures	33.4	49.9	(16.5)
	55.7	105.4	(49.7)

Debt Under Management and Mortgage Programs

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

	June 30, 2003	December 31, 2002	Change
Asset-Backed Debt:			
Vehicle rental program[(a)]	$ 6,904	$ 6,082	$ 822
Vehicle management program[(b)]	3,096	3,058	38
Mortgage program[(c)]	300	871	(571)
Timeshare program[(d)]	315	145	170
Relocation program[(c)]	—	80	(80)
	10,615	10,236	379
Unsecured Debt:			
Term notes[(e)]	1,989	1,421	568
Commercial paper	523	866	(343)
Bank loans	70	107	(37)
Other	150	117	33
	2,732	2,511	221
Total debt under management and mortgage programs	$ 13,347	$ 12,747	$ 600

(a) The change in the balance at June 30, 2003 principally reflects an increase in outstanding term notes at various interest rates. At June 30, 2003, approximately $5.5 billion of asset-backed term notes were included in outstanding borrowings.

(b) At June 30, 2003, approximately $2.1 billion of asset-backed term notes were included in outstanding borrowings.

(c) The change in the balance at June 30, 2003 reflects the repayment of outstanding borrowings as the operations of these businesses are being supported in 2003 largely through borrowings of unsecured debt.

(d) The change in the balance at June 30, 2003 primarily reflects the borrowing of $185 million under a timeshare financing agreement.

(e) The change in the balance at June 30, 2003 principally reflects (i) the issuance of $400 million of 6% term notes due March 2008, (ii) the issuance of $600 million of 7 1/8% term notes due March 2013, (iii) the issuance of $194 million of term notes with various interest rates and maturity dates and (iv) the February 2003 repayment of $650 million of 8 1/8% term notes.

The following table provides the contractual maturities for our debt under management and mortgage programs at June 30, 2003 (except for notes issued under our vehicle management program, where the underlying indentures require payments based on cash inflows relating to the corresponding assets under management and mortgage programs and for which appropriate estimates have been used):

	Unsecured[(*)]	Asset-Backed	Total
Within 1 year	$ 192	$ 1,976	$ 2,168
Between 1 and 2 years	727	2,624	3,351
Between 2 and 3 years	67	2,859	2,926
Between 3 and 4 years	154	1,045	1,199
Between 4 and 5 years	473	769	1,242
Thereafter	1,119	1,342	2,461
	$ 2,732	$ 10,615	$ 13,347

(*) Unsecured commercial paper borrowings of $523 million are assumed to be repaid with borrowings under our PHH subsidiary's committed credit facility expiring in February 2005, as such amount is fully supported by PHH's committed credit facilities, which are detailed below.

AVAILABLE FUNDING ARRANGEMENTS AND COMMITTED CREDIT FACILITIES

At June 30, 2003, we had approximately $5.1 billion of available funding arrangements and credit facilities (including availability of approximately $1.8 billion at the corporate level and approximately $3.3 billion available for use in our management and mortgage programs). As of June 30, 2003, the committed credit facilities at the corporate level consisted of:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued and Outstanding[(a)]	Available Capacity[(b)]
Maturing in December 2005	$ 2,900	$ —	$ 1,120	$ 1,780

(a) Issued primarily as credit enhancements to provide additional collateralization for our vehicle rental financing arrangements.

(b) Includes $630 million of capacity to issue additional letters of credit.

Available funding under our asset-backed debt programs and committed credit facilities related to our management and mortgage programs as of June 30, 2003 consisted of:

	Total Capacity	Outstanding Borrowings	Available Capacity
Asset-Backed Funding Arrangements[a]			
Vehicle rental program	$ 8,120	$ 6,904	$ 1,216
Vehicle management program	3,097	3,096	1
Mortgage program	700	300	400
Timeshare program	400	315	85
Relocation program	100	—	100
	12,417	10,615	1,802
Committed Credit Facilities[b]			
Maturing in February 2004[c]	750	—	750
Maturing in February 2005	750	—	750
	1,500	—	1,500
	$ 13,917	$ 10,615	$ 3,302

(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.
(c) On July 3, 2003, we amended the terms of this facility, which reduced the capacity to $500 million and extended the maturity date to February 2005.

As of June 30, 2003, 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.

Off Balance-Sheet Financing Arrangements

We sell specific assets under management and mortgage programs in exchange for cash. Within our timeshare business, timeshare receivables are sold to Sierra Receivables Funding Company LLC, a bankruptcy remote qualifying special purpose entity (prior to the establishment of Sierra, we sold timeshare receivables to multiple bankruptcy remote qualifying special purpose entities). At our PHH subsidiary, we sell relocation receivables to Apple Ridge Funding LLC, a bankruptcy remote qualifying special purpose entity. Our PHH subsidiary also sells loans originated by our mortgage business into the secondary market, which is customary practice in the mortgage industry. Such mortgage loans are sold into the secondary market primarily through one of the following means: (i) the direct sale to a government-sponsored entity, (ii) through capacity under a subsidiary's public registration statement (which approximated $1.97 billion as of June 30, 2003) or (iii) through Bishop's Gate Residential Mortgage Trust, a bankruptcy remote special purpose entity. The assets sold to and the debt issued by these entities are not presented on our Consolidated Condensed Balance Sheets.

Presented below is detailed information as of June 30, 2003 regarding off-balance sheet financing and sale arrangements.

	Assets Serviced[a]	Maximum Funding Capacity	Debt Issued	Maximum Available Capacity[b]
Timeshare				
Sierra[c]	$ 781	$ 819	$ 683	$ 136
Others	462	404	404[d]	—
Relocation				
Apple Ridge	555	600	400[d]	200
Mortgage				
Bishop's Gate	2,102	3,176[e]	1,964[d]	1,061

(a) Does not include cash of $47 million, $34 million, $20 million and $31 million at Sierra, other timeshare qualified special purpose entities, Apple Ridge and Bishop's Gate, respectively.
(b) Subject to maintaining sufficient assets to collateralize debt.
(c) Consists of a (i) $550 million conduit facility with outstanding borrowings of $414 million and available capacity of $136 million and (ii) a term note agreement under which $269 million was outstanding. At June 30, 2003, we were servicing receivables of $486 million under the conduit facility and $295 million under the term note agreement. Subsequent to June 30, 2003, we increased the maximum available capacity under the conduit facility to $600 million.
(d) Primarily represents term notes.
(e) Includes our ability to fund assets with $151 million of outside equity certificates.

When securitizing assets under management and mortgage programs, we make representations and warranties customary to the securitization markets, including eligibility characteristics of the assets transferred and servicing responsibilities. However, the receivables and mortgage loans transferred to the above special purpose entities, as well as the mortgage loans sold to the secondary market through other means, are generally non-recourse to us and to PHH. Pretax gains recognized on all securitizations of financial assets, which are recorded within net revenues on our Consolidated Condensed Statements of Income, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Timeshare-related	$ 13	$ 4	$ 28	$ 6
Mortgage loans	259	76	462	199

Pursuant to FIN 46, we will consolidate Bishop's Gate on July 1, 2003 through the application of the prospective transition method (see Note 1 to our Consolidated Condensed Financial Statements for more information on FIN 46 and the future consolidation of Bishop's Gate). The consolidation of this entity will not affect our results of operations or cause any changes to our prior period consolidated financial statements (including first and second quarters of 2003). However, the consolidation of Bishop's Gate will cause our total assets and liabilities under management and mortgage programs to increase by approximately $2.1 billion each on July 1, 2003.

Additionally in third quarter 2003, we requested that the boards of directors of the qualified special purpose entities we use to securitize our timeshare receivables amend these structures to enable us to begin consolidating these entities. We would continue to transfer timeshare receivables to these entities; however, gains would no longer be recognized at the time of such transfers. While the requested amendments have not yet been approved, we anticipate that the consolidation of these entities would increase our assets and liabilities under management and mortgage programs by approximately $1 billion each and, as previously disclosed, we estimate that the change in the timing of income recognition resulting from the likely consolidation would reduce our 2003 earnings per share by $0.01 to $0.02.

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 become limited in the event that our or PHH's credit ratings are downgraded below investment grade and, in certain circumstances, where we or PHH fail to meet certain financial ratios. 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 June 30, 2003, we were in compliance with all 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+
Subordinated debt	Baa2	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

As of June 30, 2003, our future contractual obligations have not changed significantly from the amounts reported within our 2002 Annual Report on Form 10-K with the exception of our commitment to purchase vehicles during 2003, which now approximates $1.4 billion, a decrease of approximately $1.2 billion from the amount previously disclosed. Any changes to our obligations related to corporate indebtedness and debt under management and mortgage programs are presented above within the section entitled "Financial Obligations" herein and also within Notes 7 and 8 to our Consolidated Condensed Financial Statements.

AFFILIATED OPERATING ENTITIES

As of June 30, 2003, the only affiliated operating entity that we had not consolidated was Trilegiant Corporation. In connection with our adoption of FIN 46, we will begin consolidating Trilegiant in the third quarter of 2003, which will result in a non-cash charge of approximately $300 million recorded on July 1, 2003 as a cumulative effect of accounting change. This non-cash charge does not impact income from continuing operations or the related per share amounts. Although we will be recording Trilegiant's profits and losses in our consolidated results of operations (beginning July 1, 2003), we are not obligated to infuse capital or otherwise fund or cover any losses incurred by Trilegiant. Therefore, our maximum exposure to loss as a result of our involvement with Trilegiant is substantially limited to the advances and loans we made to Trilegiant, as well as any receivables due from Trilegiant (collectively aggregating $112 million as of June 30, 2003), as such amounts may not be recoverable if Trilegiant were to cease operations. Upon consolidation of Trilegiant, our total assets and liabilities will increase by approximately $100 million and $400 million (approximately $250 million of which represents deferred income), respectively.

Trilegiant operates membership-based clubs and programs and other incentive-based programs through an outsourcing arrangement with us. Pursuant to such arrangement, we retained substantially all of the assets and liabilities of our existing membership business and licensed Trilegiant the right to market products utilizing our intellectual property to new members. Accordingly, we continue to collect membership fees from, and are obligated to provide membership benefits to, members of our 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 pursuant to the Third Party Administrator agreement. 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 our franchise businesses, we receive a royalty from Trilegiant on all future revenue generated by the new members.

During the three months ended June 30, 2003 and 2002, revenues from existing members approximated $84 million and $139 million, respectively. Trilegiant charged us $34 million and $44 million during the three months ended June 30, 2003 and 2002, respectively, in connection with providing fulfillment services to these members. During the three months ended June 30, 2003 and 2002, we also recorded revenues of $16 million and $13 million, respectively, (representing royalties and licensing and leasing fees) and marketing expenses of $4 million and $2 million, respectively (related to the advance made to Trilegiant in 2001) in connection with the outsourcing arrangement. The resultant impact of these activities to our cash position was a net inflow of $7 million and $9 million to cash provided by operating activities during the three months ended June 30, 2003 and 2002, respectively.

During the six months ended June 30, 2003 and 2002, revenues from existing members approximated $174 million and $296 million, respectively. Trilegiant charged us $70 million and $95 million during the six months ended June 30, 2003 and 2002, respectively, in connection with providing fulfillment services to these members. During the six months ended June 30, 2003 and 2002, we also recorded revenues of $33 million and $24 million, respectively (representing royalties and licensing and leasing fees) and marketing expenses of $8 million and $12 million, respectively (related to the advance made to Trilegiant in 2001) in connection with the outsourcing arrangement. The resultant impact of these activities to our cash position was a net inflow of $29 million and $36 million to cash provided by operating activities during the six months ended June 30, 2003 and 2002, respectively.

As of June 30, 2003, our equity ownership interest in Trilegiant approximated 35% on a fully diluted basis; however, after giving consideration to the applicable stockholder's agreement, we believe that we have the right to acquire an additional 7% ownership interest.

ACCOUNTING POLICIES

The majority of our businesses operate in environments where we are paid a fee for a service performed. 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. However, 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 that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section entitled "Critical Accounting Policies" of our 2002 Annual Report on Form 10-K are the accounting policies that we believe require subjective and/or complex judgments that could potentially affect reported results (mortgage servicing rights, retained interests from securitizations, financial instruments and goodwill and other intangible assets). There have not been any significant changes to those accounting policies nor to our assessment of which accounting policies we would consider to be critical accounting policies. From time to time, we evaluate the estimates used in recording goodwill in connection with the acquisition of a business. In certain circumstances, those estimates may be based upon preliminary or outdated information. Accordingly, the allocation to goodwill is subject to revision when we receive new information. Revisions to the estimates are recorded as further adjustments to goodwill or within the Consolidated Condensed Statements of Income, as appropriate.

On January 1 2003, we adopted the fair value method of accounting for stock-based compensation provisions of Statement of Financial Accounting Standards ("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.

Also on January 1, 2003, we adopted the following standards as a result of the issuance of new accounting pronouncements by the Financial Accounting Standards Board ("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"

During 2003, the FASB also issued the following pronouncements, which we will adopt on July 1, 2003:

- FASB Interpretation No. 46, "Consolidation of Variable Interest Entities"
- 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 1 to our Consolidated Condensed Financial Statements.

Item 3. Quantitative And Qualitative Disclosures About Market Risks

As previously discussed in our 2002 Annual Report on Form 10-K, we assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values, and cash flows based on a hypothetical 10% change (increase and decrease) in our market risk sensitive positions. We used June 30, 2003 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, 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.

Item 4. Controls and Procedures

(a)

Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our 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 quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in our 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 fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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 alleged 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.com 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. A hearing on our motion to dismiss was held on February 14, 2003 and at the conclusion thereof the motion was submitted to the court for determination. On March 7, 2003, the court granted our motion and dismissed the complaint, as against Cendant and Mr. Smith, with prejudice. On April 14, 2003, plaintiffs filed a motion for an order certifying an issue for interlocutory appeal. In an order dated July 11, 2003, the court denied plaintiffs' motion.

Item 4. Submission of Matters to a Vote of Security Holders

We held an Annual Meeting of Stockholders on May 20, 2003, pursuant to a Notice of Annual Meeting of Stockholders and Proxy Statement dated March 28, 2003, a copy of which has been filed previously with the Securities and Exchange Commission, at which our stockholders approved the election of five directors for a term of three years, the ratification of the appointment of Deloitte & Touche LLP as independent auditors of the financial statements for fiscal year 2003 and an increase in shares available under the Cendant Corporation Amended and Restated 1998 Employee Stock Purchase Plan.

Proposal 1: To elect five directors for a three-year term.

Results:

	In Favor	Withheld
Henry R. Silverman	876,070,023	55,139,731
James E. Buckman	884,117,461	47,092,293
The Honorable William S. Cohen	604,410,176	326,799,578
Martin L. Edelman	876,555,876	54,653,878
Stephen P. Holmes	884,057,972	47,151,782

Proposal 2: To ratify and approve the appointment of Deloitte & Touche LLP as our Independent Auditors for the year ending December 31, 2003.

Results:

For	Against	Abstain
862,092,984	63,540,157	5,576,613

Proposal 3: To approve an increase in shares available under the Cendant Corporation Amended and Restated 1998 Employee Stock Purchase Plan.

Results:

For	Against	Abstain
875,908,656	46,905,957	8,395,141

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index

(b) Reports on Form 8-K

On April 4, 2003, we filed a current report on Form 8-K to report under Item 5 that our Board of Directors had authorized a $500 million increase in our share repurchase program.

On April 16, 2003, we filed a current report on Form 8-K to report under Item 5 that Ronald L. Nelson will join Cendant as Chief Financial Officer and a member of our Board of Directors.

On April 22, 2003, we filed a current report on Form 8-K to report under Item 12 our first quarter 2003 financial results.

On June 30, 2003, we filed a current report on Form 8-K to report under Item 5 that we intend to begin paying a cash dividend on our common stock in the first quarter of 2004. We also reiterated our previously announced cash flow projections and announced that we expect to meet or exceed our second quarter 2003 earnings projection.

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

/s/ RONALD L. NELSON

Ronald L. Nelson
Chief Financial Officer

/s/ TOBIA IPPOLITO

Tobia Ippolito
Executive Vice President and
Chief Accounting Officer

Date: August 7, 2003

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).
10.1	Letter Agreement of James E. Buckman, dated May 2, 2003.
10.2	Letter Agreement of Kevin M. Sheehan, dated May 2, 2003.
10.3	Letter Agreement of Richard A. Smith, dated May 2, 2003.
10.4	Letter Agreement of Samuel L. Katz, dated May 2, 2003.
10.5	Letter Agreement of Scott E. Forbes, dated May 2, 2003.
10.6	Letter Agreement of Stephen P. Holmes, dated May 2, 2003.
10.7	Letter Agreement of Thomas D. Christopoul, dated May 2, 2003.
10.8	First Amendment to Amended and Extended Employment Agreement of Henry R. Silverman, dated July 28, 2003.
10.9	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 dated August 7, 2003).
10.10	Series 2003-3 Supplement, dated as of May 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 2003-3 Agent (Incorporated by reference to Avis Group Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2003).
10.11	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 period ended June 30, 2003).
10.12	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 Exhibit 10.1 to Chesapeake Funding LLC's Quarterly Report on Form 10-Q for the period ended June 30, 2003).
10.13	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).

10.14	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.
10.15	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.
10.16	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-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.
10.17	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.
10.18	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.
10.19	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.
10.20	Master Loan Purchase Agreement Termination Agreement, dated as of July 17, 2003, between EFI Development Funding, Inc., and Sierra Deposit Company, LLC relating to that Master Loan Purchase Agreement, dated as of August 29, 2002, between EFI Development Funding, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.
10.21	Master Loan Purchase Agreement Supplement Termination Agreement, dated as of July 17, 2003, between EFI Development Funding, Inc., and Sierra Deposit Company, LLC relating to that Series 2002-1 Supplement to Master Loan Purchase Agreement, dated as of August 29, 2002, between EFI Development Funding, Inc., as Seller and Sierra Deposit Company, LLC, as Purchaser.
10.22	First Amendment, dated as of July 17, 2003, to Master Pool Purchase Agreement, dated as of August 29, 2002, between Sierra Deposit Company, LLC, as Depositor and Sierra Receivables Funding Company, LLC, as Issuer.
10.23	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.
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
15	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

QuickLinks

[Cendant Corporation and Subsidiaries]
[Table of Contents]
[FORWARD-LOOKING STATEMENTS]

[PART I—FINANCIAL INFORMATION]

Cendant Corporation and Subsidiaries CONSOLIDATED CONDENSED STATEMENTS OF INCOME (In millions, except per share data)
Cendant Corporation and Subsidiaries CONSOLIDATED CONDENSED BALANCE SHEETS (In millions, except share data)
Cendant Corporation and Subsidiaries CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (In millions)
See Notes to Consolidated Condensed Financial Statements.
Cendant Corporation and Subsidiaries NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unless otherwise noted, all amounts are in millions, except per share amounts)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS
FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Item 3. Quantitative And Qualitative Disclosures About Market Risks
Item 4. Controls and Procedures
PART II—OTHER INFORMATION
Item 1. Legal Proceedings
Item 4. Submission of Matters to a Vote of Security Holders
Item 6. Exhibits and Reports on Form 8-K

SIGNATURES
Exhibit Index

Exhibit 10.1

May 2, 2003

James E. Buckman
Cendant Corporation
9 West 57th Street
New York, NY 10019

Dear Jim:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of September 12, 1997, as amended (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the target minimum amount set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. Each Incentive Compensation Award payable with respect to any fiscal year following and including fiscal year 2002 which is taken into account in determining the 500% severance payment to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge and the 200% severance payment to which you will become entitled upon your resignation for any reason, will in no event be greater than 100% of your Base Salary in the fiscal year to which such Incentive Compensation Award relates.

2. The 36 months of continued benefits and perquisites to which you and your eligible dependents will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge or if you resign for any reason will be limited to the benefits and perquisites provided under the plans listed on Attachment A hereto; provided, however, that your entitlement to continued benefits and perquisites will remain subject to the terms and conditions of the plans listed on Attachment A, as may be modified from time to time. Notwithstanding anything contained in your Employment Agreement, Cendant will be permitted to meet any of its obligations to provide you with continued benefits and perquisites by paying, or providing for the payment of, such benefits and perquisites directly or through alternate plans or individual policies with terms that are substantially similar (with respect to both coverage and cost to you) to the plans listed on Attachment A.

3. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ JAMES E. BUCKMAN

Attachment A

Executive Physical Exams
Medical Expense Reimbursement Plan (MERP)
Medical Insurance
Dental Insurance
Vision Service Plan
Company Provided Car
Avis Chairman's Club

Avis Auto Lease Program
Group Excess Liability Insurance
AYCO Financial Counseling Services
Adoption Assistance
Employee Assistance Program
Employee Discounts
Fiddlers Elbow Country Club Membership
Park Avenue Club Membership

QuickLinks

Exhibit 10.1

Attachment A

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.2

May 2, 2003

Kevin M. Sheehan
Cendant Corporation
9 West 57th Street
New York, NY 10019

Dear Kevin:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of April 1, 2003 (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the 100% target minimum set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. The Incentive Compensation Award taken into account in determining the 300% severance payment to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge, will in no event be greater than 100% of your Base Salary in the year of such termination.

2. You acknowledge that Cendant is not obligated to provide you with any post-termination medical benefits other than benefits payable pursuant to the plans listed on Attachment A hereto.

3. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ KEVIN M. SHEEHAN

Attachment A

Avis Designated Executive Officer Post-Retirement Medical Program

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QuickLinks

Exhibit 10.2

Attachment A

Exhibit 10.3

May 2, 2003

Richard A. Smith
Cendant Corporation
1 Campus Drive
Parsippany, NJ 07054

Dear Richard:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of June 2, 2001 (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the 100% target minimum set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. Your target Incentive Compensation Award will be deemed to equal 100% of your Base Salary in the year of your termination solely for purposes of calculating your severance payment (*i.e.*, severance of 300% of Base Salary plus target Incentive Compensation Award) to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge.

2. The continued health, medical, life and disability benefits to which you and your eligible dependents will become entitled until you reach age 62 (or, in the event your employment terminates during the Period of Employment by reason of Without Cause Termination, Constructive Discharge, death or Disability, age 75 (the "Age 75 Benefits Extension")) if your employment is terminated at any time during the Period of Employment will be limited to the benefits provided under the plans listed on Attachment A hereto; provided, however, that your entitlement to continued benefits will remain subject to the terms and conditions of the plans listed on Attachment A, as may be modified from time to time, and that disability benefits will not be provided in any event. Notwithstanding anything contained in your Employment Agreement, Cendant will be permitted to meet any of its obligations to provide you with continued health and medical benefits and life insurance benefits by paying, or providing for the payment of, such benefits directly or through alternate plans or individual policies with terms that are no less favorable in all material respects (with respect to both coverage and cost to you) to the plans listed on Attachment A.

3. Cendant agrees to provide you the Age 75 Benefits Extension (*i.e.*, the benefits provided under the plans listed on Attachment A hereto through the plan year in which you turn age 75 and on the same terms that would apply in the event of a Without Cause Termination) in the event that the Period of Employment (as defined in the Employment Agreement) expires on June 30, 2004 and Cendant does not offer to extend the Period of Employment by a period of at least two years on substantially similar economic terms and conditions.

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4. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ RICHARD A. SMITH

Attachment A

Executive Physical Exams
Medical Expense Reimbursement Plan (MERP)
Medical Insurance
Dental Insurance
Life Insurance (currently up to $1 million of coverage under Group Life Insurance Plan)
Vision Service Plan

QuickLinks

Exhibit 10.3

Attachment A

Exhibit 10.4

May 2, 2003

Samuel L. Katz
Cendant Corporation
1 Campus Drive
Parsippany, NJ 07054

Dear Sam:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of April 1, 1999, as amended (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the 100% target minimum set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. For purposes of clarification, you will serve as Chairman and Chief Executive Officer, Travel Distribution Services and Financial Services Divisions during the Period of Employment and, subject to the direction of 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.

2. Any Incentive Compensation Award and/or any incentive compensation award (of any other officer) taken into account in determining the 300% severance payment to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge, will in no event be greater than 100% of your Base Salary in the year of such termination.

3. You acknowledge that your Employment Agreement does not entitle you to any post-termination continuation of benefits or perquisites.

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4. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ SAMUEL L. KATZ

QuickLinks

Exhibit 10.4

Exhibit 10.5

May 2, 2003

Scott E. Forbes
Cendant Corporation
1 Campus Drive
Parsippany, NJ 07054

Dear Scott:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of April 1, 2003 (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the 100% target minimum set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. The 24 months of continued medical and dental benefits to which you and your eligible dependents will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge will be limited to the benefits provided under the plans listed on Attachment A hereto; provided, however, that your entitlement to continued benefits will remain subject to the terms and conditions of the plans listed on Attachment A, as may be modified from time to time. Notwithstanding anything contained in your Employment Agreement, Cendant will be permitted to meet any of its obligations to provide you with continued medical and dental benefits by paying, or providing for the payment of, such benefits directly or through alternate plans or individual policies with terms that are substantially similar (with respect to both coverage and cost to you) to the plans listed on Attachment A.

2. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive

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Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ SCOTT E. FORBES

Attachment A

Executive Physical Exams
Medical Expense Reimbursement Plan (MERP)
Medical Insurance
Dental Insurance
Vision Service Plan

Exhibit 10.5

Attachment A

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.6

May 2, 2003

Stephen P. Holmes
Cendant Corporation
1 Campus Drive
Parsippany, NJ 07054

Dear Steve:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of September 12, 1997, as amended (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the target minimum amount set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. Each Incentive Compensation Award payable with respect to any fiscal year following and including fiscal year 2002 which is taken into account in determining the 500% severance payment to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge or if you resign for any reason, will in no event be greater than 100% of your Base Salary in the fiscal year to which such Incentive Compensation Award relates.

2. The 36 months of continued benefits and perquisites to which you and your eligible dependents will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge or if you resign for any reason will be limited to the benefits and perquisites provided under the plans listed on Attachment A hereto; provided, however, that your entitlement to continued benefits and perquisites will remain subject to the terms and conditions of the plans listed on Attachment A, as may be modified from time to time. Notwithstanding anything contained in your Employment Agreement,

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Cendant will be permitted to meet any of its obligations to provide you with continued benefits and perquisites by paying, or providing for the payment of, such benefits and perquisites directly or through alternate plans or individual policies with terms that are substantially similar (with respect to both coverage and cost to you) to the plans listed on Attachment A.

3. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ STEPHEN P. HOLMES

Attachment A

Executive Physical Exams
Medical Expense Reimbursement Plan (MERP)
Medical Insurance
Dental Insurance
Vision Service Plan
Company Provided Car
Avis Chairman's Club
Avis Auto Lease Program
Group Excess Liability Insurance

AYCO Financial Counseling Services
Adoption Assistance
Employee Assistance Program
Employee Discounts
Fiddlers Elbow Country Club Membership
Park Avenue Club Membership

QuickLinks

Exhibit 10.6

Attachment A

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.7

May 2, 2003

Thomas D. Christopoul
Cendant Corporation
1 Campus Drive
Parsippany, NJ 07054

Dear Tom:

Reference is made to the employment agreement by and between Cendant Corporation ("Cendant") and you dated as of January 12, 2000, as amended (your "Employment Agreement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in your Employment Agreement.

As you know, you will be eligible to receive an annual incentive bonus in respect of fiscal year 2003 with an opportunity of up to 200% (or such percentage as otherwise determined in accordance with the annual bonus plan) of your eligible base compensation in 2003 (the "2003 Bonus Plan"). It is Cendant's intention to maintain this bonus opportunity for you, but Cendant reserves the right to reduce your bonus opportunity in future years (but not below the 100% target minimum set forth in your Employment Agreement).

In consideration for your eligibility to receive the 2003 Bonus Plan and also in consideration for your award of restricted stock units as of April 22, 2003 as part of Cendant's Long Term Incentive Plan for 2003, this letter serves as a binding acknowledgment of your rights under your Employment Agreement as to the following matters:

1. The Incentive Compensation Award taken into account in determining the 300% severance payment to which you will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge, will in no event be greater than 100% of your Base Salary in the year of such termination.

2. The applicable number of months of continued post-termination medical insurance benefits to which you and your eligible dependents will become entitled if your employment is terminated at any time during the Period of Employment by Cendant due to a Without Cause Termination or by you due to a Constructive Discharge will be limited to the benefits provided under the plans listed on Attachment A hereto; provided, however, that your entitlement to continued benefits will remain subject to the terms and conditions of the plans listed on Attachment A, as may be modified from time to time. Notwithstanding anything contained in your Employment Agreement, Cendant will be permitted to meet any of its obligations to provide you with continued post-termination medical insurance benefits by paying, or providing for the payment of, such

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benefits directly or through alternate plans or individual policies with terms that are substantially similar (with respect to both coverage and cost to you) to the plans listed on Attachment A.

3. You acknowledge that Cendant will be terminating your current split dollar life insurance arrangement within the next few months and you agree that the termination of such arrangement will not constitute a breach of your Employment Agreement by Cendant and will not form grounds for a Constructive Discharge. You agree to execute any documents necessary to terminate such policies and/or transfer policy value to Cendant. Cendant is currently working towards providing a benefit arrangement to replace your split dollar life insurance arrangement and you will be notified when such replacement arrangement is implemented.

Please acknowledge your agreement with the foregoing by signing below and returning a copy of this letter agreement to my attention. Thank you.

Very truly yours,

/s/ TERRY CONLEY

Acknowledged and Agreed:

/s/ THOMAS D. CHRISTOPOUL

Attachment A

Executive Physical Exams
Medical Expense Reimbursement Plan (MERP)
Medical Insurance
Dental Insurance
Vision Service Plan

QuickLinks

Exhibit 10.7

Attachment A

Exhibit 10.8

**FIRST AMENDMENT
TO AMENDED AND EXTENDED
EMPLOYMENT AGREEMENT**

This First Amendment (this "Amendment") to the Amended and Extended Employment Agreement dated as of July 1, 2002 (the "Employment Agreement") by and between Cendant Corporation (the "Company") and Henry R. Silverman (the "Executive") is hereby entered into by and among the Company, the Executive, the Trustee of the Henry R. Silverman 1999 Insurance Trust (the "1999 Trust") and the Trustee of the Henry R. Silverman 2000 Insurance Trust (the "2000 Trust" and, collectively with the 1999 Trust, the "Trusts") and shall become effective this 28th day of July, 2003.

WHEREAS, the Company and the Executive entered into the Employment Agreement; and

WHEREAS, the Company and the Executive, as well as the Trustee of the 1999 Trust, entered into a Split Dollar Agreement dated as of August 23, 2000 (the "1999 Split Dollar Agreement"); and

WHEREAS, the Company and the Executive, as well as the Trustee of the 2000 Trust, entered into a Split Dollar Agreement dated as of August 23, 2000 (the "2000 Split Dollar Agreement" and, collectively with the 1999 Split Dollar Agreement, the "Split Dollar Agreements"); and

WHEREAS, as collateral security for the liability of the Trusts to the Company under the Split Dollar Agreements, the Trustee of the Trusts executed a limited collateral assignment in connection with each of the Split Dollar Agreements (the "Limited Collateral Assignments"); and

WHEREAS, the Employment Agreement provides that the Company shall maintain for the Executive's life term life insurance in the aggregate face amount of $100 million pursuant to which the Executive shall have the right to name the beneficiaries (the "Insurance Entitlement"); and

WHEREAS, the Company and the Executive have agreed that the Company shall have the right to provide the insurance benefits contemplated under the Split Dollar Agreements in lieu of providing the Insurance Entitlement; and

WHEREAS, the Company, the Executive and the Trusts have agreed that, in light of, among other things, the passage of the Sarbanes-Oxley Act of 2002, it would be in the mutual best interests of the Company, the Executive and the Trusts to terminate the Company's obligations pursuant to the Insurance Entitlement, amend and restate the Split Dollar Agreements, and provide the Executive with a life insurance benefit in the manner described in this Amendment.

NOW, THEREFORE, in consideration of the foregoing and such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to the terms and conditions set forth below.

1. *Amendment and Restatement of Split Dollar Agreements.* Contemporaneously with the execution of this Amendment, the 1999 Split Dollar Agreement and the 2000 Split Dollar Agreement shall each be amended and restated to conform to the provisions of this Amendment, and, except as otherwise provided in paragraph 2 of this Amendment, the provisions of the Split Dollar Agreements and the Limited Collateral Assignments, including, without limitation the Policies (as respectively defined in each of the Split Dollar Agreements), shall, with respect to all Policies that have not been terminated as provided for herein, continue in full force and effect until all of the New Policies and Key Man Insurance described herein are implemented and the full life insurance protection described herein to be provided under the New Policies and the Key Man Insurance is in full force and effect (the "Implementation Date").

2. *Termination of the Policies.* Upon the Company's acquisition of a New Policy described in paragraph 4A of this Amendment and the endorsement of the death benefit of such New Policy to the Trusts in the manner set forth in paragraph 4A of this Amendment, the Trusts shall contemporaneously therewith terminate for its/their cash surrender value one or more of the Policies (as respectively

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defined in each of the Split Dollar Agreements) with an aggregate face amount equal to the face amount of such New Policy; *provided*, *however*, that prior to the Company's acquisition of the Key Man Insurance described in paragraph 4A of this Amendment, the Trusts shall keep in full force one or more Policies with an aggregate face amount equal to the sum of (i) the aggregate premiums payable by the Company on the first year's insurance coverage on the New Policies and (ii) the "Advances" (as such term is defined in the Split-Dollar Agreements) with respect to such one or more Policies that are being kept in force pursuant to this proviso. Upon receipt of the cash surrender value under any such terminated Policy or Policies, the Trusts shall immediately thereafter transfer all cash surrender value under such terminated Policy or Policies to the Company for its sole and exclusive benefit. Upon the termination of any such Policy, such terminated Policy shall thereafter not be subject to the terms and conditions of the Split Dollar Agreements, and the Limited Collateral Assignment with respect to such terminated Policy shall terminate. The parties hereby agree to cooperate (including by executing appropriate documents) to implement the matters contemplated in this paragraph 2.

3. *Termination of the Insurance Entitlement.* Section 4(g) of the Employment Agreement is hereby deleted and of no further force or effect effective as of the Implementation Date. The Executive hereby acknowledges and agrees that the obligations of the Company as set forth in this Amendment constitute the sole and exclusive obligations of the Company with respect to life insurance coverage for the benefit of the Executive (other than group life insurance).

4A. *Acquisition of New Insurance; Endorsement.* As promptly as practicable after the execution of this Amendment, the Company shall acquire one or more life insurance policies on the life of the Executive with an aggregate face amount of $100 million (individually a "New Policy" and collectively the "New Policies"). The New Policies shall be underwritten by one or more insurance companies reasonably acceptable to both the Company and the Trusts and shall otherwise in all respects be reasonably acceptable to both the Company and the Trusts. The Trusts hereby consent to the Company's acquisition of the New Policies and agree to take all reasonable actions, including executing such appropriate documents, in each case as necessary to facilitate the acquisition of the New Policies. The Company shall promptly endorse to the Trusts $100,000,000 of life insurance under the New Policies and the sole and exclusive right to name the beneficiary with respect to the $100,000,000 of life insurance under the New Policies (the "Endorsements"). The Endorsements shall be substantially in the form attached hereto as Exhibit A1. As promptly as practicable after the execution of this Amendment, the Company shall also acquire one or more life insurance

policies on the life of the Executive with an aggregate face amount of $37.5 million (the "Key Man Insurance"). The Company shall at all times remain the beneficiary of the Key Man Insurance; *provided, however,* that each and every time the Company pays a premium on the New Policies and/or the Key Man Insurance, the Company shall promptly endorse to the Trusts (i) an additional death benefit under the Key Man Insurance equal to the sum of (a) the amount of such premium paid by the Company on the New Policies, and (b) the amount of such premium paid by the Company on the death benefit under the Key Man Insurance then being endorsed to the Trusts under clause (a) above; and (ii) the sole and exclusive right to name the beneficiary with respect to the amount of the death benefit under the Key Man Insurance endorsed to the Trusts under clause (i) above. Such endorsement with respect to the Key Man Insurance shall be substantially in the form attached hereto as Exhibit A2.

4B. *Allocation of Life Insurance Endorsed to Trusts.* Notwithstanding any provision in this Agreement to the contrary, any life insurance under the New Policies and the Key Man Insurance that is directed to be endorsed to the Trusts under this Agreement shall be allocated as follows: (i) seventy-five percent (75%) of such life insurance shall be endorsed to the 1999 Trust and the 1999 Trust shall have the sole and exclusive right to name the beneficiary with respect to seventy-five percent (75%) of such life insurance, and (ii) twenty-five percent (25%) of such life insurance shall be endorsed to the 2000 Trust and the 2000 Trust shall have the sole and exclusive right to name the beneficiary with respect to twenty-five percent (25%) of such life insurance.

5A. *Premium Payments—Prior to Purchase Election.* The Company shall at all times be solely responsible for making all premium payments in respect of the Key Man Insurance; *provided, however,* that the Company shall have the right in its sole discretion to terminate the Key Man Insurance following the exercise of the Purchase Election (as defined in paragraph 6 below) with respect to all (but not less than all) of the New Policies. At all times prior to the exercise of the Purchase Election with respect to all (but not less than all) of the New Policies: (i) the Trusts shall be responsible for contributing a portion of all premium payments, on a timely basis, into the New Policies with respect to which a Purchase Election has not been made in an amount equal to the Economic Benefit (as defined below) to the Executive in respect of the New Policies with respect to which a Purchase Election has not been made; (ii) the Company shall be responsible for making the Required Premium Payments (as defined below), on a timely basis, into the New Policies with respect to which a Purchase Election has not been made; and (iii) after giving effect to clauses (i) and (ii), in the event the premium payments under the New Policies are not paid in full (or not paid to the extent necessary to maintain the full face amount), any remaining premium payments shall be payable by the Trusts at their sole option. At any time following the exercise of the Purchase Election with respect to all (but not less than all) of the New Policies, the Company shall have the right in its sole discretion to terminate the Key Man Insurance. For purposes of this paragraph 5A, (i) Economic Benefit shall mean an amount equal to the annual cost of current life insurance protection on the life of the Executive with a death benefit of $100,000,000 reduced by an amount equal to the aggregate death benefit of any New Policies with respect to which a Purchase Election has been made, measured by the lower of the Table 2001 rate (as originally published in Internal Revenue Service Notice 2001-10) or the applicable insurance company's current published premium rate for annually renewable term insurance for standard risks, and (ii) Required Premium Payments shall mean the payments set forth on Exhibit B hereto taking into account the footnotes thereon.

5B. *Effect of the Executive's Death—Prior to Purchase Election.* If the Executive dies prior to the Purchase Election with respect to all (but not less than all) of the New Policies, the Company will receive from the death benefits payable by the insurance company or companies that issued the New Policies with respect to which a Purchase Election has not been made the greater of (i) total amount of premiums paid on the New Policies with respect to which a Purchase Election has not been made or (ii) the cash surrender value of the New Policies with respect to which a Purchase Election has not been made.

5C. *Effect of Reduction in Face Amount of Insurance.* The parties agree that the Trusts shall have the right to reduce the aggregate face amount of insurance coverage in respect of any New Policy at any time. In the event that the Trusts determine to reduce the aggregate face amount of insurance coverage in respect of any New Policy, then there shall be an equal percentage reduction to both the Required Premium Payments applicable to that New Policy, and the amounts required to be paid by the Trusts in respect of such New Policy pursuant to paragraph 5A(i) above in respect of the Economic Benefit.

6. *Purchase Election.* At any time, and from time to time, each Trust shall have the right to purchase any or all of the New Policies allocated to such Trust pursuant to paragraph 4B above (the "Purchase Election") by making a payment to the Company equal to the aggregate cash surrender value (as of the purchase date) of the policy or policies being purchased (the "Exercise Price"). In connection with any such exercise, the Company shall make a cash bonus payment to the Executive equal to the Exercise Price. In the event that the Purchase Election is exercised during any calendar year with respect to a New Policy, all premium payments (including Required Premium Payments) in respect of any such New Policy shall thereafter be the sole and exclusive responsibility of the Trust that exercised the Purchase Election with respect to such New Policy. As of the date any New Policy is purchased in full, the Endorsement with respect to such New Policy shall terminate and such New Policy shall thereafter not be subject to the terms and conditions of the Split-Dollar Agreements, as

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amended and restated in accordance with paragraph 1 of this Amendment. As of the date any New Policy is purchased in part, the amount of life insurance required to be endorsed to the Trusts under paragraph 4A of this Amendment shall be reduced by the face amount of death benefits with respect to New Policies that are purchased by the Trusts.

7A. *Post-Exercise Bonus Program.* Following the exercise of the Purchase Election, the Company shall have no further obligations to make the Required Premium Payments or any other payments in respect of any New Policy in respect of which the Purchase Election was made. All premium payments (including Required Premium Payments) in respect of any such New Policy shall thereafter be the sole and exclusive responsibility of the Trusts. Following the exercise of any such Purchase Election, the Company shall make a cash bonus payment (the "Cash Bonus Payment") to the Executive on an annual basis in an amount equal to the premium payments made by the Trusts during such year in respect of the New Policy in respect of which the Purchase Election was made, including, if applicable, a pro rata Cash Bonus Payment in respect of the partial calendar year after which the Purchase Election is exercised (the "Annual Bonus Program"). The Cash Bonus Payment amounts under the Annual Bonus Program are set forth on Exhibit C hereto, assuming that the Purchase Election has been exercised with respect to all New Policies. To the extent the Purchase Election has been exercised with respect to some, but not all, of the New Policies, Cash Bonus Payments under the Annual Bonus Program shall equal the amounts reflected in the footnotes to Exhibit C for the New Policies with respect to which a Purchase Election has been made in full and shall be prorated for the New Policies with respect to which a Purchase Election has been made in part based on a fraction the numerator of which is the face amount purchased by the Trusts of the New Policies with respect to which the Purchase Election has been exercised in part, and the denominator of which is the aggregate face amount of the New Policies with respect to which a purchase election has been made in part. At the time of each Cash Bonus Payment under the Annual Bonus Program, the Company shall make an additional payment (the "Bonus Reimbursement Payment") to the Executive in an amount equal to the sum of (i) the income taxes imposed upon the Cash Bonus Payment, (ii) the gift taxes that would be imposed assuming the Executive gifted to the Trusts an amount equal to the Cash Bonus Payment, and (iii) an additional amount such that, after imposition of income taxes on the payments made

pursuant to clauses (i) and (ii) above, as well as on the payments described in this clause (iii), the Executive retains an amount equal to the aggregate payments determined under clauses (i) and (ii) above. For purposes of determining the Bonus Reimbursement Payment, the Executive shall be deemed to (i) pay Federal income and gift taxes at the Executive's highest applicable marginal rate of Federal income and gift taxation, as applicable, for the calendar year in which the Bonus Reimbursement Payment is to be made and (ii) pay any applicable state and local income and gift taxes at the Executive's highest applicable marginal rate of income and gift taxation, as applicable, for the calendar year in which the Bonus Reimbursement Payment is to be made, net of the maximum reduction in Federal income or gift taxes, as applicable, which could be obtained from deduction of such state and local income or gift taxes, as applicable, if paid in such year. All payments pursuant to this paragraph 7A shall be treated as cash compensation paid by the Company to the Executive for tax purposes. All payments (other than any payments accrued but unpaid prior to the Executive's death) pursuant to this paragraph 7A shall cease upon the Executive's death.

7B. *Effect of New Policy Investments.* The parties acknowledge and agree that the estimated amounts to be paid pursuant to the Annual Bonus Program, as set forth on Exhibit C hereto, were determined based upon an assumed rate of return on the underlying investments in respect of each New Policy (the "Assumed Rate"). Accordingly, notwithstanding paragraph 7A and Exhibit C to the contrary, (i) in the event that any New Policy experiences investment returns in excess of its Assumed Rate, any resulting decrease in the premium payments shall result in a corresponding decrease in payments by the Company under the Annual Bonus Program, and (ii) in the event that any New Policy experiences investment returns below its Assumed Rate, any resulting increase in the premium payments shall result in a corresponding increase in payments by the Company under the Annual

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Bonus Program; *provided*, *however*, that in no event shall the Company bear responsibility for increased payments under the Annual Bonus Program to the extent such increases are a result of investment returns below the guaranteed rate in effect with respect to any New Policy or any insurance company default under any New Policy.

8. *Termination.* The obligations of the parties pursuant to this Amendment shall remain in full force and effect notwithstanding the termination of the Employment Agreement for any reason or the termination of the Executive's employment with the Company for any reason; *provided*, *however*, that the Company's obligation pursuant to this Amendment shall fully and immediately terminate upon the earliest of (i) the Executive's death (except to assure that the appropriate death benefits under the New Policies with respect to which a Purchase Election has not been made are paid) or (ii) the Executive's termination for Cause (as defined in the Employment Agreement").

9. *Rights.* Except as contemplated hereby, neither the Company nor the Trusts shall have the right to assign or convey any right or interest in any New Policy without the written consent of the other party. Neither the Company nor either of the Trusts shall have the right to take a loan against any New Policy without the written consent of the other party. Any and all dividends or distributions credited to any New Policy, and any and all interest and earnings in excess of expected and budgeted interest and earnings credited to any New Policy, shall be used for the exclusive purpose of reducing the Required Premium Payments and/or payments under the Annual Bonus Program for the exclusive benefit of the Company.

10. *Integration.* This Amendment shall be deemed for all purposes as an amendment to the Employment Agreement, and any all interpretations of any provision of this Amendment shall be construed in accordance with, and any and all disputes arising hereunder shall be resolved in accordance with, the applicable provisions of the Employment Agreement.

11. *Final Split-Dollar Regulations.* In the event that final United States Treasury regulations relating to split-dollar life insurance arrangements are published in the Federal Register prior to the Implementation Date, then, within 30 days of the date that such final regulations are published in the Federal Register, the Trusts (acting jointly) may terminate this Amendment and the Split Dollar Agreements by written notice to the Company. In the event of any such termination, the provisions of this Amendment shall thereafter be null and void, and the parties agree to use reasonable efforts to implement a lawful substitute for the arrangement provided for in this Amendment, which is fair and equitable to each of the parties and which provides a life insurance benefit substantially equivalent to the Insurance Entitlement.

12. *Unlawfulness; Miscellaneous.* To the extent that the arrangement provided for in this Amendment is determined by the Company, a court of law or any regulatory agency to be unlawful, this Amendment and the Split Dollar Agreements shall terminate and the parties agree to use reasonable efforts to implement a lawful substitute for this arrangement, which is fair and equitable to each of the parties and which provides a life insurance benefit substantially equivalent to the Insurance Entitlement. This Amendment may be executed in counterparts, each of which will be deemed an original, but all of which will together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Employment Agreement as of the date and year first above written.

CENDANT CORPORATION

By: /s/ TERRY CONLEY

Name: Terry Conley
Title: Executive Vice President
Human Resources

HENRY R. SILVERMAN

/s/ HENRY R. SILVERMAN

HENRY R. SILVERMAN 1999 INSURANCE TRUST

By: /s/ TRUSTEE

Title: Trustee

HENRY R. SILVERMAN 2000 INSURANCE TRUST

By: /s/ TRUSTEE

Title: Trustee

Exhibit A1

ENDORSEMENT
and
BENEFICIARY DESIGNATION
[Name of Life Insurance Company]
Policy No. __________

The death proceeds of the above policy shall be payable, in a lump sum, to CENDANT CORPORATION ("Cendant"), a Delaware corporation, with offices located at 9 West 57th Street, New York, New York 10019, the owner of such policy, to the extent of its interest under the Restated and Amended Split Dollar Agreement dated as of July 28, 2003 between MARTIN L. EDELMAN, as Trustee of the HENRY R. SILVERMAN [*1999/2000*] INSURANCE TRUST (the "Trust"), under agreement dated as of [*August 10, 1999/August 23, 2000*], with offices located at 75 East 55th Street, New York, New York 10022, and Cendant, a copy of which Agreement is annexed hereto. The balance of the death proceeds shall be payable, in a lump sum, to the Trust.

CENDANT CORPORATION

Dated: July , 2003

By:

Name:
Title:

Exhibit A2

ENDORSEMENT
AND
BENEFICIARY DESIGNATION
[Name of Life Insurance Company]
Policy No.

The death proceeds of the above policy shall be payable, in a lump sum, to MARTIN L. EDELMAN, or to any successor to him, as Trustee of the HENRY R. SILVERMAN [*1999/2000*] INSURANCE TRUST (the "Trust"), under agreement dated as of [*August 10, 1999/August 23, 2000*], with offices located at 75 East 55th Street, New York, New York 10022, to the extent an interest in such policy has been endorsed to the Trust pursuant to the Restated and Amended Split Dollar Agreement dated as of July 28, 2003 between the Trust and the owner of such policy, CENDANT CORPORATION ("Cendant"), a Delaware corporation, with offices located at 9 West 57th Street, New York, New York 10019, a copy of which Agreement is annexed hereto. The balance of the death proceeds shall be payable, in a lump sum, to Cendant.

CENDANT CORPORATION

Dated: July , 2003

By:

Name:
Title:

Exhibit B

Calendar Year	Required Premium Payments— Pre-Purchase Election(1)
2003	4,566,909
2004	3,908,909
2005	3,775,909
2006	4,221,909
2007	3,564,000
2008	584,988
2009	584,988

2010	584,988
2011	584,988
2012	584,988
2013	584,988
2014	584,988
2015	584,988
2016	584,988
2017	584,988
2018	584,988
2019	584,988
2020	584,988
2021	584,988
2022	584,988

*****end of required Company contributions*****

(1) The Company's obligation to make these Required Premium Payments shall cease with respect to any New Policy for which a Purchase Election is made. The Required Premium Payments represent premiums in respect of three separate New Policies, and in the event that a Purchase Election is made in respect of one or more but less than all such New Policies, then the Required Premium Payments shall be reduced based upon the premium cost applicable to the New Policy or New Policies in respect of which such Purchase Election is made. For purposes of calculating any such reduction to the Required Premium Payments, the premiums applicable to each such New Policy are set forth on Exhibit B1 hereto.

Exhibit B1

Required Premium Payments—Pre-Purchase Election

Calendar Year	American General	Pacific Life	Mass Mutual	Total Premiums
2003	2,154,322	1,896,384	516,203	4,566,909
2004	1,822,805	1,703,918	382,186	3,908,909
2005	1,757,254	1,665,431	353,224	3,775,909
2006	1,960,125	1,888,041	373,743	4,221,909
2007	2,750,000	500,000	314,000	3,564,000
2008	270,988	0	314,000	584,988
2009	270,988	0	314,000	584,988
2010	270,988	0	314,000	584,988
2011	270,988	0	314,000	584,988
2012	270,988	0	314,000	584,988
2013	270,988	0	314,000	584,988
2014	270,988	0	314,000	584,988
2015	270,988	0	314,000	584,988
2016	270,988	0	314,000	584,988
2017	270,988	0	314,000	584,988
2018	270,988	0	314,000	584,988
2019	270,988	0	314,000	584,988
2020	270,988	0	314,000	584,988
2021	270,988	0	314,000	584,988
2022	270,988	0	314,000	584,988

*****end of required Company contributions*****

Exhibit C2

Calendar Year	Annual Cash Bonus Program—Post-Purchase Election
2003	*
2004	*
2005	*
2006	*
2007	814,000
2008	584,988
2009	584,988
2010	584,988
2011	584,988
2012	584,988
2013	584,988
2014	584,988
2015	584,988
2016	584,988
2017	584,988
2018	584,988
2019	584,988
2020	584,988
2021	584,988
2022	584,988

*****end of Annual Cash Bonus Program*****

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2 This Exhibit C is not effective until following the exercise of a Purchase Election. Exhibit assumes for illustrative purposes than an exercise of a Purchase Election for each New Policy occurs in 2006. The Annual Bonus Program represents bonuses paid in respect of premiums under three separate New Policies, and in the event that a Purchase Election is made in respect of one or more but less than all such New Policies, then the Cash Bonus Payment shall be reduced based upon the premium cost applicable to the New Policy or New Policies in respect of which such Purchase Election has not been made. For purposes of calculating any such reduction to the Cash Bonus Payment, the premiums applicable to each such New Policy are set forth on Exhibit B1 hereto.

QuickLinks

Exhibit 10.8

FIRST AMENDMENT TO AMENDED AND EXTENDED EMPLOYMENT AGREEMENT

Exhibit A1

ENDORSEMENT and BENEFICIARY DESIGNATION [Name of Life Insurance Company] Policy No.

Exhibit A2

ENDORSEMENT AND BENEFICIARY DESIGNATION [Name of Life Insurance Company] Policy No.

Exhibit B

Exhibit B1

Required Premium Payments—Pre-Purchase Election

Exhibit C2

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.14

EXECUTION COPY

FIRST AMENDMENT

TO

MASTER INDENTURE AND SERVICING AGREEMENT

by and among

SIERRA RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

and

FAIRFIELD ACCEPTANCE CORPORATION—NEVADA,
as Master Servicer

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

Amendment Dated as of July 17, 2003

FIRST AMENDMENT
TO
MASTER INDENTURE AND SERVICING AGREEMENT

THIS FIRST AMENDMENT TO MASTER INDENTURE AND SERVICING AGREEMENT dated as of July 17, 2003 (this "*Amendment*") is by and between **SIERRA RECEIVABLES FUNDING COMPANY, LLC**, a limited liability company organized under the laws of the State of Delaware, as issuer (the "*Issuer*"), **FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,** a Delaware corporation, as master servicer (the "*Master Servicer*"), **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association, as trustee (the "Trustee"), and **WACHOVIA BANK, NATIONAL ASSOCIATION**, as collateral agent (the "*Collateral Agent*"). This Amendment amends the Master Indenture and Servicing Agreement dated as of August 29, 2002 (the "*Agreement*") by and between the Issuer, the Master Servicer, the Trustee and the Collateral Agent.

WHEREAS the Issuer, the Master Servicer, the Trustee and the Collateral Agent have executed the Agreement and capitalized terms used in this Amendment and not otherwise defined shall have the meanings assigned to such terms in the Agreement;

WHEREAS, the Issuer, the Master Servicer, the Trustee and the Collateral Agent wish to amend the Agreement in accordance with subsection 13.1(b) of the Agreement;

NOW THEREFORE, in consideration of the premises and the agreements contained herein, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS RELATING TO
THE SERIES 2002-1 NOTES

Section 1.1. *Amendment Relating to Definitions.*

(a) The following definitions are hereby added to the Agreement to read in their entirety as follows:

"*Series 2002-1 Notes*" shall mean the Series 2002-1 Loan Backed Variable Funding Notes issued pursuant to the Agreement and the Series 2002-1 Supplement.

"*Series 2002-1 Supplement*" shall mean the Series 2002-1 Supplement to the Master Indenture and Servicing Agreement dated as of August 29, 2002 by and between the Issuer, the Master Servicer, the Trustee and the Collateral Agent, as amended from time to time.

(b) Article I of the Agreement is hereby amended by adding Section 1.4 to read in its entirety as follows:

Section 1.4 *References.*

References to "Series" or "Series of Notes" in this Agreement, shall, for all purposes, refer only to the Series 2002-1 Notes. References to "Series Supplement" or "Series Supplements" in this Agreement, shall, for all purposes, refer only to the Series 2002-1 Supplement.

Section 1.2. *Amendment Relating to New Issuances.*

(a) The Recitals to the Agreement are hereby amended and restated to read in their entirety as follows:

The Issuer has duly authorized the execution and delivery of this Agreement to provide for issuances of its loan-backed notes to be issued in one series as provided in this Agreement and the Series Supplement.

All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders of the Series and, to the extent and as provided for in the Series Supplement, the Series Enhancers.

The Issuer is entering into this Agreement, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. All things necessary have been done to make the Notes, when executed by the Issuer and authenticated and delivered by the Trustee hereunder and under the Series Supplement and duly issued by the Issuer, the valid obligations of the Issuer, and to make this Agreement a valid agreement of the Issuer, enforceable in accordance with their and its terms. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders and, to the extent and as provided for in the Series Supplement, the Series Enhancers.

NOW THEREFORE, in consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other parties and for the benefit of the Noteholders and, to the extent and as provided for in the Series Supplement, the Series Enhancers.

(b) Section 2.10 of the Agreement is hereby amended and restated to read in its entirety as follows:

Section 2.10 *Issuance of Notes.*

(a) Pursuant to this Agreement and the Series Supplement, the Issuer may issue only one Series of Notes. The total principal amount of Notes that may be authenticated and delivered and Outstanding under this Agreement and the Series Supplement is not limited.

(b) On or before the Series Issuance Date relating to the Series 2002-1 Notes, the parties hereto executed and delivered the Series Supplement which specifies the terms of the Series. The terms of such Series Supplement may modify or amend the terms of this Agreement solely as applied to such Series.

(c) Subsection 4.1(l) of the Agreement is hereby amended by the addition of a new clause at the end thereof which new clause shall read in its entirety as follows:

(iv) Notwithstanding the foregoing provisions of this subsection (l), the Issuer shall not be required to deliver Primary Custodial Documents to the Custodian earlier than the requirements contained in the respective Purchase Agreement.

(d) Subsection 5.5(e) of the Agreement is hereby amended and restated to read in its entirety as follows:

(e) Except as otherwise provided in the Series Supplement and with respect to the Series Collateral for the Series, the Master Servicer shall have the discretion to sell the collateral which secures any Defaulted Loans free and clear of the Lien of the Series Supplement, 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 Master Servicer into the Series Collection Account.

(e) Subsection 13.1(a)(vi) of the Agreement is hereby amended and restated to read in its entirety as follows:

(vi) Reserved.

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.1. *Agreement in Full Force and Effect as Amended.* Except as specifically stated herein, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement, as amended and supplemented by this Amendment. This Amendment shall not constitute a novation of the Agreement, but shall constitute an amendment thereto. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this Amendment, as though the terms and obligations of the Agreement were set forth herein.

Section 2.2. *Governing Law.* This Amendment 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 2.3. *Counterparts.* This Amendment 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.

IN WITNESS WHEREOF, Issuer, the Master Servicer, the Trustee and the Collateral Agent have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

SIERRA RECEIVABLES FUNDING COMPANY, LLC,

as Issuer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Master Servicer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ ROBERT ASHBAUGH

Name: Robert Ashbaugh
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ ROBIN M. BELANGER

Name: Robin M. Belanger
Title: Vice President

QuickLinks

EXHIBIT 10.14

FIRST AMENDMENT TO MASTER INDENTURE AND SERVICING AGREEMENT
ARTICLE I AMENDMENTS RELATING TO THE SERIES 2002-1 NOTES
ARTICLE II MISCELLANEOUS PROVISIONS

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.15

Execution Copy

THIRD AMENDMENT
TO
MASTER INDENTURE AND SERVICING AGREEMENT
SERIES 2002-1 SUPPLEMENT

This THIRD AMENDMENT TO THE SERIES 2002-1 SUPPLEMENT TO MASTER INDENTURE AND SERVICING AGREEMENT (this "*Amendment*"), dated as of July 17, 2003, is among SIERRA RECEIVABLES FUNDING COMPANY, LLC, a limited liability company formed under the laws of the State of Delaware, as Issuer, FAIRFIELD ACCEPTANCE CORPORATION—NEVADA, a Delaware corporation, as Master Servicer, WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity, but solely as Trustee under the Agreement, and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Collateral Agent.

WHEREAS the Issuer, the Servicer, the Trustee and the Collateral Agent have executed that certain Series 2002-1 Supplement to Master Indenture and Servicing Agreement, dated as of August 29, 2002 and the First Amendment thereto dated as of March 11, 2003 and the Second Amendment thereto dated as of March 26, 2003 (together, the "*Indenture Supplement*") and capitalized terms used in this Amendment and not otherwise defined shall have the meanings assigned to such terms in the Indenture Supplement;

WHEREAS, the Issuer, the Master Servicer, the Trustee and the Collateral Agent wish to amend the Indenture Supplement in accordance with subsection 13.1(b) of the Agreement;

NOW THEREFORE, in consideration of the premises and the agreements contained herein, the parties hereto agree as follows:

ARTICLE III

AMENDMENTS

Section 1.01. *Amendments Relating to New Definitions.* Section 2.01 of the Indenture Supplement is hereby amended to add the following definitions each of which shall read in its entirety as follows and be added in the correct alphabetical order:

"*Authorized Additional Class*" means a Class which, after the 2003 Amendment Date, is designated under the Note Purchase Agreement including designation under any Joinder Agreement related thereto and for which an Eligible Class Agent or an affiliate thereof is the Class Agent.

"*Authorized Additional Notes*" means Notes delivered by the Issuer at the direction of the Deal Agent to an Authorized Additional Class as provided in subsection (a) of Section 4.02 of this Supplement.

"*Class Facility Limit*" with respect to each Class, has the meaning assigned to that term in the Note Purchase Agreement, as such limit is adjusted from time to time as provided in the Note Purchase Agreement.

"*Cumulative Cancellation Rate*" or "*CCR*" means a fraction expressed as a percentage, (i) the numerator of which is the sum of the outstanding principal balances at the time of cancellation of those Loans originated by the Sellers or any of their subsidiaries which Loans became Cancelled Loans during a stated period of time and the (ii) the denominator of which is the sum of the Original Principal Balances for all Loans originated by the Sellers or any of their subsidiaries

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during a given origination period. In calculating the Cumulative Cancellation Rate on or after the 2003 Amendment Date, the Sellers shall not include EFI.

"*Documents in Transit Loan*" means any Series 2002-1 Pledged Loan with respect to which the original Loan and/or the related Loan File or any part thereof is not in the possession of the Custodian because either (i) the Mortgage and related documentation has been sent out for checking and recording or (ii) the documentation has not been delivered by the Seller to the Custodian.

"*Documents in Transit Excess Amount*" means, at any time, the amount by which (i) the sum of the Loan Balances for all Series 2002-1 Pledged Loans which are Documents in Transit Loans exceeds (ii) 5% of the Series 2002-1 Adjusted Loan Balance.

"*Joinder Agreement*" has the meaning assigned to that term in the Note Purchase Agreement.

"*Missing Documentation Loan*" means any Series 2002-1 Pledged Loan with respect to which (A) the original Loan and/or the related Loan File or any part thereof are not in the possession of the Custodian at the time of the sale of such Loan to the Depositor and (B) if the related Mortgage is not in the possession of the Custodian because it has been removed from the Loan File for review and recording in the local real property recording office, it has not been returned to the Loan File in the time frame required by the applicable Purchase Agreement, or if the documentation is not in the possession of the Custodian because it has not been delivered by the Seller to the Custodian, such documentation is not in the custody of the Custodian within 30 days after the date of the sale of such Loan to the Issuer.

"*Original Principal Balance*" means with respect to any Loan, the original principal balance of such Loan.

"*2003 Amendment Date*" shall mean July 17, 2003.

"*Trendwest Timeshare Upgrade*" shall mean a Loan which was sold to the Depositor by Trendwest and with respect to which the Obligor purchases a Timeshare Upgrade.

Section 1.02. *Amendments Relating to Existing Definitions.* The following terms contained in Section 2.01 of the Indenture Supplement are hereby amended and restated each to read in its entirety as follows:

"*Advance Rate*" means: (i) if the Three Month Default Percentage calculated as of the last day of each of the immediately preceding three Due Periods is less than 1.15%, a rate, rounded to the nearest 0.50%, not to exceed 83% which rate shall (A) for the period beginning on July 17, 2003, be 78%, (B) for the period beginning on the Payment Date in October 2003, be a percentage equal to the remainder of (x) the percentage determined based on the calculation below minus (y) 1.0% and (C) thereafter shall be a percentage adjusted on the Payment Date in January 2004 and the Payment Date in each April, July, October and January thereafter and determined based on the following calculation:

100% minus (x) the Weighted Average Ten Year Cumulative Cancellation Rate times three plus (y) the sum of (a) the Excess Spread times the Average Life times the Excess Spread Multiplier plus (b) the Reserve Account Percentage (each of such terms used in this calculation of Advance Rate shall have the meaning set forth in Exhibit E); or

(ii) if the Three Month Default Percentage calculated as of the last day of any of the immediately preceding three Due Periods is 1.15% or more, the rate calculated as set forth in clause (i) above minus 3.0%.

"*Cancelled Loan*" means a Loan with respect to which cancellation or foreclosure actions have or should have been commenced in accordance with Customary Practices and/or Credit Standards

and Collection Policies by reason of (a) uncollectibility in whole or in part or (b) relinquishment by the Obligor of its rights in and to the related Timeshare Property.

"*Defective Loan*" means (i) any Series 2002-1 Pledged Loan which is a Defective Loan as such term is defined in the Purchase Agreement under which such Series 2002-1 Pledged Loan was sold to the Depositor and (ii) any Series 2002-1 Pledged Loan which is a Missing Documentation Loan.

"*Delayed Completion Green Loans*" means Series 2002-1 Pledged Loans which are Green Loans and which have been Series 2002-1 Pledged Loans for 15 months or more and the Green Timeshare Property is still subject to completion.

"*Eligible Class Agent*" means a financial institution satisfactory to the Deal Agent and having a combined capital and surplus of at least $250,000,000 and (ii) a short-term debt rating of at least A-1 from S&P, P-1 from Moody's and F-1 from Fitch (if rated by Fitch).

"*Excess Concentration Amount*" means, on any day, an amount equal to the sum of (i) the Non-US Excess Amount, (ii) the Green Loans Excess Amount, (iii) Delayed Completion Green Loans Excess Amount, (iv) the New Seller Excess Amount, (v) the Transition Period Excess Amount, (vi) the Large Loans Excess Amount, (vii) the Geographic Concentration Excess Amount and (viii) the Documents in Transit Excess Amount.

"*Facility Limit*" means the lesser of (i) the sum of the Class Facility Limits for all Classes and (ii) $700,000,000, as such amount may be reduced from time to time in accordance with Section 4.08 hereof and the Note Purchase Agreement or increased in accordance with Section 4.09 hereof and the Note Purchase Agreement.

"*Maturity Date*" means June 15, 2006.

"*Monthly Master Servicer Fee*" means, in respect of any Due Period (or portion thereof), an amount equal to one-twelfth of the product of (a) 1.00% for Due Periods ending on or before June 30, 2003 and 1.25% for Due Periods ending after June 30, 2003 and (b) the Series 2002-1 Aggregate Loan Balance at the beginning of such Due Period (or portion thereof) or if a Successor Master Servicer has been appointed and accepted the appointment or if the Trustee is acting as Master Servicer, an amount equal to one-twelfth of the product of (x) the lesser of 3.5% and the Market Servicing Rate and (y) the Series 2002-1 Aggregate Loan Balance at the beginning of such Due Period.

"*New Seller*" means an entity other than FAC or Trendwest which (a) is a subsidiary of Cendant, (b) performs its own loan origination and servicing, (c) has entered into a Purchase Agreement and Series 2002-1 Purchase Supplement as provided in Section 5.03 and, (d) with respect to any Loan Granted under this Supplement has complied with all conditions set forth in Section 5.03.

"*Notes Increase Date*" means with respect to a Notes Increase, the Business Day on which the Notes Increase occurs pursuant to Section 4.07 of this Supplement.

Section 1.03. *Removal of Definitions.* Section 2.01 of the Indenture Supplement is hereby amended by removing each of the following definitions: Consolidated Extrapolated Cumulative Cancellation Rate, CECCR, EFI Excess Amount, EFI Loans, EFI Originated Loans, Extrapolated Cumulative Cancellation Rate, ECCR and Single Development Excess Amount.

Section 1.04. *Amendment Relating to Authorized Amounts.* The first paragraph of Section 4.02 shall be and hereby is amended and restated to read in its entirety as follows:

(a) The Initial Notes Principal Amount as of August 30, 2002 was $232,506,160.43. The Notes Principal Amount as of the 2003 Amendment Date shall be $415,831,183.97. The Notes Principal Amount may be increased from time to time as provided in Section 4.07 of this Supplement;

provided, however, that the aggregate Notes Principal Amount shall at no time exceed the then effective Facility Limit and the Notes Principal Amount of the Note held by any single Class shall not exceed the then effective Class Facility Limit for such Class. The Notes Principal Amount for each of the Notes delivered to the respective Classes as of the 2003 Amendment Date shall be set forth in Exhibit C to this Supplement, as amended on the 2003 Amendment Date. On or before the 2003 Amendment Date, the Issuer shall execute a replacement Note for each Class and deliver the replacement Notes to the Trustee for authentication and exchange for the initial Notes. With respect to each Class, upon surrender by the respective Class Agent of the initial Note issued to that Class, the Trustee shall authenticate the replacement Note for such Class, register the replacement Note as provided in Exhibit C to this Supplement and deliver it as provided in Exhibit C to this Supplement. Upon authentication and delivery of the replacement Notes in exchange for the initial Notes, the Trustee shall cancel and dispose of the initial Notes in a manner satisfactory to the Trustee.

Following the 2003 Amendment Date, one or more Authorized Additional Notes shall be executed by the Issuer and delivered to the Trustee for authentication and delivery to the Class Agent for the applicable Authorized Additional Class, if the following conditions are met:

(i) The Authorized Additional Class to which the Authorized Additional Note is delivered shall have been added to the Note Purchase Agreement.

(ii) The Deal Agent shall have delivered to the Issuer and the Trustee a certificate substantially in the form of Exhibit F to this Supplement directing the Issuer to execute the Authorized Additional Note and deliver such Note to the Trustee for authentication, directing the Trustee to authenticate the Authorized Additional Note and deliver it as directed in the certificate and setting forth the name in which the Authorized Additional Note shall be registered, the Initial Principal Amount of the Authorized Additional Note, the Maximum Principal Amount of such Note and the account to which payments on such Authorized Additional Notes are to be made;

(iii) Following the delivery of any Authorized Additional Note, the maximum principal amount of all Notes then outstanding shall not exceed the Facility Limit;

(iv) Upon the delivery of each Authorized Additional Note, the purchaser of such Authorized Additional Note shall pay to the Issuer an amount equal to the Initial Principal Amount of such Note which the Issuer shall use to make payments on each of the Notes then outstanding such that the Notes Principal Amount of each Note outstanding, including the Authorized Additional Note, bears the same relationship to the aggregate Notes Principal Amount then outstanding as the Class Facility Limit of the related Class bears to the sum of the Class Facility Limits for all Classes.

Any Notes Increase occurring after the 2003 Amendment Date, shall be allocated pro rata to each Note on the basis of the Class Facility Limit of such Class and the sum of the Class Facility Limits for all Classes, except that if any Note is then subject to a Liquidity Reduction Amortization Period, such Note shall not be included in calculating the pro rata allocation of the Notes Increase.

Section 1.05. *Extension of Maturity Date; Payment of Interest on the 2003 Amendment Date.* (a) Subsection (a) of Section 4.03 of the Indenture Supplement shall be and hereby is amended to read in its entirety as follows:

(a) *Principal.* The Notes shall initially be issued on the Closing Date and shall have a Maturity Date of August 15, 2005. Upon the 2003 Amendment Date, replacement Notes shall be executed and delivered each in a maximum amount of the Class Facility Limit of the Class to which such Note is delivered and such Notes shall have a Maturity Date of June 15, 2006. Any

Authorized Additional Notes delivered after the 2003 Amendment Date shall be in a maximum amount of the Class Facility Limit of the Authorized Additional Class and shall have a Maturity Date of June 15, 2006.

Each Note shall be subject to prepayment in whole or in part as required or permitted by the terms of this Supplement.

(b) Subsection (b) of Section 4.03 of the Indenture Supplement shall be and hereby is amended by the addition of the following sentences at the end thereof:

Notwithstanding any other provision of this Supplement, Notes Interest on each Note outstanding on the 2003 Amendment Date shall be due and payable on the 2003 Amendment Date in the amount of the Notes Interest calculated by the Deal Agent for that Note for that date on the basis of an accrual period beginning on and including July 14, 2003 and ending on and excluding the 2003 Amendment Date. The Notes Interest otherwise due on the August 2003 Payment Date for the Accrual Period ending on the August 2003 Payment Date shall be reduced by the amount paid on the 2003 Amendment Date. Notes Interest due on the 2003 Amendment Date shall be paid from amounts on deposit in the Collection Account.

Section 1.06. *Amendment of Provisions Relating to Increase in the Notes Principal Amount.* (a) The first sentence of Section 4.07 of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

The Noteholders agree, by acceptance of the Notes that the Issuer may from time to time, by irrevocable written notice substantially in the form attached to the Note Purchase Agreement given to the Deal Agent, the Trustee and the Master Servicer and subject to the terms and conditions of this Section 4.07, request that the Series 2002-1 Noteholders fund an increase in the outstanding principal balance of the Series 2002-1 Notes in the aggregate amount specified in the notice and on the date specified in the notice.

(b) Subsection 4.07(e) is hereby amended and restated to read in its entirety as follows:

(e) After giving effect to the funding on such proposed Note Increase Date, the Notes Principal Amount will not exceed the Facility Limit and with respect to each Note, the outstanding principal amount of that Note shall not exceed the Class Facility Limit for the related Class.

Section 1.07. *Amendment of Provisions Relating to the Increase in the Facility Limit.* Section 4.09 of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

Section 4.09. *Increase of the Facility Limit.*

(a) The Facility Limit may be increased as provided in subsection (c) of this Section 4.09 and, in addition, so long as no Amortization Event shall have occurred and be continuing, the Issuer may, on any Business Day, by written notice to the Deal Agent request an increase in the Facility Limit. The written notice to the Deal Agent shall specify:

(i) the amount of the requested increase in the Facility Limit; and

(ii) the date on which such increase is proposed to occur.

(b) Except for an increase in the Facility Limit occurring under subsection (c) below, an increase in the Facility Limit shall occur only if approved by each of the Conduits and Alternate Investors as provided in the Note Purchase Agreement and shall be evidenced by a notice from the Issuer and the Deal Agent delivered to the Trustee which shall state the increased Facility Limit and the date on which such increase shall be effective.

(c) Any increase in the Facility Limit occurring after the 2003 Amendment Date as a result of an increase in the Class Facility Limit of one or more Classes under the Note Purchase

Agreement or as a result of the issuance of an Authorized Additional Note to an Additional Authorized Class, so long as such increase does not cause the Facility Limit to exceed $700,000,000, shall occur automatically and simultaneously with the increase in the Class Facility Limit or the issuance of the Authorized Additional Note and without any requirement to comply with the terms of the foregoing subsections (a) or (b) of this Section 4.09. If, however, any increase in the Facility Limit occurs under this subsection (c), the Class or Classes for which the Class Facility Limit has been increased, shall be required to advance an additional amount to the Issuer and increase the outstanding Notes Principal Amount of the Series 2002-1 Note held by such Class, and the Issuer shall use such additional advance to reduce the outstanding Notes Principal Amount of the other Series 2002-1 Notes in such a manner that following the increase in the Facility Limit, the Notes Principal Amount of each Note outstanding bears the same relationship to the aggregate Notes Principal Amount then outstanding as the Class Facility Limit of the related Class bears to the sum of the Class Facility Limits for all Classes.

Section 1.08. *Amendment of Provisions Relating to the Transfer of Additional Loans.* Subsection (b)(i) and subsection (b)(iv) of Section 7.01 of the Indenture Supplement are hereby amended and restated each to read in its entirety as follows:

(i) at least two (2) Business Days preceding the proposed Addition Date, the Issuer shall have delivered to the Deal Agent a schedule of the Additional 2002-1 Pledged Loans to be transferred on such Addition Date and each of the Additional 2002-1 Pledged Loans shall be a Loan sold by a Seller (which term on and after the 2003 Amendment Date shall not include EFI) to the Depositor under a Purchase Agreement and Series 2002-1 Purchase Supplement; Trendwest Timeshare Upgrades sold to the Depositor by Trendwest immediately prior to the transfer to the Issuer and Trendwest Loans sold to the Depositor on a prior date, which have been sold by the Depositor to an Additional Issuer and which subsequently become Trendwest Timeshare Upgrades and are then transferred by the Additional Issuer to the Depositor are, in each case, Loans sold by a Seller to the Depositor under a Purchase Agreement and Series 2002-1 Purchase Supplement.

(iv) With the exception of Documents in Transit Loans, on or immediately prior to the Addition Date the Custodian has possession of each original Additional 2002-1 Pledged Loan and the related Loan File and has acknowledged to the Trustee and the Deal Agent such receipt and its undertaking to hold each such original Additional 2002-1 Pledged Loan and the related Loan File for purposes of perfection of the Collateral Agent's interests in such original Additional 2002-1 Pledged Loans and the related Loan File; provided that the fact that any document not required to be in its respective Loan File pursuant to the applicable Purchase Agreement is not in the possession of the Custodian in its respective Loan File does not constitute a failure to satisfy this condition;

Section 1.09. *Amendment to Remove Reference to Addition of EFI Loans.* Subsection 7.01(c) of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

(c) In addition to the conditions set forth in (b) above, on the first date on which Trendwest Loans are included in the Additional 2002-1 Pledged Loans, it shall be a condition to the addition of such Additional 2002-1 Pledged Loans that the conditions set forth in Section 2(b)(iv) of the Series 2002-1 Pool Purchase Supplement be met to the satisfaction of counsel to the Deal Agent.

Section 1.10. *Amendment to Provide for CCR Quarterly Report.* Article VIII of the Indenture Supplement is hereby amended by the addition of Section 8.05 at the end of such article. Section 8.05 shall read in its entirety as follows:

Section 8.05. *Quarterly Report With Respect to CCR.* On or before the Determination Date in October 2003 and the Determination Date in each January, April, July and October thereafter, the Master Servicer shall calculate the Weighted Average Five Year Cumulative Cancellation Rate and the

Weighted Average Ten Year Cumulative Cancellation Rate for the Payment Date immediately following such Determination Date and shall provide the Weighted Average Five Year Cumulative Cancellation Rate and the Weighted Average Ten Year Cumulative Cancellation Rate to the Deal Agent in writing. On the Determination Date in October 2003, January 2004, April 2004 and July 2004, the Master Servicer shall also deliver to the Deal Agent an agreed upon procedures letter or letters provided by a firm or firms of nationally recognized independent public accountants. Such agreed upon procedures letter or letters shall be substantially as described in Exhibit E to this Supplement.

Section 1.11. *Amendments Relating to Amortization Events.* (a) Clause (f) of Section 9.01 of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

(f) the Weighted Average Five Year Cumulative Cancellation Rate at any time exceeds 15%;

(b) Clause (h) of Section 9.01 of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

(h) the Gross Excess Spread for any Due Period ending on or prior to June 30, 2004, is less than 3.50% for any Due Period; for Due Periods ending after June 30, 2004 this provision shall not apply; except that if any Alternate Investor or Conduit does not extend its Liquidity Termination Date on or before June 30, 2004, this provision shall continue to apply;

(c) The provision immediately following clause (p) in Section 9.01 of the Indenture Supplement is hereby amended and restated to read in its entirety as follows:

then, in the case of an event described in any clause except clause (c) of the Events of Default in Section 10.01, or clause (l) above, the Deal Agent at the direction of the Majority Facility Investors, or, with respect to an event described in clause (j) or (k), the Deal Agent, at the direction of any Class Agent or, with respect to clause (h) if such provision applies after June 30, 2004, the Deal Agent at the direction of the Class Agent or Class Agents which have not extended their Liquidity Termination Dates to a date on or after June 30, 2004, by notice given in writing to the Issuer, the Master Servicer and the Trustee, may declare that an Amortization Event has occurred as of the date of such notice and, in the case of any event described in clause (c) of the Events of Default in Section 10.01, or clause (l) of this Section 9.01, an Amortization Event will occur immediately upon the occurrence of such event without any notice or other action on the part of the Deal Agent, the Trustee or any other entity.

Section 1.12. *Amendment Relating to Weighted Average Five Year CCR.* Section 9.01 of the Indenture Supplement, beginning with the paragraph which begins "For purposes of determining the Consolidated Extrapolated Cumulative Cancellation Rate.. ." and continuing to the end of such Section 9.01 shall be and hereby is amended and restated to read in its entirety:

The Master Servicer shall calculate the Weighted Average Five Year Cumulative Cancellation Rate as of July 17, 2003 and as of the Payment Date in October 2003 and quarterly thereafter as provided in Exhibit E. For such purpose, the Master Servicer will be permitted to use static pool information reported by the Sellers in the manner to which each such Seller is accustomed, provided that, (i) with respect to FAC, the static pool information will be reported using the suppression method presented in Exhibit E and (ii) with respect to Trendwest, the static pool information will be reported using the bifurcation methodology presented in Exhibit E.

Section 1.13. *Amendment Concerning Credit Agreement.* Subsection 11.02(a) of the Indenture Supplement is hereby amended and restated to read in its entirety:

(a) Cendant permits on the last day of any fiscal quarter its Debt to Capitalization Ratio (as defined in the Three Year Competitive Advance and Revolving Credit Agreement dated as of December 10, 2002 among Cendant 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

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Nova Scotia, Citibank N.A. and Barclays Bank PLC, as co-documentation agents, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as co-lead arrangers and joint bookrunners, as such agreement, subject to the terms of Section 12.05 may be further amended and supplemented from time to time (as so amended and supplemented from time to time, the "Credit Agreement")) to be greater than 0.5:1;

Section 1.14. *Amendment to Exhibit C.* Exhibit C to the Indenture Supplement, setting forth information with respect to each Note and the registration information shall be and hereby is amended to read in its entirety as set forth in Schedule I attached to this Amendment.

Section 1.15. *Amendment to Exhibit D.* Exhibit D to the Indenture Supplement setting forth the form of the Servicer's Monthly Report shall be and hereby is amended to read in its entirety as set forth in Schedule II attached to this Amendment.

Section 1.16. *Amendment to Exhibit E.* Exhibit E is hereby amended to provide information related to (i) the dynamic Advance Rate calculation, (ii) the Cumulative Cancellation Rate, (iii) the Weighted Average Ten Year Cumulative Cancellation Rate, (iv) the Weighted Average Five Year Cumulative Cancellation Rate and (v) the agreed upon procedures letters related to the CCR. Exhibit E is hereby amended to read in its entirety as set forth in Schedule III attached to this Amendment.

Section 1.17. *Amendment to Index of Exhibits.* The index of Exhibits immediately following the Table of Contents in the Indenture Supplement is hereby amended so that the reference to Exhibit E reads as follows:

EXHIBIT E Matters Related to the Dynamic Advance Rate and Cumulative Cancellation Rate E-1

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 2.01. *Supplement in Full Force and Effect as Amended.* Except as specifically stated herein, all of the terms and conditions of the Master Indenture and the Indenture Supplement, as previously amended, shall remain in full force and effect. All references to the Indenture Supplement in any other document or instrument shall be deemed to mean the Indenture Supplement, as amended and supplemented by this Amendment. This Amendment shall not constitute a novation of the Master Indenture or the Indenture Supplement, but shall constitute an amendment thereto. The parties hereto agree to be bound by the terms and obligations of the Indenture Supplement, as amended by this Amendment, as though the terms and obligations of the Indenture Supplement were set forth herein.

Section 2.02. *Counterparts.* This Amendment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 2.03. *Governing Law.* THIS AMENDMENT 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.

IN WITNESS WHEREOF, the Issuer, the Master Servicer, the Trustee and the Collateral Agent have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Master Servicer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ ROBERT ASHBAUGH

Name: Robert Ashbaugh
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ ROBIN M. BELANGER

Name: Robin M. Belanger
Title: Vice President

QuickLinks

EXHIBIT 10.15

THIRD AMENDMENT TO MASTER INDENTURE AND SERVICING AGREEMENT SERIES 2002-1 SUPPLEMENT
ARTICLE III AMENDMENTS
ARTICLE IV MISCELLANEOUS PROVISIONS

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 10.16

EXECUTION COPY

SECOND AMENDMENT
TO
MASTER LOAN PURCHASE AGREEMENT

Amendment Dated as of July 17, 2003

by and between

FAIRFIELD ACCEPTANCE CORPORATION—NEVADA,
as Seller

and

FAIRFIELD RESORTS, INC.,
as Co-Originator

and

FAIRFIELD MYRTLE BEACH, INC.,
as Co-Originator

and

KONA HAWAIIAN VACATION OWNERSHIP, LLC,
as an Originator

and

SEA GARDENS BEACH AND TENNIS RESORT, INC.,
VACATION BREAK RESORTS, INC.,
VACATION BREAK RESORTS AT STAR ISLAND, INC.,
PALM VACATION GROUP

and

OCEAN RANCH VACATION GROUP,
each as a VB Subsidiary

and

PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Partnership

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

SECOND AMENDMENT
TO
MASTER LOAN PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO MASTER LOAN PURCHASE AGREEMENT (this "*Amendment*"), dated as of July 17, 2003, is made by and between FAIRFIELD ACCEPTANCE CORPORATION-NEVADA, a Delaware corporation, as seller (the "*Seller*"), FAIRFIELD RESORTS, INC., a Delaware corporation and the parent corporation of the Seller, as co-originator ("*FRI*"), FAIRFIELD MYRTLE BEACH, INC., a Delaware corporation and a wholly-owned subsidiary of FRI, as co-originator ("*FMB*"), KONA HAWAIIAN VACATION OWNERSHIP, LLC, as an originator ("*Kona*"), SEA GARDENS BEACH AND TENNIS RESORT, INC., a Florida corporation ("*Sea Gardens*"), VACATION BREAK RESORTS, INC., a Florida corporation ("*VBR*"), VACATION BREAK RESORTS AT STAR ISLAND, INC., a Florida corporation ("*VBRS*") (each of Sea Gardens, VBR and VBRS being wholly-owned subsidiaries of Vacation Break, USA, Inc., a wholly-owned subsidiary of FRI), PALM VACATION GROUP, a Florida general partnership ("*PVG*"), OCEAN RANCH VACATION GROUP, a Florida general partnership ("*ORVG*") (each of Sea Gardens, VBR, VBRS, PVG and ORVG are hereinafter collectively referred to as the "*VB Subsidiaries*" and PVG and ORVG are hereinafter collectively referred to as the "*VB Partnerships*") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "*Purchaser*" or the "*Company*").

RECITALS

WHEREAS, the Seller, FRI, FMB, Kona and the VB Subsidiaries are parties to that Master Loan Purchase Agreement dated as of August 29, 2002, (as amended by the First Amendment and Supplement to Master Loan Purchase Agreement dated as of November 27, 2002, the "*Master Loan Purchase Agreement*");

WHEREAS, in order to provide for the future sale of Loans from the Seller to the Purchaser, the Purchaser has requested that certain amendments be made to the Master Loan Purchase Agreement;

WHEREAS, at the time of the original execution of the Master Loan Purchase Agreement, the Purchaser intended to sell all Loans purchased from the Seller to Sierra Receivables Funding Company, LLC and expected that Sierra Receivables Funding Company, LLC would, from time to time, issue series of notes secured by such Loans;

WHEREAS, the Purchaser has been notified that Sierra Receivables Funding Company, LLC will be permitted to issue only one series, the Series 2002-1 Notes, and that, from time to time, Sierra Receivables Funding Company, LLC may be directed by the holders of the Series 2002-1 Notes to sell Loans to the Purchaser and the Purchaser may transfer such Loans to an Additional Issuer which will issue notes secured by such Loans;

WHEREAS, the Seller and the Purchaser wish to amend the Master Loan Purchase Agreement to reflect the new terms agreed between the Seller and the Purchaser and to reflect the fact that notes issued subsequent to Series 2002-1 will be issued by Additional Issuers;

WHEREAS, the parties to the Master Loan Purchase Agreement have determined that it is appropriate to make certain amendments to the Master Loan Purchase Agreement; and

WHEREAS, the conditions to the amendments have been satisfied;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the parties hereto agree as follows:

Section 1. *Definitions.*

(a) *Addition of New Definitions.* The following definitions are hereby added to the definitions in Section 1 of the Master Loan Purchase Agreement. Each definition shall be added in the correct alphabetical order and shall read in its entirety as follows:

"*Additional Issuer*" shall mean an entity which is a subsidiary of the Purchaser, other than the Initial Issuer, which purchases Loans from the Purchaser with the proceeds of a Series of Notes issued by such entity and pledges the Loans to secure such Series of Notes.

"*Additional Series*" shall mean a Series of Notes, other than the Series 2002-1 Notes.

"*Initial Issuer*" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company as issuer of the Series 2002-1 Notes.

"*Term Purchase Agreement*" shall mean a purchase agreement between the Purchaser and an Additional Issuer pursuant to which the Purchaser sells Loans to the Additional Issuer and the Additional Issuer purchases such Loans for the purpose of pledging the Loans to secure a Series of Notes.

(b) *Amendment of Existing Definitions.* Each of the following terms contained in Section 1 of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"*Collection Account*" shall mean with respect to any Series the account or accounts established as the collection account for such Series pursuant to the Indenture and Servicing Agreement under which such Series of Notes is issued.

"*Facility Documents*" shall mean, collectively, this Agreement, each PA Supplement, each Indenture and Servicing Agreement, each Indenture Supplement, each Pool Purchase Agreement, each PPA Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Title Clearing Agreements, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"*Indenture and Servicing Agreement*" shall mean (i) the Master Indenture and Servicing Agreement dated as of August 29, 2002, together with the Indenture Supplement, each as amended from time to time, and each among Sierra Receivables Funding Company, LLC, as issuer, FAC, as master servicer and Wachovia Bank, National Association, as trustee and collateral agent, and (ii) with respect to any Additional Series, the indenture and servicing agreement or similar document or documents pursuant to which such Additional Series is issued and in which the terms of such Additional Series are set forth.

"*Indenture Supplement*" shall mean (i) with respect to Series 2002-1, the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto and (ii) with respect to any Additional Series, the Indenture and Servicing Agreement for that Series.

"*Issuer*" shall mean the Initial Issuer and each Additional Issuer.

"*Issuer Administrative Services Agreement*" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Initial Issuer.

"*Lockbox Agreement*" shall mean (i) with respect to Loans pledged to secure the Series 2002-1 Notes, any agreement substantially in the form of Exhibit E by and between the Initial Issuer, the Trustee, the Master Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer, the Trustee and the applicable Lockbox Bank with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank to remit all Collections directly to the Trustee and (ii) with respect to Loans pledged to secure an Additional Series, the lockbox agreements or similar arrangements described in the applicable Indenture and Servicing Agreement.

"*Master Servicer*" shall mean, with respect to each Indenture and Servicing Agreement, the entity then designated as the servicer or master servicer under such agreement.

"*Note*" shall mean any Loan-backed note issued, executed and authenticated in accordance with an Indenture and Servicing Agreement and, where appropriate, any related Indenture Supplement.

"*Payment Date*" shall mean, with respect to any Series, the payment date set forth in the related Indenture and Servicing Agreement or in the related Indenture Supplement, as applicable.

"*Pool Purchase Agreement*" shall mean (i) with respect to Series 2002-1 Notes, the master purchase agreement dated as of August 29, 2002 by and between the Company and the Initial Issuer and all amendments thereof and supplements thereto and (ii) with respect to any Additional Series, the Term Purchase Agreement by and between the Company and the Additional Issuer which issues such Additional Series.

"*PPA Supplement*" shall mean any Term Purchase Agreement or any supplement to the Pool Purchase Agreement relating to a particular Series of Notes.

"*Series*" shall mean (i) with respect to the sale of Loans to the Purchaser pursuant to a PA Supplement, all Loans sold pursuant to a PA Supplement and (ii) with respect to Notes, the Series 2002-1 Notes or any Additional Series.

"*Series Termination Date*" shall mean, with respect to any Series, the Series Termination Date as defined in the related PA Supplement or Indenture and Servicing Agreement.

"*Trustee*" shall mean with respect to each Indenture and Servicing Agreement, the entity designated as the trustee under such agreement.

Section 2. ***Representations and Warranties.***

(a) Subsection 6(a)(ix) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(ix) *Lockbox Accounts.* Except in the case of any Lockbox Account pursuant to which only Collections in respect of Loans subject to a PAC or Credit Card Account are deposited, each of the Seller, FRI, FMB and the VB Subsidiaries, as applicable, has filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes (other than those separately identified in an Indenture and Servicing Agreement), are set forth in Schedule 4. From and after the Initial Closing Date, none of the Seller, FRI, FMB or the VB Subsidiaries shall have any right, title and/or interest in or to any of the Lockbox Accounts or the Post Office Boxes and will maintain no Lockbox accounts in their own names for the collection of payments in respect of the

Loans. None of the Seller, FRI, FMB or the VB Subsidiaries has any lockbox or other accounts for the collection of payments in respect of the Loans other than the Lockbox Accounts.

(b) Subsection 6(b)(ix) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(ix) *Original Loans.* All original executed copies of such Loans are or, within 30 days of Purchase, will be in the custody of the Custodian except to the extent otherwise permitted pursuant to Section 6(b)(xiv).

(c) Subsection 6(b)(xiv)(C)(2) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(2) the original recorded Mortgage (or a copy thereof, if applicable, for Mortgages that have been submitted for recording as set forth herein) and Assignments of Mortgages in favor of the Collateral Agent (or a copy of such recorded Mortgage or Assignment of Mortgage, as the case may be, certified to be a true and complete copy thereof, if the original of the recorded Mortgage or Assignment of Mortgage is lost or destroyed), *provided* that in the case of any Loan with respect to which the related Mortgage and/or deed has been removed from the Loan File for review and recording in the local real property recording office: (x) the original Mortgage shall have been returned to the Loan File no later than (1) 180 days from the related loan closing date (in the case of Loans (other than Green Loans) relating to Timeshare Properties located in the State of Florida) or (2) 180 days from the date on which the related Timeshare Property is required to be deeded to an Obligor (in the case of Green Loans or Loans relating to Timeshare Properties located in any other State) and (y) in the case of any Loan (other than a Green Loan) relating to a Timeshare Property located in the State of Florida, the Loan File shall contain one or more certificates from FRI's applicable title agents in Florida to the effect that the related Mortgage has been delivered for purposes of recordation to the appropriate local real property recording office.

(d) Subsection 6(d) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(d) *Survival of Representations and Warranties.* It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Loans with respect to any Series by the Seller to the Company under this Agreement and any PA Supplement, the conveyance of the Loans by the Company to the Initial Issuer or to an Additional Issuer pursuant to the Pool Purchase Agreement and any PPA Supplement or any Term Purchase Agreement and the Grant of the Collateral by the Initial Issuer

or any Additional Issuer to the Collateral Agent and shall inure to the benefit of the Company, the respective Issuers, the Trustees, the Collateral Agent and the Noteholders and their respective designees, successors and assigns.

Section 3. ***Covenants of the Seller and FRI.*** Subsection 8(b)(iv) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(iv) *Change in Payment Instructions to Obligors.* Add, except in connection with the issuance of an Additional Series of Notes, or terminate any bank as a bank holding any account for the collection of payments in respect of the Loans from those listed in Exhibit E or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Company and the Trustee shall have received (A) 30 days' prior written notice of such addition, termination or change, (B) written confirmation from the Seller or FRI that, after the effectiveness of any such termination, there will be at least one Lockbox in existence and (C) prior to the date of such addition, termination or change, (1) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the Seller, the Company, the Master Servicer

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and the Trustee and (2) copies of all agreements and documents signed by either the Company or the respective Lockbox Bank with respect to any new Lockbox Account.

Section 4. ***Amendments.*** Subsection 11(a) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(a) *Amendment.* This Agreement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

Section 20. ***Assignment.*** Subsection 11(b) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(b) *Assignment.* The Company has the right to assign its interests under this Agreement and any PA Supplement as may be required to effect the purposes of the Pool Purchase Agreement or any Term Purchase Agreement without the consent of the Seller or FRI, and the assignee shall succeed to the rights hereunder of the Company. The Seller agrees to perform its obligations hereunder for the benefit of the respective Issuers, Trustees and Noteholders and for the benefit of the Collateral Agent, and agrees that such parties are intended third party beneficiaries of this Agreement and agrees that the Trustees (or the Collateral Agent) and (subject to the terms and conditions of the applicable Indenture and Servicing Agreement and any applicable Indenture Supplement) the Noteholders may enforce the provisions of this Agreement and any PA Supplement, exercise the rights of the Company and enforce the obligations of the Seller hereunder without the consent of the Company.

Section 6. ***Miscellaneous.***

(a) *Counterparts.* This Amendment may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(b) ***GOVERNING LAW.*** **THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.**

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

FAIRFIELD RESORTS, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

FAIRFIELD MYRTLE BEACH, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

KONA HAWAIIAN VACATION OWNERSHIP, LLC

By: Fairfield Resorts, Inc.
Its Managing Member

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

SEA GARDENS BEACH AND TENNIS RESORT, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

VACATION BREAK RESORTS, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

VACATION BREAK RESORTS AT STAR ISLAND, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

PALM VACATION GROUP,
by its General Partners:

Vacation Break Resorts at Palm Aire, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

Palm Resort Group, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

OCEAN RANCH VACATION GROUP,
by its General Partners:

Vacation Break at Ocean Ranch, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

Ocean Ranch Development, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.16

SECOND AMENDMENT TO MASTER LOAN PURCHASE AGREEMENT
RECITALS

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EXHIBIT 10.17

EXECUTION COPY

SECOND AMENDMENT

to

SERIES 2002-1 SUPPLEMENT

to

MASTER LOAN PURCHASE AGREEMENT

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

by and between

FAIRFIELD ACCEPTANCE CORPORATION—NEVADA,
as Seller

FAIRFIELD RESORTS, INC.,
as Co-Originator

FAIRFIELD MYRTLE BEACH, INC.,
as Co-Originator

KONA HAWAIIAN VACATION OWNERSHIP, LLC,
as an Originator

SEA GARDENS BEACH AND TENNIS RESORT, INC.,
VACATION BREAK RESORTS, INC.,
VACATION BREAK RESORTS AT STAR ISLAND, INC.,
PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Subsidiary

PALM VACATION GROUP
and
OCEAN RANCH VACATION GROUP,
each as a VB Partnership

and
SIERRA DEPOSIT COMPANY, LLC
as Purchaser

Amendment Dated July 17, 2003

THIS SECOND AMENDMENT TO PURCHASE AGREEMENT SUPPLEMENT (this "*Amendment*") is dated as of July 17, 2003 and amends that Purchase Agreement Supplement dated as of August 29, 2002, as previously amended (the "*PA Supplement*") and is by and between FAIRFIELD ACCEPTANCE CORPORATION-NEVADA, a Delaware corporation, as seller (the "*Seller*"), FAIRFIELD RESORTS, INC., a Delaware corporation and the parent corporation of the Seller, as co-originator ("*FRI*"), FAIRFIELD MYRTLE BEACH, INC., a Delaware corporation and a wholly-owned subsidiary of FRI, as co-originator ("*FMB*"), KONA HAWAIIAN VACATION OWNERSHIP, LLC, a Hawaiian limited liability company, as an originator ("*Kona*"), SEA GARDENS BEACH AND TENNIS RESORT, INC., a Florida corporation ("*Sea Gardens*"), VACATION BREAK RESORTS, INC., a Florida corporation ("*VBR*"), VACATION BREAK RESORTS AT STAR ISLAND, INC., a Florida corporation ("*VBRS*") (each of Sea Gardens, VBR and VBRS being wholly-owned subsidiaries of Vacation Break, USA, Inc., a wholly-owned subsidiary of FRI), PALM VACATION GROUP, a Florida general partnership ("*PVG*"), OCEAN RANCH VACATION GROUP, a Florida general partnership ("*ORVG*") (each of Sea Gardens, VBR, VBRS, PVG and ORVG are hereinafter collectively referred to as the "*VB Subsidiaries*" and PVG and ORVG are hereinafter collectively referred to as the "*VB Partnerships*") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "*Purchaser*" or the "*Company*").

The Company has determined with the agreement of the Seller that Loans purchased from the Seller may be sold to Sierra Receivables Funding Company, LLC (the "*Initial Issuer*") and pledged to secure notes issued by the Initial Issuer or may be sold by the Company to an Additional Issuer and pledged to secure Notes issued by the Additional Issuer. The Company may also, from time to time, purchase Loans from the Initial Issuer and transfer such Loans to an Additional Issuer to be pledged to secure an Additional Series.

The Seller and the Company agree that Loans sold to the Company under the Agreement and the PA Supplement retain their character as Series 2002-1 Loans whether sold to and retained by the Initial Issuer or reacquired by the Company and transferred to an Additional Issuer.

This Amendment clarifies the Company's right and ability to sell Series 2002-1 Loans to an Additional Issuer or Additional Issuers and ratifies the Sellers' continuing obligations with respect to such Series 2002-1 Loans.

The PA Supplement supplements the Master Loan Purchase Agreement dated as of August 29, 2002, as amended by the First Amendment thereto dated as of November 27, 2002 and the Second Amendment thereto dated as of the date of this Amendment. The Master Loan Purchase Agreement, as so amended, is the "*Agreement.*" Terms used in this Amendment and not defined herein have the meaning assigned in the Agreement.

Section 1. *Definitions.*

(a) *Addition of New Definitions.* Section 1 of the PA Supplement is hereby amended to add the following definitions each of which shall read in its entirety as follows and be added in the correct alphabetical order:

"*Noteholder*" shall mean any Series 2002-1 Noteholder and any holder of a note of any Additional Series.

(b) *Amendment of Definition of Eligible Loan.* Clause (d) of the definition of Eligible Loan contained in Section 1 of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(d) with respect to which (i) if the related Timeshare Property has been deeded to the Obligor of the related Series 2002-1 Loan, (A) the Originator has a valid and enforceable first lien

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Mortgage on such Timeshare Property, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, (B) such Mortgage and related mortgage note have been assigned to the Collateral Agent, (C) such Mortgage and the related note for such Mortgage have been transferred or will be transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the Agreement and (D) if any Mortgage relating to such Series 2002-1 Loan is a deed of trust, a trustee duly qualified under applicable law to serve as such has been properly designated in accordance with applicable law and currently so serves or (ii) if the related Timeshare Property has not been deeded to the Obligor of the related Series 2002-1 Loan, a Nominee has legal title to such Timeshare Property and the Seller has an equitable interest in such Timeshare Property underlying the related Series 2002-1 Loan;

(c) *Amendment of Other Existing Definitions.* Each of the following terms contained in Section 1 of the PA Supplement is hereby amended and restated to read in its entirety as follows:

"*Series Termination Date*" shall mean, with respect to Series 2002-1, the date on which all obligations with respect to the Series 2002-1 Notes issued under the Series 2002-1 Supplement have been paid in full and the Series 2002-1 Supplement is discharged and, with respect to any Additional Series, the date set forth in the related Indenture and Servicing Agreement.

"*Series 2002-1 Loan*" shall mean each Loan listed from time to time on the Series 2002-1 Loan Schedule whether such Loan is at such time a Series 2002-1 Pledged Loan or is pledged to secure an Additional Series.

Section 2. Sale.

Subsection 2 (c) of the PA Supplement is hereby amended by adding the following sentence at the end of such subsection. The additional sentence shall and does hereby read as follows:

The Seller and the Company agree that the Series 2002-1 Loan Schedule shall include all Loans sold under the Agreement and this PA Supplement whether such Loans are Series 2002-1 Pledged Loans or are pledged to secure an Additional Series.

Section 3. Security Interest.

Subsection 2(g) of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(g) *Security Interest in Transferred Assets.* Each of FRI, FMB, Kona, the VB Subsidiaries and the Seller acknowledges that the Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the Series 2002-1 Supplement for the benefit of the Trustee and the Series 2002-1 Noteholders (or to the Collateral Agent on behalf of the Trustee and the Series 2002-1 Noteholders). With respect to Series 2002-1 Loans and related Transferred Assets which have been released from the Lien of the Series 2002-1 Supplement, conveyed to the Company and transferred by the Company to an Additional Issuer, each of FRI, FMB, Kona, the VB Subsidiaries and the Seller acknowledges that such Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the applicable Indenture and Servicing Agreement for the benefit of the applicable Trustee and Noteholders.

Section 4. Transfer of Loans.

Subsection 2(i) of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(i) *Transfer of Loans.* All Series 2002-1 Loans conveyed to the Company hereunder shall be held by the Custodian pursuant to the terms of either Custodial Agreement for the benefit of the Company, the respective Issuers, the respective Trustees and the Collateral Agent. Upon each Purchase hereunder, the Custodian shall execute and deliver to the Company a certificate acknowledging receipt of the applicable Series 2002-1 Loans pursuant to either Custodial Agreement; provided that, with respect to a Series 2002-1 Loan purchased on a Purchase Date, receipt shall be timely delivered if it is delivered to the Company no later than 30 days after the Purchase Date for that Loan.

Each of FRI, the other Originators and the Seller acknowledges that the Company will convey the Series 2002-1 Loans and the other related Transferred Assets to the Initial Issuer or an Additional Issuer and that the Initial Issuer or Additional Issuer will grant a security interest in the Series 2002-1 Loans

and other related Transferred Assets to the Collateral Agent pursuant to the applicable Indenture and Servicing Agreement. Each of FRI, the other Originators and the Seller agrees that, upon such grant, the Initial Issuer or the Additional Issuer and the Collateral Agent may enforce all of the Seller's and FRI's obligations hereunder and under the Agreement directly, including without limitation the repurchase obligations of the Seller set forth in Section 7.

Section 5. Repurchases or Substitution of Series 2002-1 Loans.

Section 7 of the PA Supplement is hereby amended by the addition of the following introductory clause which shall appear in the PA Supplement immediately after the caption for Section 7 and before clause (a):

The parties understand and agree that references in this Section 7 to the Issuer, Trustee or Master Servicer, shall in each case refer to the Issuer, Trustee or Master Servicer for the Series to which the Loan to be repurchased is then pledged.

Section 6. Miscellaneous Provisions.

(a) *Ratification of PA Supplement.* As amended and supplemented by this Amendment, the PA Supplement is in all respects ratified and confirmed and the PA Supplement as so amended and supplemented shall be read, taken and construed as one and the same instrument.

(b) *Counterparts.* This Amendment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(c) *GOVERNING LAW.* THIS PA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

FAIRFIELD RESORTS, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

FAIRFIELD MYRTLE BEACH, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

KONA HAWAIIAN VACATION OWNERSHIP, LLC

By: Fairfield Resorts, Inc.
Its Managing Member

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

SEA GARDENS BEACH AND
TENNIS RESORT, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

VACATION BREAK RESORTS, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

VACATION BREAK RESORTS AT
STAR ISLAND, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

PALM VACATION GROUP,
by its General Partners:

Vacation Break Resorts at Palm Aire, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

Palm Resort Group, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

OCEAN RANCH VACATION GROUP,
by its General Partners:

Vacation Break at Ocean Ranch, Inc.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

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EXHIBIT 10.18

EXECUTION COPY

FIRST AMENDMENT

TO

MASTER LOAN PURCHASE AGREEMENT

Amendment Dated as of July 17, 2003

by and between

TRENDWEST RESORTS, INC.,
as Seller

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

FIRST AMENDMENT
TO
MASTER LOAN PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO MASTER LOAN PURCHASE AGREEMENT (this "*Amendment*"), dated as of July 17, 2003, is made by and between TRENDWEST RESORTS, INC., an Oregon corporation, as seller (the "*Seller*") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "*Purchaser*" or the "*Company*").

RECITALS

WHEREAS, the Seller is a party to that Master Loan Purchase Agreement dated as of August 29, 2002;

WHEREAS, in order to provide for the future sale of Loans from the Seller to the Purchaser, the Purchaser has requested that certain amendments be made to the Master Loan Purchase Agreement;

WHEREAS, at the time of the original execution of the Master Loan Purchase Agreement, the Purchaser intended to sell all Loans purchased from the Seller to Sierra Receivables Funding Company, LLC and expected that Sierra Receivables Funding Company, LLC would, from time to time, issue series of notes secured by such Loans;

WHEREAS, the Purchaser has been notified that Sierra Receivables Funding Company, LLC will be permitted to issue only one series, the Series 2002-1 Notes, and that, from time to time, Sierra Receivables Funding Company, LLC may be directed by the holders of the Series 2002-1 Notes to sell Loans to the Purchaser and the Purchaser may transfer such Loans to an Additional Issuer which will issue notes secured by such Loans;

WHEREAS, the Seller and the Purchaser wish to amend the Master Loan Purchase Agreement to reflect the new terms agreed between the Seller and the Purchaser and to reflect the fact that notes issued subsequent to Series 2002-1 will be issued by Additional Issuers;

WHEREAS, the parties to the Master Loan Purchase Agreement have determined that it is appropriate to make certain amendments to the Master Loan Purchase Agreement; and

WHEREAS, the conditions to the amendments have been satisfied;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the parties hereto agree as follows:

Section 1. ***Definitions.***

(a) *Addition of New Definitions.* The following definitions are hereby added to the definitions in Section 1 of the Master Loan Purchase Agreement. Each definition shall be added in the correct alphabetical order and shall read in its entirety as follows:

"*Additional Issuer*" shall mean an entity which is a subsidiary of the Purchaser, other than the Initial Issuer, which purchases Loans from the Purchaser with the proceeds of a Series of Notes issued by such entity and pledges the Loans to secure such Series of Notes.

"*Additional Series*" shall mean a Series of Notes, other than the Series 2002-1 Notes.

"*Initial Issuer*" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company as issuer of the Series 2002-1 Notes.

"*Term Purchase Agreement*" shall mean a purchase agreement between the Purchaser and an Additional Issuer pursuant to which the Purchaser sells Loans to the Additional Issuer and the

Additional Issuer purchases such Loans for the purpose of pledging the Loans to secure a Series of Notes.

(b) *Amendment of Existing Definitions.* Each of the following terms contained in Section 1 of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"*Collection Account*" shall mean with respect to any Series the account or accounts established as the collection account for such Series pursuant to the Indenture and Servicing Agreement under which such Series of Notes is issued.

"*Facility Documents*" shall mean, collectively, this Agreement, each PA Supplement, each Indenture and Servicing Agreement, each Indenture Supplement, each Pool Purchase Agreement, each PPA Supplement, the Custodial Agreement, the Lockbox Agreements, the Collateral Agency Agreement, the Loan Conveyance Documents, the Depositor Administrative Services Agreement, the Issuer Administrative Services Agreement, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith.

"*Indenture and Servicing Agreement*" shall mean (i) the Master Indenture and Servicing Agreement dated as of August 29, 2002, together with the Indenture Supplement, each as amended from time to time, and each among Sierra Receivables Funding Company, LLC, as issuer, FAC, as master servicer and Wachovia Bank, National Association, as trustee and collateral agent, and (ii) with respect to any Additional Series, the indenture and servicing agreement or similar document or documents pursuant to which such Additional Series is issued and in which the terms of such Additional Series are set forth.

"*Indenture Supplement*" shall mean (i) with respect to Series 2002-1, the supplement to the Master Indenture and Servicing Agreement executed and delivered in connection with the issuance of the Series 2002-1 Notes and all amendments thereof and supplements thereto and (ii) with respect to any Additional Series, the Indenture and Servicing Agreement for that Series.

"*Issuer*" shall mean the Initial Issuer and each Additional Issuer.

"*Issuer Administrative Services Agreement*" shall mean the administrative services agreement dated as of August 29, 2002 by and between FAC as administrator and the Initial Issuer.

"*Lockbox Agreement*" shall mean (i) with respect to Loans pledged to secure the Series 2002-1 Notes, any agreement substantially in the form of Exhibit E by and between the Initial Issuer, the Trustee, the Master Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer, the Trustee and the applicable Lockbox Bank with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank to remit all Collections directly to the Trustee and (ii) with respect to Loans pledged to secure an Additional Series, the lockbox agreements or similar arrangements described in the applicable Indenture and Servicing Agreement.

"*Master Servicer*" shall mean, with respect to each Indenture and Servicing Agreement, the entity then designated as the servicer or master servicer under such agreement.

"*Note*" shall mean any Loan-backed note issued, executed and authenticated in accordance with an Indenture and Servicing Agreement and, where appropriate, any related Indenture Supplement.

"*Payment Date*" shall mean, with respect to any Series, the payment date set forth in the related Indenture and Servicing Agreement or in the related Indenture Supplement, as applicable.

"*Pool Purchase Agreement*" shall mean (i) with respect to Series 2002-1 Notes, the master purchase agreement dated as of August 29, 2002 by and between the Company and the Initial

Issuer and all amendments thereof and supplements thereto and (ii) with respect to any Additional Series, the Term Purchase Agreement by and between the Company and the Additional Issuer which issues such Additional Series.

"*PPA Supplement*" shall mean any Term Purchase Agreement or any supplement to the Pool Purchase Agreement relating to a particular Series of Notes.

"*Series*" shall mean (i) with respect to the sale of Loans to the Purchaser pursuant to a PA Supplement, all Loans sold pursuant to a PA Supplement and (ii) with respect to Notes, the Series 2002-1 Notes or any Additional Series.

"*Series Termination Date*" shall mean, with respect to any Series, the Series Termination Date as defined in the related PA Supplement or Indenture and Servicing Agreement.

"*Trustee*" shall mean with respect to each Indenture and Servicing Agreement, the entity designated as the trustee under such agreement.

Section 2. ***Representations and Warranties.***

(a) Subsection 6(a)(ix) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(ix) *Lockbox Accounts.* Except in the case of any Lockbox Account pursuant to which only Collections in respect of Loans subject to a PAC or Credit Card Account are deposited, the Seller has filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes (other than those separately identified in an Indenture and Servicing Agreement), are set forth in Schedule 4. Except as described in the Intercreditor Agreement, from and after the Initial Closing Date, the Seller shall not have any right, title and/or interest in or to any of the Lockbox Accounts or the Post Office Boxes and will maintain no Lockbox accounts in its own name for the collection of payments in respect of the Loans. The Seller has no lockbox or other accounts for the collection of payments in respect of the Loans other than the Lockbox Accounts.

(b) Subsection 6(b)(ix) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(ix) *Original Loans.* All original executed copies of such Loans are or, within 30 days of Purchase, will be in the custody of the Custodian except to the extent otherwise permitted pursuant to Section 6(b)(xiv).

(c) Subsection 6(b)(xiv)(B)(2) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(2) the original recorded Mortgage (or a copy thereof, if applicable, for Mortgages that have been submitted for recording as set forth herein) and Assignments of Mortgages in favor of the Collateral Agent (or a copy of such recorded Mortgage or Assignment of Mortgage, as the case may be, certified to be a true and complete copy thereof, if the original of the recorded Mortgage or Assignment of Mortgage is lost or destroyed), *provided* that in the case of any Loan with respect to which the related Mortgage and/or deed has been removed from the Loan File for review and recording in the local real property recording office, the original Mortgage shall have been returned to the Loan File no later than 180 days from the date on which the related Timeshare Property is required to be deeded to an Obligor.

(d) Subsection 6(d) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(d) *Survival of Representations and Warranties.* It is understood and agreed that the representations and warranties contained in this Section 6 shall remain operative and in full force and effect, shall survive the transfer and conveyance of the Loans with respect to any Series by the Seller to the Company under this Agreement and any PA Supplement, the conveyance of the Loans by the Company to the Initial Issuer or to an Additional Issuer pursuant to the Pool Purchase Agreement and any PPA Supplement or any Term Purchase Agreement and the Grant of the Collateral by the Initial Issuer or any Additional Issuer to the Collateral Agent and shall inure to the benefit of the Company, the respective Issuers, the Trustees, the Collateral Agent and the Noteholders and their respective designees, successors and assigns.

Section 3. ***Covenants of the Seller.*** Subsection 8(b)(iv) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(iv) *Change in Payment Instructions to Obligors.* Add, except in connection with the issuance of an Additional Series of Notes, or terminate any bank as a bank holding any account for the collection of payments in respect of the Loans from those listed in Exhibit E or make any change in its instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Company and the Trustee shall have received (A) 30 days' prior written notice of such addition, termination or change, (B) written confirmation from the Seller that, after the effectiveness of any such termination, there will be at least one Lockbox in existence and (C) prior to the date of such addition, termination or change, (1) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the Seller, the Company, the Master Servicer and the Trustee and (2) copies of all agreements and documents signed by either the Company or the respective Lockbox Bank with respect to any new Lockbox Account.

Section 4. ***Amendments.*** Subsection 11(a) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(a) *Amendment.* This Agreement may be amended from time to time or the provisions hereof may be waived or otherwise modified by the parties hereto by written agreement signed by the parties hereto.

Section 5. ***Assignment.*** Subsection 11(b) of the Master Loan Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(b) *Assignment.* The Company has the right to assign its interests under this Agreement and any PA Supplement as may be required to effect the purposes of the Pool Purchase Agreement or any Term Purchase Agreement without the consent of the Seller, and the assignee shall succeed to the rights hereunder of the Company. The Seller agrees to perform its obligations hereunder for the benefit of the respective Issuers, Trustees and Noteholders and for the benefit of the Collateral Agent, and agrees that such parties are intended third party beneficiaries of this Agreement and agrees that the Trustees (or the Collateral Agent) and (subject to the terms and conditions of the applicable Indenture and Servicing Agreement and any applicable Indenture Supplement) the Noteholders may enforce the provisions of this Agreement and any PA Supplement, exercise the rights of the Company and enforce the obligations of the Seller hereunder without the consent of the Company.

Section 6. ***Miscellaneous.***

(a) *Counterparts.* This Amendment may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(b) ***GOVERNING LAW.*** **THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.**

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

TRENDWEST RESORTS, INC.
as Issuer

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

SIERRA DEPOSIT COMPANY, LLC
as Depositor

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.18

FIRST AMENDMENT TO MASTER LOAN PURCHASE AGREEMENT
RECITALS

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EXHIBIT 10.19

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FIRST AMENDMENT

to

SERIES 2002-1 SUPPLEMENT

to

MASTER LOAN PURCHASE AGREEMENT

SIERRA RECEIVABLES FUNDING COMPANY, LLC
LOAN-BACKED
VARIABLE FUNDING NOTES,
SERIES 2002-1

by and between

TRENDWEST RESORTS, INC.,
as Seller

and

SIERRA DEPOSIT COMPANY, LLC
as Purchaser

Amendment Dated July 17, 2003

THIS FIRST AMENDMENT TO PURCHASE AGREEMENT SUPPLEMENT (this "*Amendment*") is dated as of July 17, 2003 and amends that Purchase Agreement Supplement dated as of August 29, 2002, as previously amended (the "*PA Supplement*") and is by and between TRENDWEST RESORTS, INC., an Oregon corporation, as seller (the "*Seller*") and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as purchaser (hereinafter referred to as the "*Purchaser*" or the "*Company*").

The Company has determined with the agreement of the Seller that Loans purchased from the Seller may be sold to Sierra Receivables Funding Company, LLC (the "*Initial Issuer*") and pledged to secure notes issued by the Initial Issuer or may be sold by the Company to an Additional Issuer and pledged to secure Notes issued by the Additional Issuer. The Company may also, from time to time, purchase Loans from the Initial Issuer and transfer such Loans to an Additional Issuer to be pledged to secure an Additional Series.

The Seller and the Company agree that Loans sold to the Company under the Agreement and the PA Supplement retain their character as Series 2002-1 Loans whether sold to and retained by the Initial Issuer or reacquired by the Company and transferred to an Additional Issuer.

This Amendment clarifies the Company's right and ability to sell Series 2002-1 Loans to an Additional Issuer or Additional Issuers and ratifies the Sellers' continuing obligations with respect to such Series 2002-1 Loans.

The PA Supplement supplements the Master Loan Purchase Agreement dated as of August 29, 2002. The Master Loan Purchase Agreement, as so amended, is the "Agreement." Terms used in this Amendment and not defined herein have the meaning assigned in the Agreement.

Section 1. Definitions.

(a) *Addition of New Definitions.* Section 1 of the PA Supplement is hereby amended to add the following definitions each of which shall read in its entirety as follows and be added in the correct alphabetical order:

"*Noteholder*" shall mean any Series 2002-1 Noteholder and any holder of a note of any Additional Series.

(b) *Amendment of Definition of Eligible Loan.* Clause (d) of the definition of Eligible Loan contained in Section 1 of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(d) with respect to which (i) if the related Timeshare Property has been deeded to the Obligor of the related Series 2002-1 Loan, (A) the Seller has a valid and enforceable first lien Mortgage on such Timeshare Property, except as such enforceability may be limited by Debtor Relief Laws and as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, (B) such Mortgage and related mortgage note have been assigned to the Collateral Agent, (C) such Mortgage and the related note for such Mortgage have been transferred or will be transferred to the custody of the Custodian in accordance with the provisions of Section 6(c)(i) of the Agreement and (D) if any Mortgage relating to such Series 2002-1 Loan is a deed of trust, a trustee duly qualified under applicable law to serve as such has been properly designated in accordance with applicable law and currently so serves or (ii) if the related Timeshare Property has not been deeded to the Obligor of the related Series 2002-1 Loan, the Seller has legal title to such Timeshare Property underlying the related Series 2002-1 Loan;

(c) *Amendment of Other Existing Definitions.* Each of the following terms contained in Section 1 of the PA Supplement is hereby amended and restated to read in its entirety as follows:

"*Series Termination Date*" shall mean, with respect to Series 2002-1, the date on which all obligations with respect to the Series 2002-1 Notes issued under the Series 2002-1 Supplement have been paid in full and the Series 2002-1 Supplement is discharged and, with respect to any Additional Series, the date set forth in the related Indenture and Servicing Agreement.

"*Series 2002-1 Loan*" shall mean each Loan listed from time to time on the Series 2002-1 Loan Schedule whether such Loan is at such time a Series 2002-1 Pledged Loan or is pledged to secure an Additional Series.

Section 2. Sale.

Subsection 2 (c) of the PA Supplement is hereby amended by adding the following sentence at the end of such subsection. The additional sentence shall and does hereby read as follows:

The Seller and the Company agree that the Series 2002-1 Loan Schedule shall include all Loans sold under the Agreement and this PA Supplement whether such Loans are Series 2002-1 Pledged Loans or are pledged to secure an Additional Series.

Section 3. Security Interest.

Subsection 2(g) of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(g) *Security Interest in Transferred Assets.* The Seller acknowledges that the Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the Series 2002-1 Supplement for the benefit of the Trustee and the Series 2002-1 Noteholders (or to the Collateral Agent on behalf of the Trustee and the Series 2002-1 Noteholders). With respect to Series 2002-1 Loans and related Transferred Assets which have been released from the Lien of the Series 2002-1 Supplement, conveyed to the Company and transferred by the Company to an Additional Issuer, the Seller acknowledges that such Series 2002-1 Loans and related Transferred Assets are subject to the Lien of the applicable Indenture and Servicing Agreement for the benefit of the applicable Trustee and Noteholders.

Section 4. Transfer of Loans.

Subsection 2(h) of the PA Supplement is hereby amended and restated to read in its entirety as follows:

(h) *Transfer of Loans.* All Series 2002-1 Loans conveyed to the Company hereunder shall be held by the Custodian pursuant to the terms of the Custodial Agreement for the benefit of the Company, the respective Issuers, the respective Trustees and the Collateral Agent. Upon each Purchase hereunder, the Custodian shall execute and deliver to the Company a certificate acknowledging receipt of the applicable Series 2002-1 Loans pursuant to the Custodial Agreement; provided that, with respect to a Series 2002-1 Loan purchased on a Purchase Date, receipt shall be timely delivered if it is delivered to the Company no later than 30 days after the Purchase Date for that Loan.

The Seller acknowledges that the Company will convey the Series 2002-1 Loans and the other related Transferred Assets to the Initial Issuer or an Additional Issuer and that the Initial Issuer or Additional Issuer will grant a security interest in the Series 2002-1 Loans and other related Transferred Assets to the Collateral Agent pursuant to the applicable Indenture and Servicing Agreement. The Seller agrees that, upon such grant, the Initial Issuer or the Additional Issuer and

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the Collateral Agent may enforce all of the Seller's obligations hereunder and under the Agreement directly, including without limitation the repurchase obligations of the Seller set forth in Section 7.

Section 5. Repurchases or Substitution of Series 2002-1 Loans.

Section 7 of the PA Supplement is hereby amended by the addition of the following introductory clause which shall appear in the PA Supplement immediately after the caption for Section 7 and before clause (a):

The parties understand and agree that references in this Section 7 to the Issuer, Trustee or Master Servicer, shall in each case refer to the Issuer, Trustee or Master Servicer for the Series to which the Loan to be repurchased is then pledged.

Section 6. Miscellaneous Provisions.

(a) *Ratification of PA Supplement.* As amended and supplemented by this Amendment, the PA Supplement is in all respects ratified and confirmed and the PA Supplement as so amended and supplemented shall be read, taken and construed as one and the same instrument.

(b) *Counterparts.* This Amendment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(c) *GOVERNING LAW.* THIS PA SUPPLEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

TRENDWEST RESORTS, INC.

By: /s/ DUNCAN H. COCROFT

Name: Duncan H. Cocroft
Title: Executive Vice President and Treasurer

SIERRA DEPOSIT COMPANY, LLC

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.19

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EXHIBIT 10.20

EXECUTION COPY

MASTER LOAN PURCHASE AGREEMENT TERMINATION AGREEMENT

This MASTER LOAN PURCHASE AGREEMENT TERMINATION AGREEMENT (this "*Termination Agreement*"), dated as of July 17, 2003, is made by and between EFI DEVELOPMENT FUNDING, INC., a Delaware corporation ("*EFI*"), and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company ("*Sierra*").

RECITALS

WHEREAS, EFI and Sierra entered into the Master Loan Purchase Agreement (the "*Purchase Agreement*"), dated as of August 29, 2002, and the related Master Loan Purchase Agreement Supplement (the "*PA Supplement*"), dated as of August 29, 2002, to effect the sale of such Loans by EFI to Sierra;

WHEREAS, as of the date hereof, EFI has not sold any Loans to Sierra under the Purchase Agreement or the PA Supplement;

WHEREAS, as of the date hereof, EFI and Sierra intend that no Loans will be sold to Sierra by EFI and desire to terminate the Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the parties agree as follows:

ARTICLE I

TERMINATION

Section 1.01. *Termination.* On and as of the date hereof, the parties to the Purchase Agreement hereby agree to terminate and hereby do terminate the Purchase Agreement as of the date hereof and release each other from any and all obligations thereunder.

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.01. *Definitions.* All terms used herein and not otherwise defined herein shall have meanings ascribed to them in the Purchase Agreement.

Section 2.02. *Counterparts.* This Termination Agreement may be executed in any number of counterparts, all such counterparts together constituting but one and the same instrument.

Section 2.03. *Governing Law.* THIS TERMINATION AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Termination Agreement as of the 17th of July, 2003.

EFI DEVELOPMENT FUNDING, INC.

By: /s/ LISA M. HENSON

Name: Lisa M. Henson
Title: Vice President

SIERRA DEPOSIT COMPANY, LLC,

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.20

MASTER LOAN PURCHASE AGREEMENT TERMINATION AGREEMENT
RECITALS
ARTICLE I TERMINATION
ARTICLE II MISCELLANEOUS PROVISIONS

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EXHIBIT 10.21

EXECUTION COPY

MASTER LOAN PURCHASE AGREEMENT SUPPLEMENT
TERMINATION AGREEMENT

This MASTER LOAN PURCHASE AGREEMENT SUPPLEMENT TERMINATION AGREEMENT (this "*Termination Agreement*"), dated as of July 17, 2003, is made by and between EFI DEVELOPMENT FUNDING, INC., a Delaware corporation ("*EFI*"), and SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company ("*Sierra*").

RECITALS

WHEREAS, EFI and Sierra entered into the Master Loan Purchase Agreement (the "*Purchase Agreement*"), dated as of August 29, 2002, and the Series 2002-1 Supplement to the Master Loan Purchase Agreement (the "*PA Supplement*"), dated as of August 29, 2002, to effect the sale of such Loans by EFI to Sierra;

WHEREAS, as of the date hereof, EFI has not sold any Loans to Sierra under the Purchase Agreement or the PA Supplement;

WHEREAS, as of the date hereof, EFI and Sierra intend that no Loans will be sold to Sierra by EFI and desire to terminate the PA Supplement;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the parties agree as follows:

ARTICLE I

TERMINATION

Section 1.01. *Termination.* On and as of the date hereof, the parties to the PA Supplement hereby agree to terminate and hereby do terminate the PA Supplement as of the date hereof and release each other from any and all obligations thereunder.

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.01. *Definitions.* All terms used herein and not otherwise defined herein shall have meanings ascribed to them in the Purchase Agreement or the PA Supplement, as applicable.

Section 2.02. *Counterparts.* This Termination Agreement may be executed in any number of counterparts, all such counterparts together constituting but one and the same instrument.

Section 2.03. *Governing Law.* THIS TERMINATION AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Termination Agreement as of the 17th of July, 2003.

EFI DEVELOPMENT FUNDING, INC.

By: /s/ LISA M. HENSON

Name: Lisa M. Henson
Title: Vice President

SIERRA DEPOSIT COMPANY, LLC,

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.21

MASTER LOAN PURCHASE AGREEMENT SUPPLEMENT TERMINATION AGREEMENT
RECITALS
ARTICLE I TERMINATION
ARTICLE II MISCELLANEOUS PROVISIONS

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EXHIBIT 10.22

EXECUTION COPY

FIRST AMENDMENT
TO
MASTER POOL PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO MASTER POOL PURCHASE AGREEMENT (the "*Agreement*") dated as of July 17, 2003 is by and between SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as depositor (the "*Depositor*") and SIERRA RECEIVABLES FUNDING COMPANY, LLC, a Delaware limited liability company, as issuer (the "*Issuer*"). This Amendment amends the Master Pool Purchase Agreement dated as of August 29, 2002 (the "*Agreement*") by and between the Depositor and the Issuer.

WHEREAS, under the terms of the Agreement and the Series 2002-1 Supplement thereto the Depositor has sold and expects to continue to sell Pool Loans and related Pool Assets to the Issuer;

WHEREAS, the Issuer has informed the Depositor that the Issuer may, under the terms of the Series 2002-1 Indenture Supplement, from time to time be required to sell Pool Loans and Pool Assets to the Depositor and the Depositor may purchase such Pool Loans and Pool Assets and transfer such Pool Loans and Pool Assets to an Additional Issuer; and

WHEREAS, if Pool Loans transferred to an Additional Issuer become Trendwest Timeshare Upgrades and are purchased by the Depositor from the Additional Issuer, such Trendwest Timeshare Upgrades and the related assets shall retain their character as Pool Loans and related Pool Assets and may be sold by the Depositor to the Issuer under the Agreement and the Series 2002-1 Supplement; and

WHEREAS, because of changes which have occurred since the original date of the Agreement, the Depositor and the Issuer wish to amend the Agreement as set forth in this Amendment;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Amendments Relating to Definitions.

(a) the following definitions are hereby added to the Agreement, each to read in its entirety as follows:

"*Additional Issuer*" shall mean an entity which is a subsidiary of the Depositor, other than the Issuer, which purchases Loans from the Depositor with the proceeds of a Series of Notes issued by such entity and pledges such Loans to secure such Series of Notes.

"*Series 2002-1 Supplement*" shall mean the PPA Supplement dated as of August 29, 2002, as such supplement is amended and supplemented from time to time.

"*Term Purchase Agreement*" shall mean a purchase agreement between the Depositor and an Additional Issuer pursuant to which the Depositor sells Loans to the Additional Issuer and the Additional Issuer purchases such Loans for the purpose of pledging the Loans to secure a Series of Notes.

"*Trendwest Timeshare Upgrade*" shall mean a Loan which was sold to the Depositor by Trendwest and with respect to which the Obligor purchases a Timeshare Upgrade.

"*2003 Amendment Date*" shall mean July 17, 2003.

(b) Each of the following terms contained in Section 2 of the Agreement is hereby amended and restated to read in its entirety as follows:

"*Additional Pool Loan*" shall mean a Loan (including Trendwest Timeshare Upgrades purchased by the Depositor from an Additional Issuer) constituting one of the Pool Loans purchased from the Depositor on an Addition Date and listed on Schedule 1 to the related Assignment.

"*Purchase Agreement*" shall mean each of the Master Loan Purchase Agreement dated as of August 29, 2002 by and between FAC as seller, FRI as co-originator, Fairfield Myrtle Beach, Inc. as co-originator, Kona Hawaiian Vacation Ownership, LLC, as an originator, Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group, Ocean Ranch Vacation Group and the Depositor as purchaser; or the Master Loan Purchase Agreement dated as of August 29, 2002 by and between Trendwest as Seller and the Depositor as purchaser, in each case as such agreements may be amended, modified or supplemented from time to time in accordance with the terms thereof, and any other purchase agreement relating to the purchase of Loans from a Seller by the Depositor.

"*Seller*" shall have the meaning set forth in the recitals to this Agreement, except that from and after the 2003 Amendment Date, EFI shall not be a Seller.

Section 2. Amendment to the Negative Covenants of the Depositor.

Clause (e), clause (g), and clause (h) of Section 8 of the Agreement are each hereby amended and restated, each to read in its entirety, respectively, as follows:

(e) *Amendments, Etc.* Permit the validity or effectiveness of any Facility Document to which it is a party or the rights and obligations created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any amendment to any Facility Document to which it is a party without the consent of the Issuer and the Deal Agent, or permit any Person whose obligations form part of the Pool Assets to be released from such obligations, except in accordance with the terms of such Facility Document.

(g) *Limitation on Business.* Engage in any business other than financing, purchasing, owning and selling and managing the Pool Assets in the manner contemplated by the Facility Documents and any Term Purchase Agreement and all activities incidental thereto, or enter into or be a party to any agreement or instrument other than any Facility Document, any Term Purchase Agreement or documents and agreements incidental thereto.

(h) *Capital Contributions.* Except as contemplated by the Facility Documents or a Term Purchase Agreement, or in connection with the creation of an Additional Issuer, make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person without the consent of the holders of a majority of the outstanding principal amount of the Notes.

Section 3. Miscellaneous.

(a) *Counterparts.* This Amendment may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

(b) *GOVERNING LAW.* THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING § 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(c) *Agreement in Full Force and Effect as Amended.* Except as specifically stated herein, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement, as amended and supplemented by this Amendment. This Amendment shall not constitute a novation of the Agreement, but shall constitute an amendment thereto. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this Amendment, as though the terms and obligations of the Agreement were set forth herein.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA DEPOSIT COMPANY, LLC
as Depositor

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

SIERRA RECEIVABLES FUNDING COMPANY, LLC
as Issuer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.22

FIRST AMENDMENT TO MASTER POOL PURCHASE AGREEMENT

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EXHIBIT 10.23

EXECUTION COPY

FIRST AMENDMENT
TO
POOL PURCHASE AGREEMENT SUPPLEMENT

THIS FIRST AMENDMENT TO POOL PURCHASE AGREEMENT SUPPLEMENT (this "*Amendment*"), dated as of July 17, 2003, is by and between SIERRA DEPOSIT COMPANY, LLC, a Delaware limited liability company, as depositor (the "*Depositor*") and SIERRA RECEIVABLES FUNDING COMPANY, LLC, a Delaware limited liability company, as Issuer (the "*Issuer*"). This Amendment amends the Pool Purchase Agreement Supplement dated as of August 29, 2002 (the "*Series 2002-1 Supplement*") by and between the Depositor and the Issuer.

The Depositor and the Issuer have executed the Series 2002-1 Supplement and capitalized terms used in this Amendment and not otherwise defined shall have the meanings assigned to such terms in the Series 2002-1 Supplement.

The Depositor and the Issuer wish to amend the Series 2002-1 Supplement as provided in this Amendment.

Section 1. Definitions.

The definition of Subordinated Note contained in Section 1 of the Series 2002-1 Supplement is hereby amended and restated to remove the reference to the EFI Subordinated Note. Such definition, as amended and restated, shall read in its entirety as follows:

"*Subordinated Note*" shall mean the FAC Subordinated Note, the Trendwest Subordinated Note and any other subordinated note delivered by a Seller to the Issuer pursuant to a Series 2002-1 PA Supplement.

Section 2. Purchase and Sale.

Subsection 2(b)(iv) of the Series 2002-1 Supplement is hereby amended and restated to remove references to EFI. Such subsection, as amended and restated, shall read in its entirety as follows:

(iv) On the initial Addition Date with respect to any Series 2002-1 Additional Pool Loans acquired by the Depositor from Trendwest, as a Seller under a Purchase Agreement, the Issuer shall Purchase the Series 2002-1 Additional Pool Loans and the related Pool Assets as provided in the Agreement only upon receipt by the Issuer of each of the following on such Addition Date in form and substance acceptable to the Issuer and counsel to the Deal Agent:

(A) Copies of search reports certified by parties acceptable to the Issuer dated a date reasonably prior to such Addition Date (x) listing all effective financing statements which name the applicable Seller and the Depositor (under their present name and any previous names) as debtor or seller and which are filed with respect to the applicable Seller and the Depositor in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of the Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets except as contemplated by the Facility Documents) and (y) listing all effective financing statements which name the Issuer (under its present name and any previous names) as debtor or seller and which are filed with respect to the Issuer in each relevant jurisdiction, together with copies of such financing statements (none of which shall cover any portion of Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets except as contemplated by the Facility Documents);

(B) Copies of proper UCC Financing Statement Amendments (Form UCC3), if any, necessary to terminate all security interests and other rights of any Person in the Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets previously granted by the applicable Seller, the Depositor or the Issuer (except as contemplated by the Facility Documents);

(C) Copies of (x) proper UCC Financing Statements (Form UCC1) naming the Depositor as debtor or seller of the Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets, the Trustee as total assignee and the Issuer as assignor secured party, (y) proper UCC Financing Statements (Form UCC1) naming the Issuer as debtor or seller of the Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets and the Trustee as secured party or purchaser and (z) such other similar instruments or documents with respect to the applicable Seller as may be necessary or in the opinion of the Purchaser desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Trustee's interest in the Series 2002-1 Additional Pool Loans that are being purchased from Trendwest and related Pool Assets; and

(D) An opinion or opinions of counsel to the Depositor, in the form required by the Issuer, with respect to the following: (x) certain security interest matters, and (y) "true sale" and substantive consolidation matters.

Section 3. Miscellaneous.

(a) *Counterparts.* This Amendment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

(b) *GOVERNING LAW.* THIS AMENDMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(c) *Series 2002-1 Supplement in Full Force and Effect as Amended.* Except as specifically stated herein, all of the terms and conditions of the Series 2002-1 Supplement shall remain in full force and effect. All references to the Series 2002-1 Supplement in any other document or instrument shall be deemed to mean the Series 2002-1 Supplement, as amended and supplemented by this Amendment. This Amendment shall not constitute a novation of the Series 2002-1 Supplement, but shall constitute an amendment thereto. The parties hereto agree to be bound by the terms and obligations of the Series 2002-1 Supplement, as amended by this Amendment, as though the terms and obligations of the Series 2002-1 Supplement were set forth herein.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

SIERRA DEPOSIT COMPANY, LLC
as Depositor

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

SIERRA RECEIVABLES FUNDING COMPANY, LLC
as Issuer

By: /s/ JOHN COLE

Name: John Cole
Title: President and Treasurer

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EXHIBIT 10.23

FIRST AMENDMENT TO POOL PURCHASE AGREEMENT SUPPLEMENT

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Exhibit 12

Cendant Corporation and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Six Months Ended June 30,	
	2003	2002
Earnings before fixed charges:		
Income before income taxes and minority interest	$ 1,051	$ 855
Plus: Fixed charges	472	398
Less: Equity loss in unconsolidated affiliates	—	(1)
Minority interest (pretax) in mandatorily redeemable preferred interest in a subsidiary	6	6
Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges	12	6
Earnings available to cover fixed charges	$ 1,505	$ 1,242
Fixed charges(*):		
Interest, including amortization of deferred financing costs	$ 399	$ 352
Minority interest (pretax) in mandatorily redeemable preferred interest in a subsidiary	6	6
Interest portion of rental payment	67	40
Total fixed charges	$ 472	$ 398
Ratio of earnings to fixed charges	$ 3.19x	$ 3.12x

(*) Consists of interest expense on all indebtedness (including amortization of deferred financing costs and capitalized interest) and the portion of operating lease rental expense that is representative of the interest factor. Interest expense on all indebtedness is detailed as follows:

	June 30,	
	2003	2002
Incurred by the Company's PHH subsidiary	$ 98	$ 93
Related to the debt under management and mortgage programs incurred by the Company's vehicle rental subsidiaries	127	103
All other	174	156

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Exhibit 12

Cendant Corporation and Subsidiaries COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (Dollars in millions)

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Exhibit 15

August 6, 2003

Cendant Corporation
9 West 57th Street
New York, New York

We have made reviews, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Cendant Corporation and subsidiaries for the three and six month periods ended June 30, 2003 and 2002, as indicated in our report dated August 6, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2003, is incorporated 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 and 333-102059 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP
New York, New York

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Exhibit 15

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Exhibit 31.1

CERTIFICATION

I, Henry R. Silverman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cendant Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

    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 data; 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: August 7, 2003

/s/ Henry R. Silverman

Chief Executive Officer

QuickLinks

Exhibit 31.1

CERTIFICATION

Exhibit 31.2

CERTIFICATION

I, Ronald L. Nelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cendant Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

    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 data; 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: August 7, 2003

/s/ Ronald L. Nelson

Chief Financial Officer

QuickLinks

Exhibit 31.2

CERTIFICATION

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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 Quarterly Report of Cendant Corporation (the "Company") on Form 10-Q for the three and six month periods ended June 30, 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. § 1350, as adopted pursuant to § 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
August 7, 2003

/s/ Ronald L. Nelson

Ronald L. Nelson
Chief Financial Officer
August 7, 2003

A signed original of this written statement required by Section 906 has been provided to Cendant Corporation and will be retained by Cendant Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

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