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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 March 31, 2003
Commission File No. 1-10308

Cendant Corporation
(Exact name of Registrant as specified in its charter)

Delaware	**06-0918165**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9 West 57th Street New York, NY (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 1,018,518,986 shares as of April 30, 2003.

Cendant Corporation and Subsidiaries

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FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "projects", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- terrorist attacks, such as the September 11, 2001 terrorist attacks on New York City and Washington, D.C., other attacks, acts of war or measures taken by governments in response thereto may negatively affect the travel industry 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 acquisitions of Trendwest Resorts, Inc. and 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 is anticipated to 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; and
- changes in laws and regulations, including changes in accounting standards, global distribution services rules, telemarketing and timeshare sales regulations, state and federal tax laws and privacy policy regulation.

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

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

PART I—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 March 31, 2003, and the related consolidated condensed statements of income and cash flows for the three-month periods ended March 31, 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
May 8, 2003

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

	Three Months Ended March 31,	
	2003	**2002**
Revenues		
Service fees and membership, net	$ 2,758	$ 1,709
Vehicle-related	1,267	889
Other	69	18
Net revenues	4,094	2,616
Expenses		
Operating	2,012	862
Vehicle depreciation, lease charges and interest, net	597	500
Marketing and reservation	408	322
General and administrative	333	270
Non-program related depreciation and amortization	129	105
Non-program related interest, net:		
Interest expense, net	79	65
Early extinguishment of debt	48	—
Litigation and related costs, net	8	11
Acquisition and integration related costs:		
Amortization of pendings and listings	3	—
Other	7	—
Total expenses	3,624	2,135
Income before income taxes and minority interest	470	481
Provision for income taxes	155	164
Minority interest, net of tax	6	2
Income from continuing operations	309	315
Income from discontinued operations, net of tax	—	27
Net income	$ 309	$ 342
Earnings per share		
Basic		
Income from continuing operations	$ 0.30	$ 0.32
Net income	0.30	0.35

Diluted		
Income from continuing operations	$ 0.30	$ 0.31
Net income	0.30	0.34

See Notes to Consolidated Condensed Financial Statements.

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

	March 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 580	$ 126
Restricted cash	324	307
Receivables, net	1,558	1,457
Deferred income taxes	342	334
Other current assets	906	1,134
Total current assets	3,710	3,358
Property and equipment, net	1,751	1,780
Deferred income taxes	1,067	1,115
Goodwill	10,768	10,699
Other intangibles, net	2,445	2,464
Other non-current assets	1,106	1,359
Total assets exclusive of assets under programs	20,847	20,775
Assets under management and mortgage programs:		
Restricted cash	371	354
Mortgage loans held for sale	1,711	1,923
Relocation receivables	250	239
Vehicle-related, net	10,282	10,052
Timeshare-related, net	954	675
Mortgage servicing rights, net	1,422	1,380
Derivatives related to mortgage servicing rights	224	385
Mortgage-backed securities	106	114
	15,320	15,122
Total assets	$ 36,167	$ 35,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	$ 4,077	$ 4,287
Current portion of long-term debt	52	30
Deferred income	647	680
Total current liabilities	4,776	4,997
Long-term debt, excluding Upper DECS	5,840	5,571
Upper DECS	863	863
Deferred income	314	320
Other non-current liabilities	704	692
Total liabilities exclusive of liabilities under programs	12,497	12,443
Liabilities under management and mortgage programs:		
Debt	12,748	12,747
Deferred income taxes	1,018	1,017
	13,766	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 1,240,695,927 and 1,238,952,970 shares	12	12
Additional paid-in capital	10,096	10,090
Retained earnings	3,567	3,258
Accumulated other comprehensive income (loss)	4	(14)
CD treasury stock, at cost—218,153,249 and 207,188,268 shares	(4,150)	(4,031)
Total stockholders' equity	9,529	9,315
Total liabilities and stockholders' equity	$ 36,167	$ 35,897

See Notes to Consolidated Condensed Financial Statements.

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

(Unless otherwise noted, all amounts are in millions, except per share amounts)

	Three Months Ended March 31,	
	2003	2002
Operating Activities		
Net income	$ 309	$ 342
Adjustments to arrive at income from continuing operations	—	(27)
Income from continuing operations	309	315
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Non-program related depreciation and amortization	129	105
Amortization of pendings and listings	3	—
Deferred income taxes	140	(1)
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Receivables	(12)	(104)
Income taxes	(9)	100
Accounts payable and other current liabilities	(331)	(253)
Payment of stockholder litigation settlement liability	—	(1,660)
Deferred income	(39)	(80)
Other, net	126	133
Net cash provided by (used in) operating activities exclusive of management and mortgage programs	316	(1,445)
Management and mortgage programs:		
Vehicle depreciation	428	428
Amortization and impairment of mortgage servicing rights	197	124
Unrealized (gain) loss on mortgage servicing rights and related derivatives	(63)	6
Origination of mortgage loans	(13,398)	(9,017)
Proceeds on sale of and payments from mortgage loans held for sale	13,610	9,332
	774	873
Net cash provided by (used in) operating activities	**1,090**	**(572)**
Investing Activities		
Property and equipment additions	(97)	(53)
Proceeds from stockholder litigation settlement trust	—	1,410
Net assets acquired, net of cash acquired, and acquisition-related payments	(81)	(239)
Other, net	135	(4)
Net cash provided by (used in) investing activities exclusive of management and mortgage programs	(43)	1,114
Management and mortgage programs:		
Investment in vehicles	(5,849)	(3,499)
Payments received on investment in vehicles	5,196	3,149
Origination of timeshare receivables	(313)	(172)
Principal collection of timeshare receivables	332	155
Equity advances on homes under management	(1,079)	(1,295)
Repayment on advances on homes under management	1,067	1,354
Additions to mortgage servicing rights	(227)	(219)
Cash received (paid) on derivatives related to mortgage servicing rights	212	(73)
Proceeds from sales of mortgage servicing rights	—	11
Other, net	8	4
	(653)	(585)
Net cash provided by (used in) investing activities	**(696)**	**529**
Financing Activities		
Proceeds from borrowings	2,650	—
Principal payments on borrowings	(2,401)	(491)
Issuances of common stock	32	63
Repurchases of common stock	(152)	(57)
Other, net	(64)	(5)
Net cash provided by (used in) financing activities exclusive of management and mortgage programs	65	(490)
Management and mortgage programs:		
Proceeds from borrowings	7,086	2,518
Principal payments on borrowings	(6,584)	(3,052)
Net change in short-term borrowings	(471)	195
Other, net	(13)	(3)
	18	(342)
Net cash provided by (used in) financing activities	**83**	**(832)**

Effect of changes in exchange rates on cash and cash equivalents	(23)	(6)
Cash used in discontinued operations	—	(19)
Net increase (decrease) in cash and cash equivalents	454	(900)
Cash and cash equivalents, beginning of period	126	1,942
Cash and cash equivalents, end of period	**$ 580**	**$ 1,042**

See Notes to Consolidated Condensed Financial Statements.

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 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. On January 1, 2003, the Company 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," 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. During first quarter 2003, the Company did not recognize any compensation expense for employee stock awards as there were no such options granted during the quarter.

Prior to the adoption of SFAS No. 123 and SFAS No. 148, the Company measured its stock-based compensation using the intrinsic value approach under Accounting Principles Board ("APB") Opinion No. 25, as permitted by SFAS No. 123. Accordingly, the Company did not recognize compensation expense upon the issuance of its stock options because the option terms were fixed and the exercise price equaled the market price of the underlying CD common stock on the grant date. 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.

The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied by the Company to all employee stock awards granted prior to January 1, 2003:

	Three Months Ended March 31,	
	2003	2002
Reported net income	$ 309	$ 342
Add back: Stock-based employee compensation expense included in reported net income, net of tax	—	—
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	10	38
Pro forma net income	$ 299	$ 304
Net income per share:		
Reported		
Basic	$ 0.30	$ 0.35
Diluted	0.30	0.34
Pro Forma		
Basic	$ 0.29	$ 0.31
Diluted	0.29	0.30

Pro forma compensation expense reflected for prior period grants is not indicative of future compensation expense that would be recorded by the Company. Future expense may vary based upon factors such as the number of awards granted by the Company and the then-current fair market value of such awards.

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 a 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.

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 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.

For variable interest entities created, or interests in variable interest entities obtained, subsequent to January 31, 2003, the Company is required to apply the consolidation provisions of this Interpretation immediately. The Company has not created a variable interest entity nor obtained an interest in a variable interest entity for which the Company would be required to apply the consolidation provisions of this Interpretation immediately. For variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003, the consolidation provisions of this Interpretation are first required to be applied in the Company's financial statements as of July 1, 2003. For these variable interest entities, the Company expects to apply the prospective transition method whereby the consolidation provisions of this Interpretation are applied prospectively with a cumulative-effect adjustment, if necessary, as of July 1, 2003.

The Company is currently evaluating the impact of adopting this Interpretation. Thus far, the Company has concluded that the adoption of this Interpretation will result in the consolidation of its mortgage securitization facility, Bishop's Gate Residential Mortgage Trust ("Bishop's Gate"), as of July 1, 2003. The consolidation of Bishop's Gate is not expected to affect the Company's results of operations. However, had the Company consolidated Bishop's Gate as of March 31, 2003, its total assets and liabilities under management and mortgage programs would have each increased by approximately $2.0 billion. See Note 9—Off-Balance Sheet Financing Arrangements for more information regarding the Bishop's Gate mortgage securitization facility.

Additionally, the Company believes that upon adoption of this Interpretation, it will be required to consolidate Trilegiant Corporation as of July 1, 2003. This assessment is based upon facts and circumstances in existence as of the date of this filing. The Company believes that the consolidation of Trilegiant would cause its total assets and total liabilities to increase by approximately $100 million and $390 million (approximately $230 million of which represents deferred income), respectively, on July 1, 2003. The consolidation of Trilegiant is expected to result in a non-cash charge of approximately $290 million, which would be recorded on July 1, 2003 as a

cumulative effect of accounting change but would not impact income from continuing operations. As the provisions of this Interpretation will be applied prospectively by the Company, the consolidation of Trilegiant would not result in any changes to the Company's consolidated financial statements for any prior periods (including first and second quarters of 2003). Although the Company would 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 limited to the assets recorded on the Company's Consolidated Balance Sheet as such amounts may not be recoverable if Trilegiant ceases operations. As of March 31, 2003, the Company had $104 million of assets recorded on its Consolidated Condensed Balance Sheet in connection with advances and loans made to Trilegiant, as well as net receivables due from Trilegiant. See Note 12—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 statement are generally effective for contracts entered into or modified after June 30, 2003. The Company is in the process of assessing the impact of adopting this standard on its consolidated results of operations and financial position.

2. Earnings Per Share

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

	Three Months Ended March 31,	
	2003	**2002**
Income from continuing operations:		
Income from continuing operations for basic EPS	$ 309	$ 315
Convertible debt interest, net of tax	—	1
Income from continuing operations for diluted EPS	$ 309	$ 316
Net income:		
Net income for basic EPS	$ 309	$ 342
Convertible debt interest, net of tax	—	1
Net income for diluted EPS	$ 309	$ 343

Weighted average shares outstanding:		
Basic	1,028	979
Stock options, warrants and non-vested shares	12	33
Convertible debt	—	6
Diluted	1,040	1,018
Earnings per share:		
Basic		
Income from continuing operations	$ 0.30	$ 0.32
Income from discontinued operations	—	0.03
Net income	$ 0.30	$ 0.35
Diluted		
Income from continuing operations	$ 0.30	$ 0.31
Income from discontinued operations	—	0.03
Net income	$ 0.30	$ 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.

	Three Months Ended March 31,	
	2003	2002
Options[(a)]	153	98
Warrants[(b)]	2	2
Upper DECS[(c)]	40	40

(a) The weighted average exercise prices for antidilutive options at March 31, 2003 and 2002 were $19.88 and $22.83, respectively.
(b) The weighted average exercise price for antidilutive warrants at March 31, 2003 and 2002 was $21.31.
(c) The appreciation price for antidilutive Upper DECS at March 31, 2003 and 2002 was $28.42.

The Company's contingently convertible debt securities, which provided for the potential issuance of approximately 71 million and 138 million shares of CD common stock as of March 31, 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 the 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 $18 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 12—Related Party Transactions for more information regarding the Company's relationship with FFD.

On March 31, 2003, the Company acquired a majority interest in Trip Network, Inc. ("Trip Network") through the conversion of its preferred stock investment. The Company recorded $34 million of goodwill in connection with this transaction, which was allocated to the Travel Distribution segment. Trip Network is an online travel agent that operates through a licensing agreement with the Company. See Note 12—Related Party Transactions for more information regarding the Company's relationship with Trip Network.

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 Incorporated ("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 for the first quarter of 2002 as if the acquisitions of NRT and Trendwest had occurred on January 1, 2002:

	Amount
Net revenues	$ 3,406
Income from continuing operations	183
Net income	210
Earnings per share:	
Basic	
Income from continuing operations	$ 0.18
Net income	0.20
Diluted	
Income from continuing operations	$ 0.17
Net income	0.20

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. Although the Company acquired other businesses during 2002 (including certain assets of Budget Group, Inc. ("Budget") 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 Acquisition 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 entity. The Company anticipates that the majority of personnel related costs will be paid during 2003.

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 March 31, 2003
Personnel related	$ 35	$ —	$ 35	$ (11)	$ 2	$ 26
Contract termination	6	—	6	—	—	6
Facility related	7	—	7	—	—	7
Total	$ 48	$ —	$ 48	$ (11)	$ 2	$ 39

The major area of cost reduction is expected to result from the relocation of the Budget corporate headquarters and selected Budget employees and the involuntarily termination of Budget employees in connection with such relocation. To complete these initiatives, the Company will (i) involuntarily terminate Budget employees, (ii) abandon assets in connection with the relocation of Budget corporate headquarters and other offices and (iii) terminate contractual service agreements. As a result, the Company incurred severance and other personnel costs related to the involuntary termination or relocation of employees, contract termination costs primarily related to the cancellation of an information technology contract and facility related costs primarily representing future lease payments for abandoned facilities due to relocation. The Company formally communicated the termination of employment to approximately 952 employees, representing a wide range of employee groups. The Company expects to complete this plan in fourth quarter 2003.

Galileo International, Inc. (acquired October 2001)

	Costs	Cash Payments	Other Additions (Reductions/ Utilization)	Balance at December 31, 2002	Cash Payments	Balance at March 31, 2003
Personnel related	$ 44	$ (62)	$ 33	$ 15	$ (5)	$ 10
Asset fair value adjustments and contract terminations	93	(25)	(56)	12	(3)	9
Facility related	16	(2)	8	22	(3)	19
Total	$ 153	$ (89)	$ (15)	$ 49	$ (11)	$ 38

The major areas of cost reductions 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 completed 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.

Acquisition and Integration Related Costs

During first quarter 2003, the Company incurred $10 million of costs primarily related to the acquisition and integration of real estate brokerages by NRT, as well as costs related to Budget. Such costs consisted of (i) $3 million of non-cash amortization related to the contractual pendings and listings intangible assets acquired and (ii) $7 million of other costs primarily related to the integration of Budget's reservation system with the Avis reservation system.

4. Discontinued Operations

On May 22, 2002, the Company sold its car parking facility business, National Car Parks ("NCP"), a then wholly-owned subsidiary within its Vehicle Services segment, for $1.2 billion in cash and recognized an after-tax loss of approximately $256 million, which was recorded in second quarter 2002. NCP operated off-street commercial parking facilities and managed on-street parking and related operations on behalf of town and city administration in England. Pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the activities of NCP were segregated and reported as a discontinued operation for first quarter 2002. During first quarter 2002, NCP generated net revenues and income from discontinued operations of $97 million and $32 million ($27 million, after tax), respectively.

5. Intangible Assets

Intangible assets consisted of:

	March 31, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets				
Franchise agreements	$ 1,153	$ 310	$ 1,151	$ 301
Customer lists	546	126	544	116
Pendings and listings	33	25	267	256
Other	100	36	99	34
	$ 1,832	$ 497	$ 2,061	$ 707
Unamortized Intangible Assets				
Goodwill	$ 10,768		$ 10,699	
Trademarks	$ 1,076		$ 1,076	
Other	34		34	
	$ 1,110		$ 1,110	

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

	Balance as of January 1, 2003	Goodwill Acquired during 2003	Adjustments to Goodwill Acquired during 2002	Foreign Exchange and Other	Balance as of March 31, 2003
Real Estate Services	$ 2,658	$ —	$ (4)[c]	$ 1	$ 2,655
Hospitality	2,386	18[a]	14[d]	8	2,426
Travel Distribution	2,463	34[b]	8[e]	1	2,506
Vehicle Services	2,576	—	(12)[f]	1	2,565
Financial Services	616	—	—	—	616
Total Company	$ 10,699	$ 52	$ 6	$ 11	$ 10,768

(a) Relates to the acquisition of FFD.
(b) Relates to the acquisition of Trip Network.
(c) Relates to the acquisition of NRT and other real estate brokerages (April 17, 2002 and forward).
(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 March 31,	
	2003	2002
Franchise agreements	$ 9	$ 15
Customer lists	10	9
Pendings and listings	3	—
Other	3	6
Total	$ 25	$ 30

Based on the Company's amortizable intangible assets as of March 31, 2003, the Company expects related amortization expense for the remainder of 2003 and the five succeeding fiscal years to approximate $60 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:

	Three Months Ended March 31,	
	2003	2002
Balance, January 1,	$ 114,079	$ 97,205
Additions	13,374	9,912
Payoffs/curtailments	(12,107)	(7,265)
Purchases, net	2,533	982
Balance, March 31,[*]	$ 117,879	$ 100,834

(*) Does not include approximately $1.8 billion and $1.6 billion of second-home equity mortgages serviced by the Company as of March 31, 2003 and 2002, respectively.

Substantially all of the mortgage loans serviced by the Company were sold without recourse. However, approximately $2.0 billion (approximately 1.7%) of the Company's total servicing portfolio at March 31, 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 March 31, 2003, the provision approximated $3 million and was recorded as a component of accounts payable and other current liabilities on the Consolidated Condensed Balance Sheet. There was no significant activity that would cause the Company to utilize this provision in the first quarter of 2003. 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 serviced by the Company as of March 31, 2003 and 2002 was 5.93% and 6.70%, respectively.

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

	Three Months Ended March 31,	
	2003	2002
Balance, January 1,	$ 1,883	$ 2,081
Additions, net	231	221
Changes in fair value	12	77
Amortization	(136)	(93)
Sales	(5)	(13)
Permanent impairment	(96)	—
Balance, March 31,	1,889	2,273
Valuation Allowance		
Balance, January 1,	(503)	(144)
Additions	(61)	(31)
Reductions	1	—
Permanent impairment	96	—
Balance, March 31,	(467)	(175)
Mortgage Servicing Rights, net	**$ 1,422**	**$ 2,098**

As of March 31, 2003, the Company expects MSR amortization expense for the remainder of 2003 and the five succeeding fiscal years to approximate $250 million, $290 million, $230 million, $200 million, $180 million and $160 million, respectively. As of March 31, 2003, the MSR portfolio had a weighted average life of approximately 4.6 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:

	Three Months Ended March 31,	
	2003	2002
Balance, January 1,	$ 385	$ 100
Additions, net	67	147
Changes in fair value	51	(83)
Sales/proceeds received or paid	(279)	(74)
Balance, March 31,	$ 224	$ 90

The net impact of the changes in fair value of the Company's MSR asset after giving effect to the changes in fair value of the related derivatives was a gain of $63 million during first quarter 2003 and a loss of $6 million during first quarter 2002. During first quarter 2003 and 2002, the Company recorded $61 million and $31 million, respectively, of impairment through the MSR valuation allowance. Such amounts are included within net revenues in the Consolidated Condensed Statements of Income.

7. Long-term Debt and Borrowing Arrangements

Long-term debt consisted of:

	Maturity Date	March 31, 2003	December 31, 2002
Term notes:			
$7^{3}/_{4}$% notes[(a)]	December 2003	$ 229	$ 966
$6^{7}/_{8}$% notes	August 2006	849	849

11% senior subordinated notes[b]	May 2009	435	530
6 1/4% notes[c]	January 2008	796	—
6 1/4% notes[d]	March 2010	348	—
7 3/8% notes[c]	January 2013	1,189	—
7 1/8% notes[d]	March 2015	250	—
Contingently convertible debt securities:			
Zero coupon convertible debentures[e]	May 2003[*]	401	857
Zero coupon senior convertible contingent notes	February 2004[*]	422	420
3 7/8% convertible senior debentures[f]	November 2004[*]	804	1,200
Other:			
Revolver borrowings[g]	December 2005	—	600
Net hedging gains		81	89
Other		88	90
Total long-term debt, excluding Upper DECS		5,892	5,601
Less: current portion[h]		52	30
Long-term debt, excluding Upper DECS		5,840	5,571
Upper DECS		863	863
Long-term debt, including Upper DECS		$ 6,703	$ 6,434

(*) Indicates earliest mandatory redemption date.

(a) The change in the balance at March 31, 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) The change in the balance at March 31, 2003 reflects (i) the redemption of $81 million in face value of these notes, with a carrying value of $91 million, for $91 million in cash and (ii) $4 million related to the amortization of a premium. The loss recorded by the Company in connection with this redemption was not material.

(c) 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.

(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 March 31, 2003 reflects the redemption of $456 million of these debentures for approximately $457 million in cash. In connection with such redemption, the Company recorded a pretax charge of approximately $7 million.

(f) The change in the balance at March 31, 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 first quarter 2003.

(h) The balance as of March 31, 2003 reflects the reclassification of the outstanding balances for the Company's 7 3/4% notes, zero coupon convertible debentures and zero coupon senior convertible contingent notes to long-term debt based upon the Company's determination that it had the intent and ability to refinance these amounts with borrowings under its revolving credit facilities. The balance as of December 31, 2002 reflects the reclassification of the outstanding balances for the Company's 7 3/4% notes and zero coupon convertible debentures to long-term debt based upon the Company's determination that it had the intent and ability to refinance these amounts with borrowings under its revolving credit facilities and proceeds received from the issuance of $2.0 billion of notes in January 2003 (described in note (c) above).

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

	March 31, 2003	December 31, 2002
Zero coupon convertible debentures	15.7	33.5
Zero coupon senior convertible contingent notes	22.0	22.0
3 7/8% convertible senior debentures	33.4	49.9
	71.1	105.4

Available Funding Arrangements and Committed Credit Facilities

As of March 31, 2003, the Company maintained $2.9 billion of revolving credit facilities, under which there were no outstanding borrowings; 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 March 31, 2003, the Company had approximately $1.8 billion of availability under these facilities (including $132 million of additional capacity to issue letters of credit). Additionally, as of March 31, 2003, the Company 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), after giving effect to the reclassifications previously discussed, are as follows:

	March 31, 2003
Within 1 year	$ 52
1 to 2 years	818
2 to 3 years[a]	1,056
3 to 4 years	923
4 to 5 years	807
Thereafter	2,236
	$ 5,892

(a) 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 contract, whereby holders of the Upper DECS are required to purchase shares of CD common stock (based upon the price of CD common stock on March 31, 2003, approximately 40 million shares would be purchased).

At March 31, 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:

	March 31, 2003	December 31, 2002
Asset-Backed Debt:		
Vehicle rental program[a]	$ 6,429	$ 6,082
Vehicle management program[b]	3,043	3,058
Mortgage program[c]	463	871
Timeshare program[d]	273	145
Relocation program	81	80
	10,289	10,236
Unsecured Debt:		
Term notes[e]	1,907	1,421
Commercial paper[f]	354	866
Bank loans	40	107
Other	158	117
	2,459	2,511
Total debt under management and mortgage programs	$ 12,748	$ 12,747

(a) The change in the balance at March 31, 2003 principally reflects (i) the issuance of $965 million of term notes at various interest rates, (ii) the issuance of $175 million of variable funding notes and (iii) the repayment of $755 million of variable funding notes. At March 31, 2003, approximately $4.4 billion of asset-backed term notes were included in outstanding borrowings.
(b) At March 31, 2003, approximately $2.3 billion of asset-backed term notes were included in outstanding borrowings.
(c) The change in the balance at March 31, 2003 reflects the repayment of $408 million of outstanding borrowings.
(d) The change in the balance at March 31, 2003 primarily reflects the borrowing of $130 million under a timeshare financing agreement.
(e) The change in the balance at March 31, 2003 principally reflects the issuance of (i) $400 million of 6% term notes due March 2008, (ii) $600 million of $7^1/_8$% term notes due March 2013, (iii) $147 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.
(f) The change in the balance at March 31, 2003 reflects the repayment of $512 million primarily with the proceeds from the issuance of the term notes described in note (e) above.

Available Funding Arrangements and Committed Credit Facilities

As of March 31, 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	$ 7,340	$ 6,429	$ 911
Vehicle management program	3,336	3,043	293
Mortgage program	700	463	237
Timeshare program	300	273	27
Relocation program	100	81	19
	11,776	10,289	1,487
Committed Credit Facilities[b]			
Maturing in February 2004	750	—	750
Maturing in February 2005	750	—	750
	1,500	—	1,500
	$ 13,276	$ 10,289	$ 2,987

(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 March 31, 2003, the Company also had $916 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 March 31, 2003 (except for notes under the Company's vehicle management program, for which estimates of payments based on the expected cash inflows relating to the corresponding assets under management and mortgage programs have been provided, as required by the underlying indentures.):

	Unsecured[a]	Asset-Backed	Total
Within 1 year	$ 197	$ 2,239	$ 2,436
1 to 2 years	406	3,116	3,522
2 to 3 years	170	2,093	2,263
3 to 4 years	1	831	832
4 to 5 years	610	1,242	1,852
Thereafter	1,075	768	1,843
	$ 2,459	$ 10,289	$ 12,748

(a) Unsecured commercial paper borrowings of $354 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 detailed above.

At March 31, 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

In addition to the Company's on-balance sheet borrowings, the Company sells specific assets under management and mortgage programs. The Company sells timeshare receivables to Sierra Receivables Funding Company LLC ("Sierra"), a bankruptcy remote QSPE, in exchange for cash.

Prior to the establishment of Sierra, the Company sold timeshare receivables to multiple bankruptcy remote QSPEs under revolving sales agreements in exchange for cash. The Company's PHH subsidiary sells relocation receivables to Apple Ridge Funding LLC ("Apple Ridge"), a bankruptcy remote QSPEs, in exchange for cash. The Company's PHH subsidiary also 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 $856 million as of March 31, 2003) or (iii) through Bishop's Gate, an unaffiliated bankruptcy remote SPE. Presented below is detailed information for each of the SPEs the Company utilizes in off-balance sheet financing and sale arrangements as of March 31, 2003.

	Assets Serviced[a]	Maximum Funding Capacity	Debt Issued	Maximum Available Capacity[b]
Timeshare				
Sierra[c]	$ 736	$ 853	$ 645	$ 208
Others	507	450	450[d]	—
Relocation				
Apple Ridge	524	600	430[d]	170
Mortgage				
Bishop's Gate[e]	2,003	3,173[f]	1,861[d]	1,164

(a) Does not include cash of $30 million, $24 million, $19 million and $23 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 $342 million and available capacity of $208 million and (ii) a term note agreement under which $303 million was outstanding. At March 31, 2003, the Company was servicing receivables of $405 million under the conduit facility and $331 million under the term note agreement.
(d) Primarily represents term notes.
(e) As discussed in Note 1—Summary of Significant Accounting Policies, the Company expects to 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 $148 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 March 31,	
	2003	2002
Timeshare-related	$ 16	$ 2
Mortgage loans	203	123

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 first quarter 2003, the Company repurchased $152 million (12.7 million shares) of CD common stock under its common stock repurchase program. As of March 31, 2003, the Company had approximately $19 million in remaining availability for repurchases under this program. See Note 14—Subsequent Events for information regarding an increase to the Company's share repurchase program.

The components of comprehensive income are summarized as follows:

	Three Months Ended March 31,	
	2003	2002
Net income	$ 309	$ 342
Other comprehensive income (loss):		
Currency translation adjustments, net of tax	18	(30)
Unrealized gains on cash flow hedges, net of tax	2	17
Minimum pension liability adjustment, net of tax	—	(1)
Unrealized losses on marketable securities, net of tax	(2)	(5)
Total comprehensive income	$ 327	$ 323

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	18	2	—	(2)	18
Balance, March 31, 2003	$ 99	$ (39)	$ (58)	$ 2	$ 4

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

12. Related Party Transactions

As previously discussed in Note 3—Acquisitions, during first quarter 2003, the Company acquired all the common interests of FFD and also acquired a majority interest in Trip Network. Accordingly, the Company began consolidating these two entities during first quarter 2003, 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 March 31, 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 plans to 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. The consolidation of FFD resulted in an increase of approximately $80 million to both the Company's total assets and total liabilities as of March 31, 2003. During first quarter 2003 (prior to the acquisition) and 2002, the Company recognized non-cash dividend income on its preferred interest of $1 million and $3 million, respectively. Such amounts are recorded within other revenues on the Company's Consolidated Condensed Statements of Income.

Trip Network, Inc.

Trip Network is included in the Company's Consolidated Condensed Balance Sheet as of March 31, 2003 and will be included within the Company's consolidated results of operations and cash flows beginning on April 1, 2003. The consolidation of Trip Network resulted in an increase of approximately $20 million to both the Company's total assets and total liabilities as of March 31, 2003. During first quarter 2003 (prior to the acquisition) and 2002, the Company recorded $1 million and $4 million, respectively, of revenue on 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 the outsourcing arrangement, the Company retained substantially all of the assets and liabilities of the existing membership business outsourced under the arrangement 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 first quarter 2003 and 2002, the Company recognized revenue of $90 million and $157 million, respectively, in connection with fees previously collected from existing members (as the membership period expired) and Trilegiant charged the Company $36 million and $51 million, respectively, in connection with providing fulfillment services to these members (such charges were recorded by the Company as a component of operating expenses). During first quarter 2003 and 2002, the Company also recorded revenue of $17 million and $11 million, respectively, as a result of it's relationship with Trilegiant and marketing expenses of $4 million and $10 million,

respectively, related to the advance made to Trilegiant in 2001. The resultant impact of these activities to the Company's cash position was a net inflow of $22 million and $27 million to cash provided by operating activities during first quarter 2003 and 2002, respectively (including fees collected from Trilegiant in connection with membership renewals by the existing members and fees paid to Trilegiant in connection with servicing the existing members).

The Company's preferred stock investment is convertible, at any time at the Company's option, into approximately 33% of Trilegiant's common stock on a fully diluted basis (after giving effect to non-cash dividends of approximately $1 million received from Trilegiant during first quarter 2003).

NRT Incorporated
As discussed in Note 3—Acquisitions, on April 17, 2002, the Company purchased all the outstanding common stock of NRT. Accordingly, NRT has been included in the Company's consolidated results of operations and financial position since April 17, 2002. Reflected within the Company's Consolidated Condensed Statement of Income for first quarter 2002 (prior to the Company's acquisition of NRT) are $84 million of revenues (comprised of $53 million of royalty and marketing fees, $8 million of dividend income, $7 million of real estate referral fees and $16 million of termination fees) and $6 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. 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.

13. Segment Information

Management evaluates the operating results of each of its reportable segments based upon revenue and "EBITDA," which is defined as earnings from continuing operations before non-program related interest, minority interest, income taxes, non-program related depreciation and amortization and amortization of pendings and listings. On January 1, 2003, the Company changed its performance measure used in evaluating the operating results of its reportable segments and, as such, the information presented below for first quarter 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 is the revenue and EBITDA for each of the Company's reportable segments.

	Three Months Ended March 31,			
	2003		2002	
	Revenues	EBITDA	Revenues	EBITDA
Real Estate Services	$ 1,350	$ 225	$ 410	$ 182
Hospitality	580	144	403	112
Travel Distribution	416	128	444	146
Vehicle Services	1,324	50	933	70
Financial Services	389	165	419	164
Total Reportable Segments	4,059	712	2,609	674
Corporate and Other[(a)]	35	17	7	(23)
Total Company	$ 4,094	729	$ 2,616	651
Less: Non-program related depreciation and amortization		129		105
Less: Amortization of pendings and listings		3		—
Less: Non-program related interest expense, net		79		65
Less: Early extinguishment of debt		48		—
Income before income taxes and minority interest		$ 470		$ 481

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

14. Subsequent Events

On April 3, 2003, the Company's Board of Directors authorized a $500 million increase to its share repurchase program.

On April 1, 2003, the Company acquired all the remaining common interests of Trip Network for $4 million in cash. This acquisition was not significant to the Company's results of operations, financial position or cash flows.

On May 5, 2003, the Company retired $394 million of its zero coupon convertible debentures for $394 million in cash.

On May 6, 2003, the Company issued $750 million of term notes under its vehicle rental program with maturities ranging from three to five years and a blended interest rate of 3.1%.

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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 brokerage services under our real estate franchise brands, 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.

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 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, these 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 Statements of Income, as appropriate.

Strategic Initiatives

During first quarter 2003, we made continued progress toward our goal of simplifying our corporate structure and strategy as demonstrated by the curtailment of acquisitions and the consolidation of FFD Development Company LLC and Trip Network, Inc. We continue to provide comprehensive, informative disclosures and believe that our consolidation of Trilegiant Corporation and Bishop's Gate Residential Mortgage Trust in the third quarter of 2003 (discussed further under the section entitled "Recently Issued Accounting Pronouncements"), following which we will have consolidated all of our off-balance-sheet operating affiliates, will further enhance the transparency of our financial results and liquidity.

We are also working to strengthen our liquidity position and increase shareholder value. To this end, we have completed the first phase of our debt reduction program, which was to replace current

maturities of indebtedness with longer-term debt. In the second phase, we intend to reduce our outstanding corporate indebtedness throughout 2003. Our actions to this end include the retirement, in May 2003, of $394 million of our zero coupon convertible debentures that were put to us. In addition to reducing our near-term obligations, the retirement of our convertible debt instruments has, to date, eliminated 83 million shares of potential dilution to our future earnings per share. During first quarter 2003, we also bought back 12.7 million shares of our stock (at an average price of $11.93) further removing dilution to our earnings per share and on April 3, 2003, our Board of Directors authorized a $500 million increase to our share repurchase program. As of May 8, 2003, we had $424 million of availability under this program for future share repurchases. For more detailed information regarding our debt reduction program, see the section entitled "Liquidity and Capital Resources—Financial Obligations—Corporate Indebtedness."

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. We are now focused on growing our core businesses organically. We plan to execute this strategy by continuing to manage our capital with a focus on return on investment and by growing revenues through market penetration and cross-selling. The size and diversity of our portfolio of businesses have proven effective at managing risk and achieving growth in a challenging economic environment. Although we remain highly disciplined in our acquisition activity, we may augment organic growth through select acquisitions of, and joint ventures with, complementary businesses. With respect to acquisitions, we intend to fund the purchase price with cash generated by our core operations throughout 2003.

We also routinely review and evaluate our portfolio of existing businesses to determine if they continue to meet our growth objectives and, from time to time, engage in discussions concerning possible divestitures, joint ventures and related corporate transactions to redirect our portfolio of businesses to company-wide objectives.

In addition, we are paying close attention to corporate governance and remain committed to enhancing long-term shareholder value.

RESULTS OF OPERATIONS—FIRST QUARTER 2003 VS. FIRST QUARTER 2002

Our consolidated results from continuing operations comprised the following:

	Three Months Ended March 31,		
	2003	2002	Change
Net revenues	$ 4,094	$ 2,616	$ 1,478
Total expenses	3,624	2,135	1,489
Income before income taxes and minority interest	470	481	(11)
Provision for income taxes	155	164	(9)
Minority interest, net of tax	6	2	4
Income from continuing operations	$ 309	$ 315	$ (6)

Net revenues and total expenses increased approximately $1.5 billion (56%) and $1.5 billion (70%), respectively, principally due to the acquisitions of the following businesses, which contributed incremental revenues and expenses aggregating $1.3 billion and $1.4 billion, respectively.

Acquired Business	Date of Acquisition	Incremental Contribution to Net Revenues	Incremental Contribution to Total Expenses
NRT Incorporated	April 2002	$ 792	$ 824
Trendwest Resorts, Inc.	April 2002	129	112
Budget Group, Inc. (assets)	November 2002	389	416
Total Contributions		$ 1,310	$ 1,352

In addition to the contributions made by acquired businesses (each of which is generally seasonally weakest in the first calendar quarter of the year), net revenues were favorably impacted by growth in our mortgage business, which also contributed to the increase in total expenses in order to support the continued high level of mortgage loan production and related servicing activities. A detailed discussion of revenue trends is included in "Results of Reportable Operating Segments." Our overall effective tax rate was 33% and 34% for the first quarter 2003 and 2002, respectively. The effective tax rate for first quarter 2003 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 decreased $6 million (2%).

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 earnings from continuing operations before non-program related interest, minority interest, income taxes, non-program related depreciation and amortization and amortization of pendings and listings. On January 1, 2003, we changed our performance measure used in evaluating the operating results of our reportable segments and, as such, the information presented below for first 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	$ 1,350	$ 410	229%	$ 225	$ 182	24%
Hospitality	580	403	44	144	112	29
Travel Distribution	416	444	(6)	128	146	(12)
Vehicle Services	1,324	933	42	50	70	(29)
Financial Services	389	419	(7)	165	164	1
Total Reportable Segments	4,059	2,609	56	712	674	6
Corporate and Other[(a)]	35	7	*	17	(23)	*
Total Company	$ 4,094	$ 2,616	56	729	651	
Less: Non-program related depreciation and amortization				129	105	
Less: Amortization of pendings and listings				3	—	
Less: Non-program related interest expense, net				79	65	
Less: Early extinguishment of debt				48	—	
Income before income taxes and minority interest				$ 470	$ 481	(2)

* 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 Entertainment Publications, Inc.

Real Estate Services
Revenues and EBITDA increased $940 million (229%) and $43 million (24%), respectively, in first quarter 2003 compared with 2002.

Revenues and EBITDA were primarily impacted by the April 17, 2002 acquisition of NRT (the operating results of which have been included from the acquisition date forward and are therefore included in first quarter 2003 but not in first quarter 2002) and increased production and servicing fee income from our mortgage business. NRT contributed $792 million of revenues and EBITDA losses of $16 million in first quarter 2003. The EBITDA losses contributed by NRT are reflective of the seasonality of the real estate brokerage business, whereby the operating results are typically weakest in the first quarter of every year. Prior to our acquisition of NRT, during first quarter 2002, we received royalty and marketing fees of $53 million, real estate referral fees of $7 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 $8 million during first quarter 2002. In connection with the acquisition of NRT, we merged our pre-existing title and appraisal businesses with and into the larger scale title and appraisal business of NRT. Accordingly, beginning in first quarter 2003, we conformed the presentation of our pre-existing businesses to the presentation used by our NRT title and appraisal businesses. This conforming change resulted in an increase in revenues of $27 million with no impact to EBITDA in first quarter 2003.

On a comparable basis, including post-acquisition intercompany royalties paid by NRT, our real estate franchise brands generated incremental royalties of $12 million in first quarter 2003, an increase of 10% over 2002 due to a 3% increase in home sale transactions and a 7% 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 significant operating leverage within our franchise operations.

Revenues from mortgage-related activities grew $124 million (86%) in first quarter 2003 compared with 2002 due to a significant increase in mortgage loan production resulting from continued historically low interest rates and increased revenues from our servicing operations. Revenues from mortgage loan production increased $110 million (61%) due to a 58% increase in the volume of loans that we packaged and sold, as well as growth in our fee-based mortgage origination operations (discussed below). We sold $12.7 billion of mortgage loans in first quarter 2003 compared with $8.5 billion in first quarter 2002, generating incremental production revenues of $79 million. In addition, production revenues generated from our fee-based mortgage origination activity increased $31 million (68%) as compared with first 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 first quarter 2003 was driven by a mix of mortgage loans closed and mortgage loans sold. Mortgage loans closed increased $5.2 billion (42%) to $17.8 billion in first quarter 2003, comprised of a $4.5 billion increase (58%) in closed loans to be securitized (sold by us) and a $764 million increase (16%) in closed loans that were fee-based. The increase in loan origination volume was principally driven by substantial refinancing activity during first quarter 2003. Refinancings increased $4.6 billion (63%) to $11.8 billion and purchase mortgage closings grew $679 million (13%) to $6.1 billion. Additionally, our margin on securitized loans (production revenues divided by the principal amount of loans sold) increased from prior year levels.

Net revenues from servicing mortgage loans increased $5 million, which was driven by a $16.6 billion (17%) quarter-over-quarter increase in the average servicing portfolio. Net servicing revenues also included an additional $73 million of increased mortgage servicing rights ("MSRs") amortization and provision for impairment due to the high levels of refinancings and related loan prepayments, resulting from a lower interest rate environment. However, this was substantially offset by $69 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 acquisition of NRT, operating and administrative expenses within this segment increased $53 million, primarily due to the continued high level of mortgage loan production and related servicing activities.

Hospitality

Revenues and EBITDA increased $177 million (44%) and $32 million (29%), respectively, primarily due to the acquisitions of Trendwest in April 2002, Equivest Finance, Inc. in February 2002 and certain other European vacation rental companies in 2002. The operating results of these acquired businesses were included from their acquisition dates forward and therefore contributed to operating results of this segment during first quarter 2003 but not in first quarter 2002. Accordingly, Trendwest, Equivest and the other acquired vacation rental companies contributed incremental revenues of $129 million, $8 million and $34 million, respectively, and incremental EBITDA of $20 million, $2 million and $12 million, respectively, in first quarter 2003 compared with 2002. Excluding the impact of these acquisitions, revenues increased $6 million while EBITDA declined $2 million quarter-over-quarter. In February 2003, we acquired the common interests of FFD Development Company LLC ("FFD"), the primary developer of timeshare inventory for our Fairfield Resorts subsidiary (discussed further under "Affiliated Entities"). The operating results of FFD were included from the acquisition date forward and were not significant to our segment results in first quarter 2003. Timeshare subscription and transaction revenues within our timeshare exchange business increased $7 million (6%) as increases in the average subscription fee and average fee per exchange were partially offset by a lower volume of exchange transactions driven by the overall reduction in travel. Royalties and marketing and reservation fund revenues within our lodging franchise operations remained relatively constant in first quarter 2003 as the impact of a 4% improvement in the occupancy levels at our franchised lodging brands was offset by a 4% reduction in the number of weighted average rooms available. EBITDA benefited $4 million from a joint venture master license agreement entered into during 2002 which converted the ownership of a third party license agreement. Upon the change in ownership, the license fee (formerly included within operating expenses) is now recorded as a minority interest expense. Excluding the above-mentioned acquisitions, operating and administrative expenses within this segment increased approximately $14 million in 2003 principally due to volume-related growth in our timeshare exchange business in prior quarters and increased overhead to support anticipated future demand.

Travel Distribution

Revenues and EBITDA declined $28 million (6%) and $18 million (12%), respectively, in first quarter 2003 compared with 2002. Galileo air travel booking fees decreased $32 million (10%) principally due to an 11% decline in worldwide air booking volumes. This was partially offset by a 1% increase in the effective yield per booking reflective of a quarter-over-quarter increase in pricing. Like most industry participants, we are experiencing 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 Asia and other parts of the world. To mitigate the impact of this industry decline, we have initiated aggressive global cost containment efforts within this business segment. Galileo subscriber fees and EBITDA during first quarter 2003 increased $13 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. 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 businesses were included from their acquisition dates forward and collectively contributed revenue of $9 million with an immaterial EBITDA impact during first quarter 2003. Additionally, revenues from our travel agency business declined $16 million due to reductions in commission rates paid by airlines, available reduced rate air inventory and travel-related clubs that we service. However, the impact on EBITDA of lower travel agency revenues was substantially offset by expense reductions due to cost containment

initiatives within our travel agency business. EBITDA in first quarter 2003 was favorably impacted by $8 million in connection with a contract termination settlement during first quarter 2003.

Vehicle Services

Revenues increased $391 million (42%) while EBITDA decreased $20 million (29%) in first quarter 2003 compared with 2002. 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 were included from the acquisition date forward and contributed revenues of $388 million and EBITDA losses of $20 million in first quarter 2003. The EBITDA losses contributed by Budget are principally attributable to seasonality, whereby Budget's operating results are typically weakest in the first quarter of every year. Excluding Budget's first quarter 2003 results, revenue increased $3 million while EBITDA remained flat quarter-over-quarter. The operating results excluding Budget reflect strong growth in our Wright Express fuel card business, which contributed incremental revenues of $10 million in first quarter 2003 compared with 2002 due to increased gasoline prices as Wright Express earns a percentage of the total gas purchased by its clients. The contributions by Wright Express were substantially offset by an overall decline in revenues generated by our Avis business due to reduced car rental demand.

Domestic car rental revenues at Avis declined $21 million (4%) as a result of the weaker travel environment. Time and mileage revenue per rental day increased slightly but the impact on revenue and EBITDA was more than offset by a 5% quarter-over-quarter reduction in the total number of days that Avis cars were rented. In addition, since utilization of Avis' fleet was lower in first quarter 2003, the absorption of fixed and vehicle-related costs (such as depreciation on vehicles and interest on vehicle financing) caused a corresponding quarter-over-quarter reduction in profit margin. Despite reduced Avis revenue domestically, revenues from Avis' international operations increased $11 million primarily due to increased transaction volume. Avis' revenues are primarily derived from car rentals at airport locations. Through February 2003 (the last period for which information is available), approximately 78% of Avis' revenues were generated from car rental locations at airports.

Financial Services

Revenues decreased $30 million (7%) while EBITDA increased $1 million (1%) in first quarter 2003 compared with 2002. Jackson Hewitt generated incremental franchise royalty revenues of $10 million (inclusive of intercompany royalties paid by our owned Jackson Hewitt offices), in first quarter 2003 compared to 2002, principally driven by a 13% increase in tax return volume and an 8% 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. Tax preparation fees generated from owned Jackson Hewitt offices generated $6 million of incremental revenue quarter-over-quarter, also due to favorable tax return count and pricing. However, the impact on EBITDA was primarily offset by an increase in tax preparation-related expenses as a result of tax return volume increases. Jackson Hewitt also generated incremental revenues of $9 million in first quarter 2003 from other financial products and programs.

Revenue and EBITDA of this segment also reflect a continued shrinking membership base 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. Fewer members resulted in a net revenue reduction of $63 million (net of $5 million of royalty income from Trilegiant), which was partially offset in EBITDA by favorable membership operating expenses and marketing expenses of $39 million and $6 million, respectively. Revenues within our insurance-wholesale business remained relatively constant in first quarter 2003 compared with 2002.

Corporate and Other
Revenues and EBITDA increased $28 million and $40 million, respectively, in first quarter 2003 compared with 2002, substantially due to the February 2003 sale of our equity investment in

Entertainment Publications, Inc. ("EPub") in March 2003. We sold our approximate 15% ownership interest in EPub for $33 million in cash, resulting in a pretax gain of $30 million. EBITDA also reflects a greater absorption of overhead expenses by our reportable segments during first quarter 2003 compared with 2002.

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 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

	March 31, 2003	December 31, 2002	Change
Total assets exclusive of assets under management and mortgage programs	$ 20,847	$ 20,775	$ 72
Total liabilities exclusive of liabilities under management and mortgage programs	12,497	12,443	54
Assets under management and mortgage programs	15,320	15,122	198
Liabilities under management and mortgage programs	13,766	13,764	2
Mandatorily redeemable preferred interest	375	375	—
Stockholders' equity	9,529	9,315	214

Total assets exclusive of assets under management and mortgage programs increased primarily due to an increase of $454 million in cash and cash equivalents (see "Liquidity and Capital Resources—Cash Flows" below for a detailed discussion of such increase), partially offset by (i) a decrease in timeshare-related assets, which are now presented within assets under management and mortgage programs as such assets are now financed under a program and (ii) a decrease in real estate owned due to the sale of the related properties. Total liabilities exclusive of liabilities under management and mortgage programs also increased primarily due to $2.6 billion of debt issuances during first quarter 2003, which was partially offset by (i) $2.3 billion of debt repurchases/retirements (see "Liquidity and Capital Resources—Financial Obligations—Corporate Indebtedness") and (ii) a reduction of $210 million in accounts payable and other current liabilities primarily resulting from the payment of annual employee bonuses during first quarter 2003.

Assets under management and mortgage programs increased primarily due to (i) an increase of $295 million in timeshare-related assets resulting from our acquisition of FFD and the financing referred to above and (ii) an increase of $230 million in vehicles used primarily in our vehicle rental operations. Such increases were partially offset by (i) a decrease of $212 million in mortgage loans held for sale primarily due to timing differences arising between the origination and sales of such loans and (ii) a net reduction of $119 million in our mortgage servicing rights asset, including the related derivatives (see Note 6 to our Consolidated Financial Statements for the activity in the mortgage servicing rights and related derivatives accounts).

Stockholders' equity increased $214 million primarily due to $309 million of net income generated during first quarter 2003, partially offset by share repurchases aggregating $152 million (12.7 million shares).

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 March 31, 2003, we had $580 million of cash on hand, an increase of $454 million from $126 million at December 31, 2002. The following table summarizes such increase:

	Three Months Ended March 31,		
	2003	2002	Change
Cash provided by (used in):			
Operating activities	$ 1,090	$ (572)[a]	$ 1,662
Investing activities	(696)	529[b]	(1,225)
Financing activities	83	(832)	915
Effects of exchange rate changes	(23)	(6)	(17)
Cash used in discontinued operations	—	(19)	19

Net change in cash and cash equivalents	$ 454	$ (900)	$ 1,354

(a) Includes the application of prior payments made to the stockholder litigation settlement trust of $1.41 billion and the March 2002 payment of $250 million.
(b) Includes $1.41 billion of proceeds from the stockholder litigation settlement trust, which were used to extinguish a portion of the stockholder litigation settlement liability.

During first quarter 2003, we generated approximately $1.1 billion of net cash from operating activities as compared to using $572 million of net cash during 2002. This change principally reflects the completion of our funding of the stockholder litigation settlement liability in 2002. Excluding the $1.66 billion of outflows reflected in 2002 in connection with the funding of the stockholder litigation settlement liability, net cash provided by operating activities remained relatively flat as increased contributions from our mortgage business were offset by a decrease in net cash inflows provided by mortgage origination and sale activity due to a timing difference on the receipt of proceeds from the sales of loans originated.

During first quarter 2003, we used $696 million of net cash for investing activities compared to generating $529 million of cash during 2002. This change principally reflects the absence in 2003 of $1.41 billion of proceeds received in 2002 from the stockholder litigation settlement trust, which represented funds we deposited to the trust in prior periods that we then used to fund the stockholder litigation settlement liability as discussed above. Excluding these proceeds, we used $185 million less cash in investing activities during first quarter 2003 as compared to 2002. This decrease primarily reflects (i) less cash used for acquisitions in 2003, (ii) proceeds of $64 million received in 2003 on the sale of real estate, which resulted from our foreclosure on certain mortgages classified outside of assets under management and mortgage programs and (iii) 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). Such decreases were partially offset by a net increase of $68 million in cash used in management and mortgage program investing activities, which primarily resulted from an increase in cash used to acquire vehicles for our vehicle rental operations, partially offset by greater cash inflows on derivative contracts used to manage the interest rate risk inherent in our MSR asset. We also used more cash for capital expenditures to support operational growth and businesses acquired in 2002, 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.

We generated $83 million of cash from financing activities during first quarter 2003 compared to using $832 million of cash in financing activities during 2002. Such change principally reflects proceeds received in 2003 that we had not yet used to repay debt as of March 31, 2003, partially offset by an increase in cash used to repurchase shares of our CD common stock. See "Liquidity and Capital Resources—Financial Obligations" for a detailed discussion of financing activities during first quarter 2003.

Throughout the remainder of 2003, we intend to deploy our available cash and cash generated through operations primarily to reduce/retire corporate indebtedness and repurchase outstanding shares of our CD common stock. Management currently expects that approximately half of our discretionary cash use during the 2003 fiscal year will be to effect debt repurchases, while the remainder will be used to repurchase outstanding shares and acquire complementary businesses. We are also currently analyzing the benefits of paying dividends on our CD common stock in the future. However, we can make no assurances that such a dividend will be paid.

Financial Obligations
At March 31, 2003, we had approximately $19.9 billion of indebtedness (including corporate indebtedness of $5.9 billion, Upper DECS of $863 million, debt under management and mortgage programs of $12.7 billion and our mandatorily redeemable preferred interest of $375 million).

Corporate Indebtedness
Corporate indebtedness consisted of:

	Earliest Mandatory Redemption Date	Final Maturity Date	March 31, 2003	December 31, 2002	
Term notes:					
7 3/4% notes[a]	December 2003	December 2003	$ 229	$ 966	$
6 7/8% notes	August 2006	August 2006	849	849	
11% senior subordinated notes[b]	May 2009	May 2009	435	530	
6 1/4% notes[c]	January 2008	January 2008	796	—	
6 1/4% notes[d]	March 2010	March 2010	348	—	
7 3/8% notes[c]	January 2013	January 2013	1,189	—	
7 1/8% notes[d]	March 2015	March 2015	250	—	
Contingently convertible debt securities:					
Zero coupon convertible debentures[e]	May 2003	May 2021	401	857	
Zero coupon senior convertible contingent notes	February 2004	February 2021	422	420	
3 7/8% convertible senior debentures[f]	November 2004	November 2011	804	1,200	
Other:					
Revolver borrowings[g]		December 2005	—	600	
Net hedging gains			81	89	
Other			88	90	
Total long-term debt, excluding Upper DECS			5,892	5,601	
Upper DECS			863	863	
Total corporate debt, including Upper DECS			$ 6,755	$ 6,464	$

(a)

(a) The change in the balance at March 31, 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) The change in the balance at March 31, 2003 reflects (i) the redemption of $81 million in face value of these notes, with a carrying value of $91 million, for $91 million in cash and (ii) $4 million related to the amortization of a premium. The loss recorded in connection with this redemption was not material.
(c) 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.
(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 March 31, 2003 reflects the redemption of $456 million of these debentures for approximately $457 million in cash. In connection with such redemption, we recorded a pretax charge of approximately $7 million.
(f) The change in the balance at March 31, 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 first quarter 2003.

As of December 31, 2002, we had approximately $1.8 billion of debt ($7^3/_4$% notes and zero coupon convertible debentures) scheduled to mature or potentially become due in 2003. Due to the successful completion of the first phase of our debt reduction program during first quarter 2003, we were able to repurchase approximately $1.2 billion of these current maturities and eliminate 17.8 million shares of

potential dilution to our future earnings per share (see notes (a) and (e) to the above table). Accordingly, as of March 31, 2003, only $630 million of such debt was scheduled to mature or potentially become due in 2003. During first quarter 2003, we also repurchased $396 million of debt ($3^7/_8$% convertible senior debentures) that could have been put to us in November 2004, thereby eliminating another 16.5 million shares of potential dilution to our future earnings per share (see note (f) to the above table).

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

	March 31, 2003	December 31, 2002	Change
Zero coupon convertible debentures	15.7	33.5	(17.8)
Zero coupon senior convertible contingent notes	22.0	22.0	—
$3^7/_8$% convertible senior debentures	33.4	49.9	(16.5)
	71.1	105.4	(34.3)

Subsequent to March 31, 2003, we retired $394 million (zero coupon convertible debentures) of the remaining $630 million of debt that was scheduled to potentially become due in 2003, thereby eliminating another 15.4 million shares of potential dilution to future earnings per share.

Debt Under Management and Mortgage Programs

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

	March 31, 2003	December 31, 2002	Change
Asset-Backed Debt:			
Vehicle rental program [(a)]	$ 6,429	$ 6,082	$ 347
Vehicle management program [(b)]	3,043	3,058	(15)
Mortgage program[(c)]	463	871	(408)
Timeshare program[(d)]	273	145	128
Relocation program	81	80	1
	10,289	10,236	53
Unsecured Debt:			
Term notes[(e)]	1,907	1,421	486
Commercial paper[(f)]	354	866	(512)
Bank loans	40	107	(67)
Other	158	117	41
	2,459	2,511	(52)
Total debt under management and mortgage programs	$ 12,748	$ 12,747	$ 1

(a) The change in the balance at March 31, 2003 principally reflects (i) the issuance of $965 million of term notes at various interest rates, (ii) the issuance of $175 million of variable funding notes and (iii) the repayment of $755 million of variable funding notes. At March 31, 2003, approximately $4.4 billion of asset-backed term notes were included in outstanding borrowings.
(b) At March 31, 2003, approximately $2.3 billion of asset-backed term notes were included in outstanding borrowings.
(c) The change in the balance at March 31, 2003 reflects the repayment of $408 million of outstanding borrowings.
(d) The change in the balance at March 31, 2003 primarily reflects the borrowing of $130 million under a timeshare financing agreement.

(e) The change in the balance at March 31, 2003 principally reflects the issuance of (i) $400 million of 6% term notes due March 2008, (ii) $600 million of $7^1/_8$% term notes due March 2013, (iii) $147 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.
(f) The change in the balance at March 31, 2003 reflects the repayment of $512 million of commercial paper primarily with the proceeds from the issuance of the term notes described in note (e) above.

The following table provides the contractual maturities for debt under management and mortgage programs at March 31, 2003 (except for notes under our vehicle management program, for which estimates of payments based on the expected cash inflows relating to the corresponding assets under management and mortgage programs have been provided, as required by the underlying indentures):

	Unsecured[(a)]	Asset-Backed	Total
Within 1 year	$ 197	$ 2,239	$ 2,436
1 to 2 years	406	3,116	3,522
2 to 3 years	170	2,093	2,263
3 to 4 years	1	831	832

4 to 5 years	610	1,242	1,852
Thereafter	1,075	768	1,843
	$ 2,459	$ 10,289	$ 12,748

(a) Unsecured commercial paper borrowings of $354 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.

Subsequent to March 31, 2003, we issued $750 million of term notes under our vehicle rental program with maturities ranging from three to five years and a blended interest rate of 3.1%.

Available Funding Arrangements and Committed Credit Facilities

At March 31, 2003, we had approximately $4.8 billion of available funding arrangements and credit facilities (including availability of approximately $1.8 billion at the corporate level and approximately $3.0 billion available for use in our management and mortgage programs). As of March 31, 2003, the committed credit facilities at the corporate level consisted of:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued and Outstanding	Available Capacity
Maturing in December 2005	$ 2,900	$ —	$ 1,118	$ 1,782

Available funding under our asset-backed debt programs and committed credit facilities related to our management and mortgage programs as of March 31, 2003 consisted of:

	Total Capacity	Outstanding Borrowings	Available Capacity
Asset-Backed Funding Arrangements[(a)]			
Vehicle rental program	$ 7,340	$ 6,429	$ 911
Vehicle management program	3,336	3,043	293
Mortgage program	700	463	237
Timeshare program	300	273	27
Relocation program	100	81	19
	11,776	10,289	1,487
Committed Credit Facilities[(b)]			
Maturing in February 2004	750	—	750
Maturing in February 2005	750	—	750
	1,500	—	1,500
	$ 13,276	$ 10,289	$ 2,987

(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.

As of March 31, 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 $916 million of availability for public debt issuances under a shelf registration statement.

Off-Balance Sheet Financing Arrangements

In addition to our on-balance sheet borrowings, we sell specific assets under management and mortgage programs. We sell timeshare receivables to Sierra Receivables Funding Company LLC, a bankruptcy remote qualifying special purpose entity, in exchange for cash. Prior to the establishment of Sierra, we sold timeshare receivables to multiple bankruptcy remote qualifying special purpose entities under revolving sales agreements in exchange for cash. Our PHH subsidiary sells relocation receivables to Apple Ridge Funding LLC, a bankruptcy remote qualifying special purpose entity, in exchange for cash. Our PHH subsidiary also sells mortgage 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 $856 million as of March 31, 2003) or (iii) through Bishop's Gate Residential Mortgage Trust, an unaffiliated bankruptcy remote special purpose entity. Presented below is detailed information

for each of the special purpose entities we utilize in off-balance sheet financing and sale arrangements as of March 31, 2003.

	Assets Serviced[(a)]	Maximum Funding Capacity	Debt Issued	Maximum Available Capacity[(b)]
Timeshare				
Sierra[(c)]	$ 736	$ 853	$ 645	$ 208
Others	507	450	450[(d)]	—
Relocation				
Apple Ridge	524	600	430[(d)]	170
Mortgage				
Bishop's Gate[(e)]	2,003	3,173[(f)]	1,861[(d)]	1,164

(a) Does not include cash of $30 million, $24 million, $19 million and $23 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 $342 million and available capacity of $208 million and (ii) a term note agreement under which $303 million was outstanding. At March 31, 2003, we were servicing receivables of $405 million under the conduit facility and $331 million under the term note agreement.
(d) Primarily represents term notes.
(e) As discussed below under the section entitled "Recently Issued Accounting Pronouncements," we expect to consolidate Bishop's Gate in our financial statements as of July 1, 2003, as required by FASB Interpretation No. 46.
(f) Includes our ability to fund assets with $148 million of outside equity certificates.

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 March 31,	
	2003	2002
Timeshare-related	$ 16	$ 2
Mortgage loans	203	123

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 deterioration in the performance of the underlying assets of such programs. Access to the principal financing program for our vehicle rental subsidiaries may also be impaired should General Motors Corporation or Ford Motor Company not be able to honor its obligations to repurchase a substantial number of our vehicles. Our liquidity as it relates to mortgage programs is highly dependent on the secondary markets for mortgage loans. Access to certain of our securitization facilities and our ability to act as servicer thereto also may be limited in the event that our or PHH's credit ratings are downgraded below investment grade and, in certain circumstances, where we or PHH fail to meet certain financial ratios. However, we do not believe that our or PHH's credit ratings are likely to fall below such thresholds. Additionally, we monitor the maintenance of these financial ratios and as of March 31, 2003, we were in compliance with all covenants under these facilities. When securitizing assets under management and mortgage programs, we make representations and warranties customary to the securitization markets, including eligibility characteristics of the assets transferred and servicing responsibilities.

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.

As of March 31, 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 $2.1 billion, a decrease of approximately $500 million 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 "Liquidity and Capital Resources—Financial Obligations" and also within Notes 7 and 8 to our Consolidated Condensed Financial Statements.

AFFILIATED ENTITIES

As previously discussed, during first quarter 2003, we acquired all the common interests of FFD and also acquired a majority interest in Trip Network. Accordingly, we began consolidating these two entities during first quarter 2003. For more detailed information regarding our relationships with FFD and Trip Network prior to our acquisitions of such businesses, see Note 12 to our Consolidated Condensed Financial Statements. As of March 31, 2003, the only affiliated operating entity that we have not consolidated was Trilegiant. In connection with our adoption of FASB Interpretation No. 46 (discussed below within the section entitled "Recently Issued Accounting Pronouncements"), we plan to consolidate Trilegiant beginning in the third quarter of 2003. Further information regarding our relationship with Trilegiant is presented below.

Trilegiant Corporation

Trilegiant operates membership-based clubs and programs and other incentive-based programs through an outsourcing arrangement with us. Pursuant to the outsourcing arrangement, we retained substantially all of the assets and liabilities of the existing membership business outsourced under the arrangement 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 first quarter 2003 and 2002, we recognized revenue of $90 million and $157 million, respectively, in connection with fees previously collected from existing members (as the membership

period expired) and Trilegiant charged us $36 million and $51 million, respectively, in connection with providing fulfillment services to these members (such charges were recorded by us as a component of operating expenses). During first quarter 2003 and 2002, we also recorded revenue of $17 million and $11 million, respectively, as a result of our relationship with Trilegiant and marketing expenses of $4 million and $10 million, respectively, related to the advance we made to Trilegiant in 2001. The resultant impact

of these activities to our cash position was a net inflow of $22 million and $27 million to cash provided by operating activities during first quarter 2003 and 2002, respectively (including fees collected from Trilegiant in connection with membership renewals by the existing members and fees paid to Trilegiant in connection with servicing the existing members).

Our preferred stock investment is convertible, at any time at our option, into approximately 33% of Trilegiant's common stock on a fully diluted basis (after giving effect to non-cash dividends of approximately $1 million received from Trilegiant during first quarter 2003).

CHANGES IN ACCOUNTING POLICIES

On January 1, 2003, we adopted the following standards:

- Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation"
- SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure"
- 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"

For more detailed information regarding these changes in accounting policies, see Note 1 to our Consolidated Condensed Financial Statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Consolidation of Variable Interest Entities
On January 17, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Such Interpretation addresses 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 special purpose entity ("QSPE") and certain other interests in QSPEs are not subject to this Interpretation.

For variable interest entities created, or interests in variable interest entities obtained, subsequent to January 31, 2003, we are required to apply the consolidation provisions of this Interpretation immediately. We have not created a variable interest entity nor obtained an interest in a variable interest entity for which we would be required to apply the consolidation provisions of this Interpretation immediately. For variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003, the consolidation provisions of this Interpretation are first required to be applied in our financial statements as of July 1, 2003. For these variable interest entities, we expect to apply the prospective transition method whereby the consolidation provisions of this

Interpretation are applied prospectively with a cumulative-effect adjustment, if necessary, as of July 1, 2003.

We are currently evaluating the impact of adopting this Interpretation. Thus far, we have concluded that the adoption of this Interpretation will result in the consolidation of the Bishop's Gate mortgage securitization facility, as of July 1, 2003. The consolidation of Bishop's Gate is not expected to affect our results of operations. However, had we consolidated Bishop's Gate as of March 31, 2003, our total assets and liabilities under management and mortgage programs would have each increased by approximately $2.0 billion.

Additionally, we believe that upon adoption of this Interpretation, we will be required to consolidate Trilegiant as of July 1, 2003. This assessment is based upon facts and circumstances in existence as of the date of this filing. We believe that the consolidation of Trilegiant would cause our total assets and total liabilities to increase by approximately $100 million and $390 million (approximately $230 million of which represents deferred income) on July 1, 2003. The consolidation of Trilegiant is expected to result in a non-cash charge of approximately $290 million, which would be recorded on July 1, 2003 as a cumulative effect of accounting change but would not impact our income from continuing operations. As we will apply the provisions of this Interpretation prospectively, the consolidation of Trilegiant would not result in any changes to our consolidated financial statements for any prior periods (including first and second quarters of 2003). Although we would 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 limited to the assets recorded on our Consolidated Balance Sheet as such amounts may not be recoverable if Trilegiant ceases operations. As of March 31, 2003, we had $104 million of assets recorded on our Consolidated Condensed Balance Sheet in connection with advances and loans made to Trilegiant, as well as net receivables due from 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 statement are generally effective for contracts entered into or modified after June 30, 2003. We are in the process of assessing the impact of adopting this standard on our consolidated results of operations and financial position.

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 March 31, 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) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended

(the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

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

PART 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 and Exchange Act based on purported misconduct in connection with the accounting of certain revenues in financial statements published by Homestore during the class period. On January 10, 2003, we, together with Mr. Smith, filed a motion to dismiss plaintiffs' claims for failure to state a claim upon which relief could be granted. 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. Plaintiff has filed a motion for leave to appeal such dismissal to the Circuit Court of Appeals for the Ninth Circuit.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index

(b) Reports on Form 8-K

On January 10, 2003, we filed a current report on Form 8-K to file under Item 5 the Statement of Eligibility of Trustee on Form T-1 of The Bank of Nova Scotia Trust Company of New York.

On January 17, 2003, we filed a current report on Form 8-K to file under Item 5 certain agreements relating to the offering of $800,000,000 aggregate principal amount of our 6.25% Senior Notes due 2008 and $1,200,000,000 aggregate principal amount of our 7.375% Senior Notes due 2013.

On February 6, 2003, we filed a current report on Form 8-K to report under Item 5 our fourth quarter and full year 2002 financial results.

On February 11, 2003, we filed a current report on Form 8-K to report under Item 5 a summary of our PHH Corporation subsidiary's fourth quarter and full year 2002 financial results, capital structure and sources of liquidity.

On February 25, 2003, we filed a current report on Form 8-K to report under Item 5 our Avis Group Holdings, Inc. subsidiary's selected historical consolidated financial data. Additionally, we announced certain management changes.

On March 13, 2003, we filed a current report on Form 8-K to file under Item 5 certain agreements relating to the offering of $350,000,000 aggregate principal amount of our 6.25% Senior Notes due 2010 and $250,000,000 aggregate principal amount of our 7.125% Senior Notes due 2015 and certain changes in our Board membership.

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/ KEVIN M. SHEEHAN

Kevin M. Sheehan
Senior Executive Vice President and
Chief Financial Officer

/s/ TOBIA IPPOLITO

Tobia Ippolito
Executive Vice President and
Chief Accounting Officer

Date: May 8, 2003

CERTIFICATIONS

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-14 and 15d-14) for the registrant and we have:

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

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ HENRY R. SILVERMAN

Chief Executive Officer

I, Kevin M. Sheehan, 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-14 and 15d-14) for the registrant and we have:

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

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to

significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ KEVIN M. SHEEHAN

Chief Financial Officer

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	Agreement of Ronald L. Nelson, dated April 14, 2003 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated April 16, 2003).
10.2	Agreement of Kevin M. Sheehan, dated April 1, 2003.
10.3	Agreement of Scott E. Forbes, dated April 1, 2003.
10.4	Agreement of Thomas Christopoul, dated February 14, 2003.
10.5	Indenture and Servicing Agreement dated as of March 31, 2003 by and among Sierra 2003-1 Receivables Funding Company, LLC, as Issuer and Fairfield Acceptance Corporation—Nevada, as Servicer and Wachovia Bank, National Association, as Trustee and Wachovia Bank, National Association, as Collateral Agent.
10.6	Series 2003-2 Supplement dated as of March 6, 2003 to the Amended and Restated Base Indenture dated as of July 30, 1997, between AESOP Funding II L.L.C., as Issuer and The Bank of New York, as Trustee and Series 2003-2 Agent (incorporated by reference to Avis Group Holdings' quarterly report on Form 10-Q for the period ending March 31, 2003).
10.7	Series 2003-1 Supplement dated as of January 28, 2003 to the Amended and Restated Base Indenture dated as of July 30, 1997 between AESOP Funding II LLC, as Issuer, Avis Rent A Car System, Inc., as Administrator, Cendant Corporation, as Purchaser and The Bank of New York, as Trustee and Series 2003-1 Agent (incorporated by reference to Avis Group Holdings' quarterly report on Form 10-Q for the period ending March 31, 2003).
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
15	Letter Re: Unaudited Interim Financial Information.
99	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

QuickLinks

AMENDED AND EXTENDED
EMPLOYMENT AGREEMENT

This Amended and Extended Employment Agreement dated as of April 1, 2003 is hereby made by and between Cendant Corporation, a Delaware corporation ("Cendant") and Kevin M. Sheehan (the "Executive").

WHEREAS, Cendant desires to continue to employ the Executive as a full-time employee of Cendant and the Executive desires to continue to serve Cendant in such capacity.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I
EMPLOYMENT

Cendant agrees to employ the Executive and the Executive agrees to be employed by Cendant for the Period of Employment as provided in Section III below and upon the terms and conditions provided in this Agreement.

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as a full-time employee of Cendant and will report directly to, and serve at the discretion of, the Chief Executive Officer of Cendant Corporation (the "CEO"). The Executive will, during the Period of Employment, serve Cendant in the capacity of Chairman and Chief Executive Officer of Cendant's Vehicle Services Division. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant, or as otherwise reasonably directed by the CEO from time to time. The Executive's primary office location for performing services hereunder will be Cendant's corporate headquarters in New York, New York, except for normal and reasonable business travel in connection with his duties hereunder. Executive understands that he may be required to perform his duties from the Company's northern New Jersey office several days per week.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement will begin on June 1, 2003 and end on May 30, 2006, subject to earlier termination as provided herein (the "Period of Employment"); provided, however, that the Period of Employment will be automatically extended for an additional one year on June 1, 2004, and on each anniversary of such date thereafter, unless written notice of non-extension is provided by either party to the other party at least 30 days prior to any such anniversary.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For services rendered by the Executive pursuant to this Agreement during the Period of Employment, Cendant will pay the Executive base salary for the Period of Employment at an annual rate equal to seven hundred sixty two thousand and five hundred dollars ($762,500.00) (the "Base Salary"). The Executive will be eligible to receive annual increases in Base Salary in accordance with Cendant's customary procedures regarding the salaries of senior officers with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area.

B. Annual Incentive Awards.

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus for each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 100% of Base Salary, subject to Cendant's attainment of applicable annual performance goals ("Annual Performance Goals") established and certified by the Compensation Committee of the Board (the "Committee"). Subject to the discretion of the Committee, such annual incentive compensation award in respect of any fiscal year during the Period of Employment may be paid at above target in the event that either Cendant and/or the Vehicles Services Division, as the case may be, materially outperforms its Annual Performance Goals in such fiscal year. The parties acknowledge that it is currently contemplated that such Annual Performance Goals will be stated in terms of "earnings before interest, depreciation and taxes" of the Vehicle Services Division, however such targets may relate to such other financial and business criteria of Cendant or any of its subsidiaries or business units as determined by the Committee in its sole discretion (each such annual bonus, an

"Incentive Compensation Award"). Notwithstanding the foregoing, subject to the Executive's continuing employment with Cendant through the date of payment and subject to the applicable 2003 Annual Performance Goals being attained at no less than 100% of target, and subject to such other terms and conditions determined by the Committee, the Executive's Incentive Compensation Award in respect of fiscal year 2003 will include an incremental payment equal to $73,000.

C. Employee Benefits.

During the Period of Employment, Cendant will provide the Executive with employee benefits generally offered to all eligible full-time employees of Cendant, and with perquisites generally offered to all eligible senior officers of Cendant, subject to the terms of the applicable employee benefit plans or policies of Cendant.

D. Expenses.

During the Period of Employment, Cendant will reimburse the Executive for reasonable business expenses incurred and timely submitted in accordance with any applicable policy of Cendant.

E. Signing Bonus.

Cendant will pay the Executive a signing bonus equal to $73,000 as soon as practicable following the execution of this Agreement and the commencement of the Period of Employment.

SECTION V
DISABILITY

If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for earned but unpaid Base Salary and any earned but unpaid Incentive Compensation Awards. In addition, upon such event, each option to purchase shares of Cendant common stock granted to the Executive either (i) on or after April 1, 2003 or (ii) on March 1, 2001, shall become fully vested and exercisable and shall remain exercisable until the first to occur of the third anniversary of such termination of employment or the original expiration date of such option. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder as a result of serious physical or mental illness or injury for a period of no less than 90

days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of an additional 90 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VI
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid Incentive Compensation Awards, and except for a pro rata Incentive Compensation Award for the year in which the death occurs, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable. In addition, upon such event, each option to purchase shares of Cendant common stock granted to the Executive either (i) on or after April 1, 2003 or (ii) on March 1, 2001, shall become fully vested and exercisable and shall remain exercisable until the first to occur of the third anniversary of such termination of employment or the original expiration date of such option.

SECTION VII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment is terminated during the Period of Employment by Cendant due to a Without Cause Termination or by the Executive due to a Constructive Discharge (each as defined below), Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge (i) a lump sum amount equal to the Executive's then current Base Salary plus then targeted Incentive Compensation Award, multiplied by 300% and (ii) any and all Base Salary earned but unpaid through the date of such termination. In addition, upon such event (y) each option to purchase shares of Cendant common stock granted to the Executive either on or after April 1, 2003, or on March 1, 2001, shall become fully vested and exercisable and shall remain exercisable until the first to occur of the third anniversary of such termination of employment or the original expiration date of such option and (z) each option to purchase shares of Cendant common stock granted to the Executive after March 1, 2001 (specifically excluding the option granted on March 1, 2001) and prior to April 1, 2003 shall become fully vested and exercisable and shall remain exercisable until the first to occur of the second anniversary of such termination of employment or the

original expiration date of such option. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

B. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary and any Incentive Compensation Awards earned but unpaid as of the date of such termination will be paid to the Executive in a lump sum. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. For purposes of this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means (i) the Executive's willful failure to substantially perform his duties as an employee of Cendant or any of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against Cendant or any of its subsidiaries, (iii) the Executive's conviction of a felony or any crime involving moral turpitude (which conviction, due to the passage of time or otherwise, is not subject to further appeal) or (iv) the Executive's gross negligence in the performance of his duties hereunder.

ii. "Constructive Discharge" means any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other material element of compensation). The Executive will provide Cendant a written notice which describes the circumstances being relied on for such termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "Terminated Without Cause" means termination of the Executive's employment by Cendant other than due to death, Disability, or Termination for Cause.

iv. "Resignation" means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

D. Conditions to Payment and Acceleration. All payments and benefits due to the Executive under this Section VII shall be made as soon as practicable; provided, however, that such payments and benefits shall be subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form determined by Cendant

in its sole discretion. The payments due to the Executive under this Section VII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates.

SECTION VIII
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be reasonably requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party, and Cendant shall reimburse the Executive for any expenses incurred by the Executive in connection therewith.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

C. i. During the Period of Employment and for a two (2) year period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the

interest of any existing or prospective competitors of Cendant or any of its affiliates or in any way injuring the interests of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board, will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of Cendant or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that Cendant's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

iii. During the Restricted Period, the Executive, without express prior written approval from the Board, will not solicit any members or the then-current clients of Cendant or any of its affiliates for any existing business of Cendant or any of its affiliates or discuss with any employee of Cendant or any of its affiliates information or operation of any business intended to compete with Cendant or any of its affiliates.

iv. During the Restricted Period, the Executive will not interfere with the employees or affairs of Cendant or any of its affiliates or solicit or induce any person who is an employee of Cendant or any of its affiliates to terminate any relationship such person may have with Cendant or any of its affiliates, nor will the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of Cendant or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of Cendant or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" means all subsidiaries and licensees of the applicable entity.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to Cendant if the Executive violates the terms of this Agreement and that Cendant will be entitled, upon making the requisite showing, to

preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section VIII without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies Cendant may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section VIII.

E. The period of time during which the provisions of this Section VIII will be in effect will be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on Cendant's application for injunctive relief.

F. The Executive agrees that the restrictions contained in this Section VIII are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, Cendant would not have entered into this Agreement.

SECTION IX
WITHHOLDING TAXES

The Executive acknowledges and agrees that Cendant may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation.

SECTION X
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede and replace each prior employment or consultant agreement between Cendant (and/or its affiliates), including without limitation the Employment Agreement dated March 1, 2001 between Cendant and the Executive (other than any representations of the parties set forth therein), and any such agreement shall be deemed superseded, terminated and of no further force or effect.

SECTION XI

CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of

Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation and this Agreement will continue in full force and effect.

SECTION XII
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver will operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XIII
REPRESENTATIONS

Cendant represents and warrants that this Agreement has been authorized by all necessary corporate action of Cendant and is a valid and binding agreement of Cendant enforceable against it in accordance with its terms.

SECTION XIV
INDEMNIFICATION AND MITIGATION

Cendant will indemnify the Executive to the fullest extent permitted under the Certificate of Incorporation and By-Laws of Cendant. The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XV
GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state.

SECTION XVI
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section VIII for which Cendant

may, but will not be required to, seek injunctive relief) will be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVI has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVI will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XVII
SURVIVAL

Sections VII, VIII, IX, X, XIV, XV and XVI will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XVIII
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding will in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision will be deemed modified so that it will be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

/s/ Terence P. Conley

By: Terence P. Conley
Title: Executive Vice President,
Human Resources

KEVIN M. SHEEHAN

/s/ Kevin M. Sheehan

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") dated as of April 1, 2003 is hereby made by and between Cendant Corporation, a Delaware corporation ("Cendant") and Scott E. Forbes (the "Executive").

WHEREAS, Cendant desires to employ the Executive as Senior Executive Vice President and Group Managing Director of Cendant Europe, Middle East and Africa ("Cendant EMEA"), and the Executive desires to serve Cendant in such capacity.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I
EMPLOYMENT

Cendant agrees to employ the Executive and the Executive agrees to be employed by Cendant for the Period of Employment as provided in Section III below and upon the terms and conditions provided in this Agreement. The Executive has previously relocated his primary residence to London, U.K.

SECTION II
POSITION AND RESPONSIBILITIES

A. During the Period of Employment, as defined below, the Executive will serve as Senior Executive Vice President and Group Managing Director, Cendant EMEA (the "EMEA Position") and, subject to the direction of a Vice Chairman of Cendant or other executive officer of Cendant designated by the Chief Executive Officer of Cendant from time to time (the "Supervising Officer") from time to time 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 Supervising Officer. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant. The Executive will maintain a primary office, and conduct his business, in London, U.K. The parties hereby acknowledge that the Executive's duties and responsibilities will include, without limitation, managing the Cendant EMEA headquarters in London, U.K. and managing substantially all of Cendant's EMEA businesses. Notwithstanding the foregoing, the parties hereto acknowledge and agree that to the extent contemplated herein, the Executive may be reassigned to the Alternative Position (as defined below), and upon such event, this Agreement (and the Period of Employment) will, after giving effect to any changes associated with such change of position, remain in full force and effect.

B. The Executive agrees that at any time during the Period of Employment, he may be reassigned by the Supervising Officer to the Alternative Position, but only in the event that either (i) the Alternative Position is reasonably acceptable to the Executive or (ii) each of (a) the Executive may perform substantially all of his duties in any of London, Parsippany, New Jersey or New York, New York (or, in the case of Parsippany or New York, any location within 15 miles thereof) and (b) Cendant reasonably determines that the Alternative Position is a suitable position for the Executive (after giving due consideration to his skills and abilities); provided, however, that in no event will any Alternative Position be proposed to the Executive unless such position provides overall compensation (including bonus opportunity), employee benefits and perquisites which, in the aggregate, are no less favorable to the Executive than provided to him hereunder.

C. Cendant agrees that at any time during the Period of Employment, the Executive may provide notice to the Supervising Officer requesting that he relinquish the Europe Position and be reassigned to a substitute position (the "Substitute Position"). Cendant will give due consideration to such request and will use reasonable efforts to identify a Substitute Position reasonably suitable for the Executive as determined by Cendant in its sole and reasonable discretion. If Cendant is unable to offer the Executive a Substitute Position within 180 days of its receipt of such notice, the Executive may either (i) withdraw his request for reassignment to the Substitute Position and maintain the Europe Position or (ii) terminate this Agreement as a Constructive Discharge (as defined below). If Cendant offers the Executive a Substitute Position within 180 days of its receipt of such notice, the Executive may either (i) accept the Substitute Position or (ii) reject the Substitute Position. If the Executive accepts the Substitute Position, this Agreement (and the Period of Employment) shall continue in full force and effect. If the Executive rejects the Substitute Position, this Agreement will be determined terminated as a Resignation (as defined below); provided, however, that any rejection of the Substitute Position will instead be deemed a Constructive Discharge in the event that the Substitute Position would require the Executive to perform substantially all of his duties in any location other than Parsippany, New Jersey or New York, New York (or, in each case, any location within 15 miles thereof).

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will end on March 31, 2006, subject to extension or termination as provided in this Agreement.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation. For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of Cendant or any subsidiary of Cendant, the Executive will be compensated as follows:

(i) Base Salary

During the Period of Employment, Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than U.S. $525,000 per annum and thereafter the Executive will be eligible to receive annual increases as the Board deems appropriate, in accordance with Cendant's customary procedures regarding the salaries of senior officers. Base Salary will be payable according to the customary payroll practices of Cendant but in no event less frequently than once each month.

(ii) Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards; provided that the Executive will be eligible to receive an annual bonus for each fiscal year of Cendant during the Period of Employment based upon a target bonus equal to 100% of Base Salary (each such bonus, an "Incentive Compensation Award").

(iii) Long-Term Incentive Awards

The Executive will be eligible for discretionary stock option or other incentive or equity-based awards on such appropriate terms and conditions as determined by the Cendant Compensation Committee in its sole discretion.

(iv) Cost-of-Living Allowance

Cendant will pay the Executive (A) a cost-of-living allowance (the "Cost-of-Living Allowance") of not less than U.K. £50,000 per annum and (B) an additional special allowance (the "Special Allowance" and, together with the Cost-of-Living Allowance, the "Allowances") of not less than U.K. £75,000 per annum (which may be increased from time to time in Cendant's sole discretion), in each case in respect of each calendar year (or a pro rata payment for any partial calendar year) during which he remains in the EMEA Position and resides in the U.K. The Allowances will be paid in accordance with the customary payroll practices of Cendant but in no event less frequently than once each month, and such amounts shall be paid by a U.K. subsidiary of Cendant into a local U.K. account as directed by the Executive.

(v) Additional Benefits

The Executive will be entitled to participate in all other compensation or employee benefit plans or programs and receive all benefits and perquisites for which salaried employees of Cendant generally are eligible under any plan or program now or later established by Cendant on the same basis as similarly situated senior executives of Cendant with comparable duties and responsibilities. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, in accordance with program provisions.

(vi) Expatriate Benefits

Cendant will reimburse the Executive for (i) reasonable professional costs incurred in connection with the preparation of his personal income tax returns and (ii) the Tax Equalization. The Tax Equalization will mean a cash payment payable in respect of each full or partial calendar year during the Period of Employment and during which the Executive is residing outside of the United States, which payment is intended to reimburse the Executive for the economic effect of any incremental taxes incurred in connection with his residing outside of the United States. The Tax Equalization will be calculated and paid as described in the applicable Cendant policy, which policy will include tax equalization benefits for personal investment income. Cendant acknowledges that, if and to the extent subject to foreign taxation, the Tax Equalization will apply to any income received by the Executive in connection with his personal investment income and compensation earned in connection with the exercise of Cendant stock options or other Cendant equity or equity-based awards. Cendant will also pay any costs and expenses associated with determining each annual payment in respect of the Tax Equalization.

In addition, the Executive will remain a participant in Cendant's U.S. Expatriate Officer Relocation Policy, and will be entitled to benefits set forth thereunder, except to the extent that any benefits thereunder would be duplicative by virtue of any similar or comparable rights or benefits under this Agreement, or are otherwise not available by virtue of any provision in this Agreement.

In addition, the Executive is entitled to the benefits set forth on Annex A hereto.

SECTION V
BUSINESS EXPENSES

Cendant will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive will comply with such limitations and reporting requirements with respect to expenses as may be established by Cendant from time to time.

SECTION VI
DISABILITY

If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant or at the option of Cendant upon notice of termination to the Executive. "Disabled" means a determination by an independent competent medical authority that the Executive is unable to perform his duties under this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of one hundred and eighty (180) days. Unless otherwise agreed by the Executive and Cendant, the independent medical authority

will be selected by the Executive and Cendant each selecting a board-certified licensed physician and the two physicians selected designating an independent medical authority, whose determination that the Executive is Disabled will be binding upon Cendant and the Executive. In such event, until the Executive reaches the age of sixty-five (65) (or such earlier date on which he is no longer Disabled), Cendant will continue to pay the Executive sixty percent (60%) of his Base Salary as in effect at the time of the termination, offset by the amount of any disability payments the Executive may receive under any long-term disability insurance maintained by Cendant. Earned but unpaid Base Salary and earned but unpaid Incentive Compensation Awards will be paid in a lump sum at the time of such termination. No Incentive Compensation Award will be deemed earned within the meaning of this Agreement until the Executive is informed in writing as to the amount of such compensation the Executive is to be awarded as to a particular period. If applicable, Cendant will reimburse the Executive for the relocation of his family and their personal belongings back to the United States, and will provide such other financial assistance related to such relocation to the extent provided in the applicable U.S. Expatriate Officer Relocation Policy (the "Policy") as well as any other reverse relocation benefits described in Section VIII.A. below.

SECTION VII
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for earned but unpaid Base Salary and any earned but unpaid Incentive Compensation Awards, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, in a lump sum within sixty (60) days after the date of the Executive's death. The Executive's designated "beneficiary will be entitled to receive the proceeds of any life or other insurance or other death benefit programs provided in this Agreement. If applicable, Cendant will reimburse the Executive's estate for the relocation of his family and their personal belongings back to the United States, and will provide such other financial assistance related to such relocation to the extent provided in the Policy as well as any other reverse relocation benefits described in Section VIII.A.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge, as defined below, Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such Without Cause Termination or Constructive Discharge (i) a lump sum amount equal to two hundred and ninety-nine percent (299%) of the sum of Base Salary in effect at the time of such termination and the target Incentive Compensation Award for the year in which such termination occurs (which target Incentive Compensation Award shall in no event be greater than 100% of Base Salary for purposes of this severance

calculation) and (ii) any and all earned but unpaid Base Salary and earned but unpaid Incentive Compensation Awards. If the Executive is residing in the U.K. at such time and requests a relocation to the United States, Cendant will reimburse the Executive for moving his family and their personal belongings back to the United States, and will provide such other financial assistance related to such move to the extent provided in the Policy (as well as costs incurred in connection with the storage of the Executive's personal belongings for up to 12 months, to the extent not covered under the Policy) so long as such move occurs within 12 months of such termination or, in lieu thereof, at the election of the Executive (which election will be made by the Executive within 12 months of such date of termination), the Company shall pay the Executive an aggregate payment of U.S. $100,000. In addition, any medical and dental insurance benefits provided to similarly situated employees of Cendant EMEA from time to time will be provided to the Executive for a period of two years at the expense of Cendant (except for expenses related to the employee portion of premium payments, co-payments, deductibles and similar charges). In addition, any outstanding stock options held by the Executive as of the date of termination which were granted following March 1, 1999 and which would have otherwise vested during the two year period immediately following such date (assuming the Executive remained employed with Cendant during such period) will become vested and exercisable as of such date of termination, and will remain exercisable until the first to occur of the third anniversary of such date of termination and the original expiration date of such option.

B. Termination for Cause: Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary and any Incentive Compensation Awards earned but unpaid as of the date of such termination will be paid to the Executive in a lump sum within sixty (60) days of such termination. If the Executive is residing in the U.K. at such time and requests a relocation to the United States, Cendant will reimburse the Executive for moving his family and their personal belongings back to the United States, and will provide such other financial assistance related to such move to the extent provided in the Policy, so long as such move occurs within 12 months of such termination. Any outstanding stock options held by the Executive as of the date of termination will be treated in accordance with their terms. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. For the purposes of this Agreement, the following terms have the following meanings:

(i) "Termination for Cause" means termination of the Executive's employment by Cendant upon a good faith determination by the Chief Executive Officer of Cendant, by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's willful misconduct with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which is not cured (if such is capable of being cured) within thirty (30) days after written notice thereof to the Executive.

(ii) "Constructive Discharge" means (i) any material failure of Cendant to

fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other aspect of compensation) or (ii) if, during any period while the Executive's primary residence and primary business office is located in the London, U.K. metropolitan area, and either (A) the EMEA Headquarters is relocated to any location outside of London, U.K. or (B) a Disposition (as defined below) occurs. The Executive will provide Cendant a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within thirty (30) days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge. For purposes of this Agreement a "Disposition" has occurred if during any period of time during which the Executive is employed as Group Managing Director of Cendant EMEA, there is consummated a transaction (or a series of transactions over a period of no more than one year) involving the divestiture by Cendant of all or a portion of Cendant EMEA and, as a direct result of such transaction, the aggregate revenues for Cendant EMEA are decreased by 50% (which decrease shall be measured by comparing the net revenues for Cendant EMEA over the four fiscal calendar quarters of Cendant ending immediately prior to such transaction, against the aggregate revenues for Cendant EMEA over the same period after excluding any portion of such revenues attributable to the portions of Cendant EMEA which are no longer owned by, or attributable to, Cendant) and such decrease is solely and directly attributable to such transaction(s).

(iii) "Without Cause Termination" or "Terminated Without Cause" means termination of the Executive's employment by Cendant other than due to death, disability, or Termination for Cause.

(iv) "Resignation" means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

SECTION IX
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs; business; results of operations; accounting methods, practices and procedures; members; acquisition candidates; financial condition; clients; customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter except to the extent reasonably necessary in performance of his duties under this Agreement, give to any

person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

C. (i) During the Period of Employment and for a three (3) year period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

(ii) During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of Cendant or any of its affiliates or in any way injuring the interests of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board, will not engage in; directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of Cendant or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that Cendant's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

(iii) During the Restricted Period, the Executive, without express prior written approval from the Board, will not solicit any members or the then-current clients of Cendant or any of its affiliates for any existing business of Cendant or any of its affiliates or discuss with any employee of Cendant or any of its affiliates information or operation of any business intended to compete with Cendant or any of its affiliates.

(iv) During the Restricted Period, the Executive will not meddle with the employees or affairs of Cendant or any of its affiliates or solicit or induce any person who is an employee of Cendant or any of its affiliates to terminate any relationship such person may have with Cendant or any of its affiliates, nor will the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of Cendant or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement,

understanding or arrangement with any employee of Cendant or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

(v) For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" will include without limitation all subsidiaries and licensees of Cendant.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to Cendant if the Executive violates the terms of this Agreement and that Cendant will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section IX without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies Cendant may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX will be in effect will be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on Cendant's application for injunctive relief.

F. The Executive agrees that he restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, Cendant would not have entered into this Agreement.

SECTION X
INDEMNIFICATION; LITIGATION

A. Cendant will indemnify the Executive (including during the Restricted Period) to the fullest extent permitted by the laws of the state of Cendant's incorporation in effect at that time, or the certificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies Cendant may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being an officer of Cendant.

B. In the event of any litigation or other proceeding between Cendant and the Executive with respect to the subject matter of this Agreement, Cendant will reimburse the Executive for all costs and expenses related to the litigation or

proceedings, including attorney's fees and expenses, providing that the litigation or proceeding results in either settlement requiring Cendant to make a payment to the Executive or judgment in favor of the Executive.

SECTION XI
MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XII
WITHHOLDNG TAXES

Cendant may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation.

SECTION XIII
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive hereof (including without limitation the Employment Agreement between Cendant and the Executive dated March 1, 1999), and any such prior employment agreement will be deemed terminated without any remaining obligations of

either party thereunder. This Agreement will not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement.

SECTION XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation and this Agreement will continue in full force and effect.

SECTION XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the

parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver will operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI
GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state.

SECTION XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which Cendant may, but will not be required to, seek injunctive relief) will be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVII will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this. Agreement to proceed, the

parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XVIII
SURVIVAL

Sections VIII, IX, X, XI, XII and XVII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XX
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding will in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision will be deemed modified so that it will be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

/s/ Terry Conley

By: Terry Conley
Title: Executive Vice President, Human Resources

/s/ Scott E. Forbes

SCOTT E. FORBES

Scott E. Forbes
Amended and Restated Employment Agreement
Annex A

1. So long as the Executive remains in the EMEA Position, Cendant will provide the Executive with two (2) NCP Parking Cards.

2. So long as the Executive remains in the EMEA Position, Cendant will provide the Executive unlimited travel between the New York Metropolitan Area and the London Metropolitan Area; provided that he is eligible for and uses the IATAN fare basis when possible; and for four (4) business class round trips (per year) covering the same locations for Executive, his spouse and daughter if he is not eligible for IATAN benefits; further provided that such travel does not unduly interfere with the Executive's job responsibilities. In addition, Cendant will provide the Executive's spouse and daughter with four (4) business class round trips (per year) to Florida or New York Metropolitan area.

3. So long as the Executive remains in the EMEA Position, Cendant will reimburse the Executive for the cost of leasing an automobile for his personal and business use (which automobile will be a current model year Range Rover or equivalent vehicle) and will reimburse the Executive for the cost of basic operation, maintenance and repair for such automobile; provided, however, that Cendant may alternatively provide the Executive with an automobile pursuant to any officer car program of Cendant or Avis.

SECOND AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), first dated as of January 12, 2000, and amended and restated as of March 1, 2000, is hereby further amended and restated as of February 14, 2003, by and between Cendant Corporation, a Delaware corporation ("Cendant") and Thomas D. Christopoul (the "Executive").

WHEREAS, Cendant desires to employ the Executive as Senior Executive Vice President and Chief Administrative Officer of Cendant and the Executive desires to serve Cendant in such capacity.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I
EMPLOYMENT

Cendant agrees to employ the Executive and the Executive agrees to be employed by Cendant for the Period of Employment as provided in Section III below and upon the terms and conditions provided in this Agreement.

SECTION II
POSITION AND RESPONSIBILITIES

During the Period of Employment, the Executive will serve as Senior Executive Vice President and Chief Administrative Officer of Cendant, and subject to the direction of the Chief Executive Officer of Cendant (the "CEO"), will perform such duties and exercise such supervision with regard to the business of Cendant as are associated with such position, as well as such additional duties as may be prescribed from time to time by the CEO. Such duties include the oversight, coordination, administration and management of the following of Cendant's corporate service areas and business units: Human Resources, Facilities, Telecommunications, Telephone Call Centers and Information Technology. The Executive will, during the Period of Employment, devote substantially all of his time and attention during normal business hours to the performance of services for Cendant. The Executive will maintain a primary office and conduct his business in Parsippany,

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New Jersey, except for normal and reasonable business travel in connection with his duties hereunder.

SECTION III
PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement (the "Period of Employment") will begin on February 14, 2003 and end on February 14, 2006, subject to earlier termination as provided in this Agreement.

SECTION IV
COMPENSATION AND BENEFITS

A. Compensation.

For all services rendered by the Executive pursuant to this Agreement during the Period of Employment, including services as an executive, officer, director or committee member of Cendant or any of their respective subsidiaries or affiliates, the Executive will be compensated as follows:

i. Base Salary.

Cendant will pay the Executive a fixed base salary ("Base Salary") of not less than $650,000, per annum. The Executive will be eligible to receive annual increases as the Board of Directors of Cendant (the "Board") deems appropriate, in accordance with Cendant's customary procedures regarding the salaries of senior officers, but with due consideration given to the published Consumer Price Index applicable to the New York/New Jersey greater metropolitan area. Base Salary will be payable according to the customary payroll practices of Cendant, but in no event less frequently than once each month.

ii. Annual Incentive Awards

The Executive will be eligible for discretionary annual incentive compensation awards; provided, that the Executive will be eligible to receive an annual bonus opportunity in respect of each fiscal year of Cendant during the Period of Employment based upon a target bonus of not less than 100% of Base Salary, subject to the attainment by Cendant of applicable performance targets established and certified by the Compensation Committee of the Board (the "Committee"). The parties acknowledge that it is currently contemplated that such performance targets will be stated in terms of "earnings before interest and taxes" of Cendant; however, such targets may relate to such other financial and business criteria of Cendant, or any of

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its subsidiaries or business units, as determined by the Committee in its sole discretion (each such annual bonus, an "Incentive Compensation Award").

iii. Long-Term Incentive Awards

The Executive will be eligible for stock option awards subject to the sole discretion of the Committee; provided, however, that such options shall be granted in accordance with the terms and conditions of the applicable option plans of Cendant and shall have such other terms and conditions as determined by the Committee in its sole discretion.

iv. Additional Benefits

The Executive will be entitled to participate in all other compensation and employee benefit plans or programs, and receive all benefits and perquisites, for which salaried employees of Cendant are generally eligible under any plan or program now in effect, or later established by Cendant, on the same basis as similarly situated senior officers or Senior Executive Vice Presidents of Cendant with comparable duties and responsibilities. Without limiting the generality of the foregoing, the Executive shall remain eligible to participate in the Cendant Deferred Compensation Plan and shall be entitled to supplemental executive medical benefits, tax and financial

planning services, Park Avenue Club membership, one automobile under any Cendant officer automobile program, Fiddler's Elbow Cendant Corporate Golf Membership, and air transportation benefits; provided, however, that all such benefits and perquisites referenced in this paragraph will be provided to the Executive if and to the extent Cendant continues to provide them to other Senior Executive Vice Presidents of Cendant. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs, and in accordance with the terms of such plans and program. Cendant has no obligation hereunder or otherwise to maintain any plan or program referenced under this paragraph.

SECTION V
BUSINESS EXPENSES

Cendant will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. The Executive will comply with such limitations and reporting requirements with respect to expenses as may be established by Cendant from time to time and will promptly provide all appropriate and requested documentation in connection with such expenses.

SECTION VI
DISABILITY

A. If the Executive becomes Disabled, as defined below, during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to Cendant, or at the option of Cendant upon notice of termination to the Executive. Cendant's obligation to make payments to the Executive under this Agreement will cease as of such date of termination, except for Base Salary and Incentive Compensation Awards earned but unpaid as of the date of such termination. For purposes of this Agreement, "Disabled" means the Executive's inability to perform his duties hereunder, with or without reasonable accommodation, as a result of serious physical or mental illness or injury for a period of no less than 90 consecutive days, together with a determination by an independent medical authority that (i) the Executive is currently unable to perform such duties and (ii) in all reasonable likelihood such disability will continue for a period in excess of 180 days. Such medical authority shall be mutually and reasonably agreed upon by Cendant and the Executive and such opinion shall be binding on Cendant and the Executive.

SECTION VII
DEATH

In the event of the death of the Executive during the Period of Employment, the Period of Employment will end and Cendant's obligation to make payments under this Agreement will cease as of the date of death, except for Base Salary and Incentive Compensation Awards earned but unpaid through the date of death, which will be paid to the Executive's surviving spouse, estate or personal representative, as applicable, and except for benefits provided under the terms of any applicable employee benefit plan sponsored by Cendant.

SECTION VIII
EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates during the Period of Employment due to either a Without Cause Termination or a Constructive Discharge as defined below, subject to the Executive executing a release of claims against Cendant as more fully described in paragraph D of this Section VIII (i) Cendant will pay the Executive (or his surviving spouse, estate or personal representative, as applicable) upon such event (a) a lump sum amount equal to the Executive's then current Base Salary, plus the Executive's then current target Incentive Compensation Award, multiplied by

three (3) and (b) any and all Base Salary and Incentive Compensation Awards earned but unpaid through the date of such termination, (ii) each option to purchase shares of Cendant common stock granted to the Executive on or after the date hereof shall, upon such event, become fully vested and exercisable and shall remain exercisable until the first to occur of the second anniversary of such termination of employment or the original expiration date of such option and (iii) the Executive shall be provided with post-termination medical insurance benefits for such period of time, and on such terms and conditions, no less favorable than as provided to any other Senior Executive Vice President of Cendant following the date of this Agreement.

B. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary and any Incentive Compensation Awards earned but unpaid as of the date of such termination will be paid to the Executive in a lump sum. Except as provided in this paragraph, Cendant will have no further obligations to the Executive hereunder.

C. For purposes of this Agreement, the following terms have the following meanings:

i. "Termination for Cause" means (i) the Executive's willful failure to substantially perform his duties as an employee of Cendant or any of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), (ii) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against Cendant or any of its subsidiaries, (iii) the Executive's conviction of a felony or any crime involving moral turpitude (which conviction, due to the passage of time or otherwise, is not subject to further appeal) or (iv) the Executive's gross negligence in the performance of his duties.

ii. "Constructive Discharge" means (i) any material failure of Cendant to fulfill its obligations under this Agreement (including without limitation any reduction of the Base Salary, as the same may be increased during the Period of Employment, or other material element of compensation), (ii) a material and adverse change to, or a material reduction of, the Executive's duties and responsibilities to Cendant, (iii) the relocation of the Executive's primary office to any location more than fifty (50) miles from Parsippany, New Jersey, (iv) the Executive shall no longer report directly to either the Chief Executive Officer of Cendant, or any senior executive officer of Cendant who reports directly to the Chief Executive Officer of Cendant or (v) the Period of Employment expires on February 14, 2006 and Cendant does not offer to extend such Period of Employment on substantially similar professional and economic terms by at least two, and not more than three, additional year(s). The Executive will provide Cendant a written notice which describes the circumstances being relied on for the termination with respect to this Agreement within thirty (30)

days after the event giving rise to the notice. Cendant will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge.

iii. "Without Cause Termination" or "Terminated Without Cause" means termination of the Executive's employment by Cendant other than due to death, Disability or Termination for Cause.

iv. "Resignation" means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

D. Conditions to Payment and Acceleration. All payments and benefits due to the Executive under this Section VIII shall be made or provided as soon as practicable; provided, however, that such payments and benefits shall be subject to, and contingent upon, the execution by the Executive (or his beneficiary or estate) of a release of claims against Cendant and its affiliates in such form determined by Cendant in its sole discretion (so long as such release does not limit the Executive's right to indemnification under Section X hereof). The payments due to the Executive under this Section VIII shall be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of Cendant or its affiliates. To the extent any term or condition of any option to purchase Cendant common stock conflicts with any term or condition of this Agreement applicable to such option, the term or condition set forth in this Agreement shall govern.

SECTION IX
OTHER DUTIES OF THE EXECUTIVE
DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in his possession and fully cooperate with Cendant and its affiliates as may be requested in connection with any claims or legal action in which Cendant or any of its affiliates is or may become a party; provided, that such cooperation does not impose unreasonable hardship on the Executive and; further, provided, that Cendant reimburses the Executive for reasonable expenses.

B. The Executive recognizes and acknowledges that all information pertaining to this Agreement or to the affairs, business, results of operations, accounting methods, practices and procedures, members, acquisition candidates, financial condition, clients, customers or other relationships of Cendant or any of its affiliates ("Information") is confidential and is a unique and valuable asset of Cendant or any of its affiliates. Access to and knowledge of certain of the Information is essential

to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or thereafter, except to the extent reasonably necessary in performance of his duties under this Agreement, give to any person, firm, association, corporation, or governmental agency any Information, except as may be required by law. The Executive will not make use of the Information for his own purposes or for the benefit of any person or organization other than Cendant or any of its affiliates. The Executive will also use his best efforts to prevent the disclosure of this Information by others. All records, memoranda, etc. relating to the business of Cendant or its affiliates, whether made by the Executive or otherwise coming into his possession, are confidential and will remain the property of Cendant or its affiliates.

C. i. During the Period of Employment and for a two (2) year period thereafter (the "Restricted Period"), irrespective of the cause, manner or time of any termination, the Executive will not use his status with Cendant or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to him in the absence of his relationship to Cendant or any of its affiliates.

ii. During the Restricted Period, the Executive will not make any statements or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of Cendant or any of its affiliates or in any way injuring the interests of Cendant or any of its affiliates. During the Restricted Period, the Executive, without prior express written approval by the Board, will not engage in, or directly or indirectly (whether for compensation or otherwise) own or hold proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes in any way or manner with the business of Cendant, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that Cendant's businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

iii. During the Restricted Period, the Executive, without express prior written approval from the Board, will not solicit any members or the then-current clients of Cendant or any of its affiliates for any existing business of Cendant or any of its affiliates or discuss with any employee of Cendant or any of its affiliates information or operation of any business intended to compete with Cendant or any of its affiliates.

iv. During the Restricted Period, the Executive will not interfere with the employees or affairs of Cendant or any of its affiliates or solicit or induce any person who is an employee of Cendant or any of its affiliates to terminate any relationship such person may have with Cendant or any of its affiliates, nor will the Executive during such period directly or indirectly engage, employ or compensate, or cause or permit any person with which the Executive may be affiliated, to engage, employ or compensate, any employee of Cendant or any of its affiliates. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of Cendant or any of its affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

v. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" will include without limitation all subsidiaries and licensees of Cendant.

D. The Executive hereby acknowledges that damages at law may be an insufficient remedy to Cendant if the Executive violates the terms of this Agreement and that Cendant will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section IX without the necessity of showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies Cendant may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section IX.

E. The period of time during which the provisions of this Section IX will be in effect will be extended by the length of time during which the Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on Cendant's application for injunctive relief.

F. The Executive agrees that the restrictions contained in this Section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, Cendant would not have entered into this Agreement.

SECTION X
INDEMNIFICATION

Cendant will indemnify the Executive to the fullest extent permitted by the laws of the state of Cendant's incorporation in effect at that time, or the certificate of incorporation and by-laws of Cendant, whichever affords the greater protection to the Executive.

SECTION XI
MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

SECTION XII
WITHHOLDING TAXES

The Executive acknowledges and agrees that Cendant may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation.

SECTION XIII
EFFECT OF PRIOR AGREEMENTS

This Agreement will supersede any prior employment agreement between Cendant and the Executive hereof, including, without limitation, that certain letter agreement between Cendant and the Executive dated as of April 1, 1999 (except with respect to any provisions in such letter agreement applicable to the treatment of Cendant stock options in connection with any termination of the Executive's employment), and any such prior employment agreement will be deemed terminated without any remaining obligations of either party thereunder.

SECTION XIV
CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement will preclude Cendant from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of

Cendant hereunder. Upon such a consolidation, merger or sale of assets the term "Cendant" will mean the other corporation and this Agreement will continue in full force and effect.

SECTION XV
MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with waiver. A waiver will operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI
GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state.

SECTION XVII
ARBITRATION

A. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement (other than with respect to the matters covered by Section IX for which Cendant may, but will not be required to, seek injunctive relief) will be finally settled by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state arbitration law) as follows: Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in New York, New York, to the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association applicable to employment disputes, modified only as herein expressly provided. After the aforesaid twenty (20) days, either party, upon ten (10) days notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

B. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

C. Except as otherwise provided in this Agreement, the arbitrator will be authorized to apportion its fees and expenses and the reasonable attorneys' fees and expenses of any such party as the arbitrator deems appropriate. In the absence of any such apportionment, the fees and expenses of the arbitrator will be borne equally by each party, and each party will bear the fees and expenses of its own attorney.

D. The parties agree that this Section XVII has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section XVII will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

E. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

SECTION XVIII
SURVIVAL

Sections IX, X, XI, XII, and XVII will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XIX
SEPARABILITY

All provisions of this Agreement are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding will in no way affect the validity or enforceability of any other provision of this Agreement. The parties hereto further agree that any such invalid or unenforceable provision will be deemed modified so that it will be enforced to the greatest extent permissible under law, and to the extent that any court of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court may limit this Agreement to render it reasonable

in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CENDANT CORPORATION

/s/ Henry R. Silverman

By: Henry R. Silverman

Title: Chairman and Chief Executive Officer

THOMAS D. CHRISTOPOUL

/s/ Thomas D. Christopoul

EXECUTION COPY

Exhibit 10.5

INDENTURE AND SERVICING AGREEMENT

Dated as of March 31, 2003

by and among

SIERRA 2003-1 RECEIVABLES FUNDING COMPANY, LLC,

as Issuer

and

FAIRFIELD ACCEPTANCE CORPORATION - NEVADA,

as Servicer

and

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Trustee

and

WACHOVIA BANK, NATIONAL ASSOCIATION,

as Collateral Agent

EXHIBITS

SCHEDULES

INDENTURE AND SERVICING AGREEMENT

THIS INDENTURE AND SERVICING AGREEMENT dated as of March 31, 2003 is by and among **SIERRA 2003-1 RECEIVABLES FUNDING COMPANY, LLC**, a limited liability company organized under the laws of the State of Delaware as issuer, **FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,** a Delaware corporation, as Servicer, **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association, as trustee and as collateral agent. This Agreement may be supplemented and amended from time to time in accordance with Article XV.

RECITALS

The Issuer has duly authorized the execution and delivery of this Agreement to provide for the issuance of its loan-backed notes as provided herein.

All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders and the Swap Counterparty.

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, the valid obligations of the Issuer and to make this Agreement a valid agreement of the Issuer, enforceable in accordance with its terms.

NOW THEREFORE, in consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other parties and for the benefit of the Noteholders and the Swap Counterparty.

GRANTING CLAUSES

The Issuer hereby Grants to the Collateral Agent, for the benefit of the Trustee for the benefit of the Noteholders and the Swap Counterparty, all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in, to and under the following:

(a) all Pledged Loans, together with all other Pledged Assets;

(b) the Collection Account and all money, investment property, instruments and other property credited to, carried in or deposited in the Collection Account;

(c) all money, investment property, instruments and other property credited to, carried in or deposited in a Lockbox Account or any other bank or similar account into which Collections are deposited, to the extent such

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money, investment property, instruments and other property constitutes Collections;

(d) the Reserve Account and all money, investment property, instruments and other property credited to, carried in or deposited in the Reserve Account;

(e) the Interest Rate Swap and all rights and interests therein and thereto;

(f) all rights, remedies, powers, privileges and claims of the Issuer under or with respect to the Series 2003-1 Term Purchase Agreement, the Sale and Assignment Agreement and the Letters of Understanding, including, without limitation, all rights to enforce payment obligations of the Issuer, the Depositor, Sierra 2002 and each Seller and all rights to collect all monies due and to become due to the Issuer from the Depositor, Sierra 2002, or any Seller under or in connection with the Series 2003-1 Term Purchase Agreement, the Sale and Assignment Agreement or the Letters of Understanding (including without limitation all interest and finance charges for late payments and proceeds of any liquidation or sale of Pledged Loans or resale of Timeshare Properties or Vacation Credits and all other Collections on the Pledged Loans) and all other rights of the Issuer to enforce the Series 2003-1 Term Purchase Agreement, the Sale and Assignment Agreement and the Letters of Understanding;

(g) all Assigned Rights of the Issuer with respect to the Pledged Loans and the Pledged Assets including, without limitation, all rights to enforce payment obligations of the Issuer, the Depositor, Sierra 2002, and each Seller and all rights to collect all monies due and to become due to the Issuer from the Depositor, Sierra 2002, or any Seller under or in connection with the Pledged Loans (including without limitation all interest and finance charges for late payments accrued thereon and proceeds of any liquidation or sale of Pledged Loans or resale of Timeshare Properties or Vacation Credits and all other Collections on the Pledged Loans);

(h) all certificates and instruments, if any, from time to time representing or evidencing any of the foregoing property described in clauses (a) through (g) above;

(i) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing;

(j) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas and other minerals, consisting of, arising from, or relating to, any of the foregoing;

(k) all proceeds of the foregoing property described in clauses (a) through (j) above, any security therefor, and all interest, dividends, cash, instruments,

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financial assets and other investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for or on account of the sale, condemnation or other disposition of, any or all of the then existing Collateral, and including all payments under insurance policies (whether or not a Seller or an Originator, the Depositor, Sierra 2002, the Issuer, the Collateral Agent or the Trustee is the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any of the Collateral; and

(l) all proceeds of the foregoing.

The property described in the preceding sentence is collectively referred to as the "Collateral." The Grant of the Collateral to the Collateral Agent is for the benefit of the Trustee to secure the Notes equally and ratably without prejudice, priority or distinction among any Notes by reason of difference in time of issuance or otherwise, except as otherwise expressly provided in the Agreement and to secure (i) the payment of all amounts due on the Notes in accordance with their respective terms, (ii) the payment of all other sums payable by the Issuer under this Agreement or the Notes and (iii) compliance by the Issuer with the provisions of this Agreement and the Notes. This Agreement is a security agreement within the meaning of the UCC.

The Collateral Agent and the Trustee acknowledge the Grant of the Collateral, and the Collateral Agent accepts the Collateral in trust hereunder in accordance with the provisions hereof and agrees to perform the duties herein to the end that the interests of the Noteholders may be adequately and effectively protected.

The Trustee and the Collateral Agent each acknowledges that it has entered into the Collateral Agency Agreement pursuant to which the Collateral Agent acts as agent for the benefit of the Trustee for the purpose of maintaining a security interest in the Collateral. The Trustee and the Noteholders are bound by the terms of the Collateral Agency Agreement by the Trustee's execution thereof on their behalf.

ARTICLE I

DEFINITIONS

Section 1.1 Definitions

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Account" shall mean the Collection Account or the Reserve Account and "Accounts" means the Collection Account and the Reserve Account.

"Accrual Period" shall mean, with respect to the Notes for any Payment Date, the period beginning on and including the immediately preceding Payment Date and ending on and excluding the current Payment Date, except that the first Accrual Period will begin on and include the Closing Date and end on and exclude the April, 2003 Payment Date.

"Accrued Interest" shall mean with, respect to each Class, interest accrued during the related Accrual Period at the applicable Note Interest Rate on the Adjusted Principal Amount of such Class of Notes as of the immediately preceding Payment Date (or, in the case of the initial Payment Date, the Adjusted Principal Amount as of the Closing Date).

"Adjusted Principal Amount" shall mean, on any Payment Date and for any Class of Notes, the Adjusted Principal Amount of such Class as of the prior Payment Date or, with respect to the first Payment Date, as of the Closing Date, minus the sum of (i) the amount of all principal distributions actually made to such Class on such Payment Date and (ii) the Monthly Adjustment Amount of such Class on such Payment Date. In no event will the Adjusted Principal Amount of any Class exceed the Principal Amount of such Class or be less than zero. On the Closing Date, the Adjusted Principal Amount of any Class is the Initial Principal Amount of such Class.

"Administrative Services Agreement" shall mean either the Depositor Administrative Services Agreement dated as of August 29, 2002 by and between the Depositor and the Administrator or the Issuer Administrative Services Agreement dated as of March 31, 2003 by and between the Issuer and the Administrator, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms of the respective agreements.

"Administrator" shall mean, with respect to the Administrative Services Agreements, FAC, as administrator with respect to the Depositor and the Issuer, respectively, or any other entity which becomes the Administrator under the terms of the applicable Administrative Services Agreement.

"Affiliate" shall mean, when used with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, and "control" means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlling" and "controlled" shall have meanings correlative to the foregoing.

"Aggregate Default Rate" shall mean as of any Determination Date, a percentage obtained by dividing (i) the aggregate amount of all Pledged Loans that have become Defaulted Loans for the period commencing with the Cut-Off Date and ending at the end of the prior Due Period by (ii) the Aggregate Loan Balance as of the Cut-Off Date.

"Aggregate Loan Balance" shall mean, as of any time, the sum of the Loan Balances for the Pledged Loans excluding Defaulted Loans.

"Aggregate Monthly Adjustment Amount" shall mean, on any Payment Date, the amount by which the aggregate Adjusted Principal Amount of all Classes as of the prior Payment Date (or in the case of the initial Payment Date, as of the Closing Date), after giving effect to any principal distributions made on all Classes on such Payment Date, exceeds the Aggregate Loan Balance as of the last day of the related Due Period.

"Aggregate Principal Amount" shall mean the sum of the Principal Amounts for all Classes of Notes.

"Agreement" shall mean this Indenture and Servicing Agreement as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Assigned Rights" shall mean all rights of the Depositor with respect to the Series 2002-1 Loans and related Transferred Assets transferred to the Depositor by Sierra 2002 under the Sale and Assignment Agreement and all rights of the Depositor under the Purchase Agreement with respect to Series 2002-1 Loans which are Pledged Loans and the related Transferred Assets which are Pledged Assets, including, but not limited to, the right to sell Defective Loans to the Sellers or to cause the Sellers to purchase Defective Loans from the Issuer.

"Authentication Agent" shall mean a Person designated by the Trustee to authenticate Notes on behalf of the Trustee.

"Authorized Officer" shall mean, with respect to the Issuer, any officer who is authorized to act for the Issuer in matters relating to the Issuer, and with respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian or authenticating agent, a Responsible Officer. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"Available Funds" for any Payment Date shall mean (i) all payments (including prepayments) of principal, interest and fees collected from or on behalf of the Obligors during the related Due Period on the Pledged Loans, including amounts paid to the Issuer for release of the Pledged Loans which are deemed to be prepaid; (ii) any Servicer Advances made on or prior to the Payment Date with respect to payments due from the Obligors on the Pledged Loans during the related Due Period; (iii) all amounts received as the Release Price paid to the Trustee for the release from the Lien of this Agreement securing the Notes of any Pledged Loan that has become a Defaulted Loan; (iv) all Net Liquidation Proceeds from the disposition of Pledged Assets securing Defaulted Loans received during the related Due Period; (v) the amounts received by the Trustee as the Release Price in connection with the release of a Defective Loan and (vi) all amounts received by the Issuer under the Interest Rate Swap.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"Benefit Plan" shall mean any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Issuer, any eligible Originator, any eligible Seller or any ERISA Affiliate of the Issuer is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"Business Day" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York, New York, Las Vegas, Nevada, Chicago, Illinois, Charlotte, North Carolina, or the city in which the Corporate Trust Office of the Trustee is located, are authorized or obligated by law or executive order to be closed.

"Calculation Date" shall mean the close of business on the last Business Day of the related Due Period.

"Cash Accumulation Event" shall mean the occurrence of any of the following events:

(i) on any Determination Date, the average of the Delinquency Ratios for the three immediately preceding Due Periods is greater than 5.0%;

(ii) on any Determination Date, the average of the Default Percentages for the four immediately preceding Due Periods is greater than the applicable Default Percentage Threshold; or

(iii) on any Determination Date, the Aggregate Default Rate is greater than 23%;

a Cash Accumulation Event described in (i) above shall continue until the average of the Delinquency Ratios for the three immediately preceding Due Periods is equal to or less than 5.0% for three consecutive Determination Dates. A Cash Accumulation Event described in clause (ii) above will continue until the average of the Default Percentages for the four immediately preceding Due Periods is equal to or less than the applicable Default Percentage Threshold for three consecutive Determination Dates.

"Cendant" shall mean Cendant Corporation or any successor thereof.

"Certificate of Authentication" shall have the meaning set forth in Section 2.2.

"Class" shall mean the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes.

"Class A Monthly Adjustment Amount" shall mean, on any Payment Date, the lesser of (i) the Adjusted Principal Amount of the Class A Notes as of the prior Payment Date after giving effect to any principal distributions made on such Class on such Payment Date, and (ii) the amount by which the Aggregate Monthly Adjustment Amount exceeds the aggregate Adjusted Principal Amount of the Class B, Class C and Class D Notes as of the prior Payment Date (or, in the case of the first Payment Date, as of the Closing Date), after giving effect to all principal distributions made to such Class B, Class C and Class D Notes on such Payment Date.

"Class A Note" shall mean any of the $180,200,000 3.09% Loan-Backed Notes, Series 2003-1, Class A, due 2014.

"Class B Monthly Adjustment Amount" shall mean, on any Payment Date, the lesser of (i) the Adjusted Principal Amount of the Class B Notes as of the prior Payment Date after giving effect to any principal distributions made on such Class on such Payment Date, and (ii) the amount by which the Aggregate Monthly Adjustment Amount exceeds the aggregate Adjusted Principal Amount of the Class C and Class D Notes as of the prior Payment Date (or, in the case of the first Payment Date, as of the Closing Date), after giving effect to all principal distributions made to such Class C and Class D Notes on such Payment Date.

"Class B Note" shall mean any of the $27,200,000 3.48% Loan-Backed Notes, Series 2003-1, Class B, due 2014.

"Class C Monthly Adjustment Amount" shall mean, on any Payment Date, the lesser of (i) the Adjusted Principal Amount of the Class C Notes as of the prior Payment Date after giving effect to any principal distributions made on such Class on such Payment Date, and (ii) the amount by which the Aggregate Monthly Adjustment Amount exceeds the aggregate Adjusted Principal Amount of the Class D Notes as of the prior Payment Date (or, in the case of the first Payment Date, as of the Closing Date), after giving effect to all principal distributions made to the Class D Notes on such Payment Date.

"Class C Note" shall mean any of the $37,400,000 4.56% Loan-Backed Notes, Series 2003-1, Class C, due 2014.

"Class D Monthly Adjustment Amount" shall mean, on any Payment Date, the lesser of (i) the Adjusted Principal Amount of the Class D Notes as of the prior Payment Date after giving effect to any principal distributions made on such Class on such Payment Date, and (ii) the Aggregate Monthly Adjustment Amount for such Payment Date (or, in the case of the first Payment Date, the Closing Date).

"Class D Note" shall mean any of the $57,800,000 Floating Rate Loan-Backed Notes, Series 2003-1, Class D, due 2014.

"Class Percentages" shall mean for each Class, at any time, the percentage expressed as a fraction with the numerator being the Principal Amount of such Class and the denominator being the Aggregate Principal Amount of all Classes.

"Clearing Agency" shall mean an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Custodian" shall mean the entity maintaining possession of the Global Notes for the Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Clearstream" shall mean Clearstream Banking, société anonyme, a professional depository incorporated under the laws of Luxembourg, and its successors.

"Closing Date" shall mean March 31, 2003.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning specified in the Granting Clause of this Agreement.

"Collateral Agency Agreement" shall mean the Collateral Agency Agreement dated as of January 15, 1998 by and between Fleet National Bank as predecessor Collateral Agent, Fleet Securities, Inc. as deal agent and the secured parties named therein, as amended by the First Amendment to Collateral Agency Agreement dated as of July 31, 1998, as further amended by the Second Amendment to Collateral Agency Agreement dated as of July 25, 2000, as further

amended by the Third Amendment to Collateral Agency Agreement dated as of July 1, 2001, as further amended by the Fourth Amendment to Collateral Agency Agreement dated as of August 29, 2002, and as further amended by the Fifth Amendment to the Collateral Agency Agreement dated as of March 31, 2003, by and among the Collateral Agent, the Trustee and other secured parties, as such Collateral Agency Agreement may be amended, supplemented or otherwise modified from time to time in accordance therewith.

"Collateral Agent" shall mean Wachovia Bank, National Association in its capacity as collateral agent under this Agreement and the Collateral Agency Agreement or any successor collateral agent appointed under the Collateral Agency Agreement.

"Collection Account" shall mean the account described in Section 3.4 hereof and established for the deposit of Collections and other amounts as provided in this Agreement.

"Collections," shall mean, with respect to any Pledged Loan, all funds, cash collections and other cash proceeds of such Pledged Loan paid by or on behalf of the Obligor after the Cut-Off Date, including without limitation (i) all Scheduled Payments or recoveries made in the form of money, checks and like items to, or a wire transfer or an automated clearinghouse transfer received in, any of the Lockbox Accounts or received by the Issuer or the Servicer (or the Subservicer) in respect of such Pledged Loan, (ii) all amounts received by the Issuer, the Servicer (or the Subservicer) or the Trustee in respect of any Insurance Proceeds relating to such Pledged Loan or the related Timeshare Property and (iii) all amounts received by the Issuer, the Servicer (or the Subservicer) or the Trustee in respect of any proceeds in respect of a condemnation of property in any Resort, which proceeds relate to such Pledged Loan or the related Timeshare Property.

"Corporate Trust Office" shall mean the office of the Trustee at which at any particular time its corporate trust business is administered, which office at the date of the execution of this Agreement is located at 401 South Tryon Street, NC-1179, 12th Floor, Charlotte, NC 28288-1179, Attention: Structured Finance Trust Services, Sierra 2003-1 Receivables Funding Company, LLC.

"Credit Card Account" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Loan via pre-authorized debit to a Major Credit Card.

"Credit Standards and Collection Policies" shall mean the Credit Standards and Collection Policies of FAC and FRI or Trendwest, as attached to the applicable Purchase Agreement and as amended from time to time in accordance with the applicable Purchase Agreement and the restrictions of this Agreement.

"Custodial Agreement" shall mean the First Amended and Restated Custodial Agreement dated as of March 31, 2003 by and among the Issuer, Sierra 2002, the Depositor, FAC, EFI, Trendwest, Wachovia Bank, National Association, as Custodian, the Trustee and the Collateral Agent and the Sierra 2002 Trustee, as the same may be further amended, supplemented or otherwise modified from time to time hereafter in accordance with the terms hereof.

"Custodian" shall mean, at any time, the custodian under the Custodial Agreement.

"Customary Practices" shall, with respect to the servicing and administration of any Pledged Loans, have the meaning assigned to that term in the Purchase Agreement under which such Loan was transferred from the Seller to the Depositor.

"Cut-Off Date" shall mean, with respect to the Pledged Loans, the close of business on February 28, 2003.

"Debt" of any Person shall mean (a) indebtedness of such Person for borrowed money, (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) obligations of such Person to pay the deferred purchase price of property or services, (d) obligations of such Person as lessee under leases which have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (e) obligations secured by any lien, security interest or other charge upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (f) obligations of such Person under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above, and (g) liabilities of such Person in respect of unfunded vested benefits under Benefit Plans covered by Title IV of ERISA.

"Debtor Relief Laws" shall mean the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"Defaulted Loan" shall mean any Pledged Loan (a) with any portion of a Scheduled Payment delinquent more than 119 days, (b) with respect to which the Servicer shall have determined in good faith that the Obligor will not resume making Scheduled Payments, (c) for which the related Obligor shall have become the subject of a proceeding under a Debtor Relief Law or (d) for which cancellation or foreclosure actions have been commenced.

"Default Percentage" shall mean, for any Due Period, a fraction the numerator of which is the outstanding Aggregate Loan Balance (immediately before the date on which the Loan became a Defaulted Loan) of all Pledged Loans that became Defaulted Loans during the Due Period and the denominator of which is the Aggregate Loan Balance as of the last day of the Due Period.

"Default Percentage Threshold" shall mean (i) for any Determination Date occurring on or before March 2004, 0.85%, (ii) for any Determination Date occurring after March 2004 and on or before March 2005, 1.00% and (iii) after the Determination Date occurring in March 2005, 1.25%.

"Defective Loan" shall mean any Pledged Loan with any uncured material breach of a representation or warranty of the Issuer set forth in Section 5.2 of this Agreement.

"Definitive Notes" shall have the meaning set forth in Section 2.11.

"Delinquency Ratio" shall mean, for any Due Period, a fraction the numerator of which is the sum of the outstanding Loan Balances of all Pledged Loans which are Delinquent Loans at the end of such Due Period and the denominator of which is the Aggregate Loan Balance as of the last day of such Due Period.

"Delinquent Loan" shall mean a Pledged Loan with any Scheduled Payment or portion of a Scheduled Payment delinquent more than 60 days other than a Pledged Loan that is a Defaulted Loan.

"Depositor" shall mean Sierra Deposit Company, LLC, a Delaware limited liability company.

"Depository Agreement" shall mean the agreement among the Issuer, the Trustee and The Depository Trust Company.

"Designated Maturity" shall mean for any LIBOR Determination Date, one month.

"Determination Date" shall mean, with respect to any Payment Date, the second Business Day preceding such Payment Date.

"Distribution Compliance Period" shall have the meaning specified in Rule 902 of Regulation S under the Securities Act.

"Due Date" shall mean, with respect to any Pledged Loan, the date on which the Obligor with respect to such Pledged Loan is required to make a Scheduled Payment thereon.

"Due Period" shall mean, for any Payment Date, the immediately preceding calendar month.

"DWAC" shall have the meaning set forth in subsection 2.13(a).

"EFI" shall mean EFI Development Funding, Inc., a Delaware corporation.

"Eligible Account" means either (a) a segregated account (including a securities account) with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution shall have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade.

"Eligible Loan" shall have the meaning assigned to that term in Section 5.2.

"Eligible Institution" shall mean any depository institution the short term unsecured senior indebtedness of which is rated at least "Fl" by Fitch, "A-l" by S&P or "P-l" by Moody's, and the long term unsecured indebtedness rating of which is rated at least "A" by Fitch, "A" by S&P or "A-2" by Moody's.

"Equity Percentage" shall mean with respect to a Pledged Loan, a fraction, expressed as a percentage, the numerator of which is the excess of (A) the Timeshare Price of the related Timeshare Property relating to a Pledged Loan paid or to be paid by an Obligor over (B) the outstanding principal balance of such Pledged Loan at the time of sale of such Timeshare Property to such Obligor (less the amount of any valid check presented by such Obligor at the time of such sale that has cleared the payment system), and the denominator of which is the Timeshare Price of the related Timeshare Property, provided that any cash downpayments or principal payments made on any initial Pledged Loan that have been fully prepaid as part of a Timeshare Upgrade and financed downpayments under such initial Pledged Loan financed over a period not exceeding six months from the date of origination of such Pledged Loan that have actually been paid within such six-month period shall be included for purposes of calculating the numerator of such fraction.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(n) of the Code) as such Person, any corporation described in clause (i) or any trade or business described in clause (ii).

"ERISA Liabilities" shall have the meaning set forth in Section 6.2(h).

"Euroclear Operator" shall mean Euroclear Bank S.A./N.V., as operator of the Euroclear System, and its successor and assigns in such capacity.

"Euroclear Participants" shall mean the participants of the Euroclear System, for which the Euroclear System holds securities.

"Event of Default" shall mean the events designated as Events of Default under Section 11.1 of this Agreement.

"Exchange Act" shall mean the U. S. Securities Exchange Act of 1934, as amended.

"Exchange Date" shall have the meaning specified in subsection 2.9(d).

"Extra Principal Distribution Amount," shall mean, on any Payment Date, the lesser of (i) the amount by which the portion of the Available Funds representing the interest portion of Available Funds or other amounts received in respect of interest exceeds the amount required to be distributed on such Payment Date pursuant to clauses FIRST through NINTH, inclusive, of the Priority of Payments and (ii) the Interim Overcollateralization Deficiency on such Payment Date.

"FAC" shall mean Fairfield Acceptance Corporation-Nevada, a Delaware corporation domiciled in Nevada and a wholly-owned subsidiary of FRI.

"Fairfield Loan" shall mean a Pledged Loan which was sold to the Depositor under the Fairfield Master Loan Purchase Agreement.

"Fairfield Master Loan Purchase Agreement" shall mean the Master Loan Purchase Agreement dated as of August 29, 2002 and the First Amendment and Supplement to Master Loan Purchase Agreement dated as of November 27, 2002, by and between FAC, as Seller and the Depositor, as Purchaser and FRI, Fairfield Myrtle Beach, Inc., Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group, Ocean Ranch Vacation Group, and Kona Hawaiian Vacation Ownership, LLC, together with the Series 2002-1 Supplement dated as of August 29, 2002 to such Master Loan Purchase Agreement and the First Amendment, dated as of November 27, 2002, to the Series 2002-1 Supplement to the Master Loan Purchase Agreement.

"Fairfield Originator" shall mean FRI, Fairfield Myrtle Beach, Inc., Kona Hawaiian Vacation Ownership, LLC, Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group, Ocean Ranch Vacation Group, or any other Subsidiary of Cendant that originates Loans in accordance with the Credit Standards and Collection Policies for sale to FAC.

"FairShare Plus Agreement" shall mean the Amended and Restated FairShare Vacation Plan Use Management Trust Agreement effective as of January 1, 1996 by and between FRI, and certain of its subsidiaries and third party developers.

"FairShare Plus Program" shall mean the program pursuant to which the occupancy and use of a Timeshare Property is assigned to the trust created by the FairShare Plus Agreement in exchange for annual symbolic points that are used to establish the location, timing, length of stay and unit type of a vacation, including without limitation systems relating to reservations, accounting and collection, disbursement and enforcement of assessments in respect of contributed units.

"Financing Statements" shall mean, collectively, the UCC financing statements and the amendments thereto to be authorized and delivered in connection with any of the transactions contemplated hereby or any of the other Transaction Documents.

"First Guaranty Agreement" shall mean that Performance Guaranty dated as of August 29, 2002 made by Cendant in favor of the Depositor, Sierra 2002, the Sierra 2002 Trustee and confirmed by the Letter of Understanding as extending to the Trustee.

"Fitch" shall mean Fitch, Inc. or any successor thereto.

"Fixed Amount" shall mean, for any Payment Date, an amount equal to the fixed amount payable by the Issuer to the Swap Counterparty for such date pursuant to the Interest Rate Swap.

"Fixed Week" shall mean a Timeshare Property representing a fee simple interest in a lodging unit at a Resort that entitles the related Obligor to occupy such lodging unit for a specified one-week period each year.

"Floating Amount" shall mean, for any Payment Date an amount equal to the floating amount payable by the Swap Counterparty to the Issuer for such date pursuant to the Interest Rate Swap.

"FMB" shall mean Fairfield Myrtle Beach, Inc., a Delaware corporation.

"Foreign Clearing Agency" shall mean Clearstream and the Euroclear Operator.

"FRI" shall mean Fairfield Resorts, Inc., a Delaware corporation and its successors and assigns.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Global Notes" shall mean the Rule 144A Global Note and the Regulation S Global Note.

"Grant" shall mean, as to any asset or property, to pledge, assign and grant a security interest in such asset or property. A Grant of any item of Collateral shall include all rights, powers and options of the Granting party thereunder or with respect thereto, including without limitation the immediate and continuing right to claim, collect, receive and give receipt for principal, interest and other payments in respect of such item of Collateral, principal and interest payments and receipts in respect of the Permitted Investments, Insurance Proceeds, purchase prices and all other monies payable thereunder and all income, proceeds, products, rents and profits thereof, to give and receive notices and other communications, to make waivers or other agreements, to exercise all such rights and options, to bring Proceedings in the name of the Granting party or otherwise, and generally to do and receive anything which the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Green Loan" shall mean a Loan the proceeds of which are used to finance the purchase of a Green Timeshare Property.

"Green Timeshare Property" shall mean a Timeshare Property for which construction on the related Resort has not yet begun or is subject to completion.

"Independent Director" shall have the meaning assigned to the term in subsection 6.1(m).

"Initial Principal Amount" shall mean the aggregate amount of $302,600,000 of the Notes composed of the initial principal amounts of $180,200,000 of the Class A Notes, $27,200,000 of the Class B Notes, $37,400,000 of the Class C Notes and $57,800,000 of the Class D Notes at the time such Notes were issued.

"Initial Purchasers" shall mean the initial purchasers of the Notes as set forth in the Note Purchase Agreement.

"Insolvency Event" shall mean, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Debtor Relief

Law now or hereafter in effect, or the filing of a petition against such Person in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, which case remains unstayed and undismissed within 30 days of such filing, or the appointing of a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or liquidation of such Person's business; or (b) the commencement by such Person of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such Debtor Relief Law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the admission by such Person of its inability to pay its debts generally as they become due.

"Insolvency Proceeding" shall mean any proceeding relating to an Insolvency Event.

"Installment Contract" shall mean an installment sale contract as defined in the applicable Purchase Agreement.

"Insurance Proceeds" shall have the meaning assigned to that term in the applicable Purchase Agreement.

"Intercreditor Agreement" shall mean the intercreditor and clearing account agreement dated as of January 3, 2001, among Trendwest, LaSalle Bank National Association, Wells Fargo Bank Minnesota, National Association, the issuers named therein, Bank One, NA, Jupiter Securitization Corporation, TW Holdings III, Key Bank National Association and other parties thereto by accession.

"Interest Carry-Forward Amount" shall mean, for any Class on any Payment Date, the sum of (i) interest accrued during the related Accrual Period at the applicable Note Interest Rate for such Class on the excess, if any, of the Principal Amount of such Class over the Adjusted Principal Amount of such Class, in each case as of the prior Payment Date and (ii) any amounts payable pursuant to clause (i) above for such Class from all prior Payment Dates remaining unpaid, if any, with interest thereon at the applicable Note Interest Rate. Interest Carry-Forward Amounts with respect to Class A, Class B and Class C will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest Carry-Forward Amounts with respect to Class D will be computed on the basis of actual days elapsed and a year of 360 days.

"Interest Rate Swap" shall mean the ISDA Master Agreement, together with the Schedule thereto and the "Confirmation For U.S. Dollar Interest Rate Swap Transaction Under 1992 Master Agreement," each dated as of March 25, 2003 between the Issuer and the Swap Counterparty, as such Interest Rate Swap may be amended, modified or replaced.

"Interim Overcollateralization Amount" shall mean, on any Payment Date, the excess, if any, of (i) the Aggregate Loan Balance as of the last day of the immediately preceding Due Period over (ii) (x) the Aggregate Principal Amount on such Payment Date, before taking into

account any distributions of principal to the Noteholders on such Payment Date, minus (y) the Monthly Principal for such Payment Date.

"Interim Overcollateralization Deficiency," shall mean, on any Payment Date, the excess, if any, of (x) the Required Overcollateralization Amount on such Payment Date over (y) the Interim Overcollateralization Amount on such Payment Date.

"Investment Company Act" shall mean the U.S. Investment Company Act of 1940, as amended.

"Issuer" shall mean Sierra 2003-1 Receivables Funding Company, LLC, a Delaware limited liability company and its successors and assigns.

"Issuer Order" shall mean a written order or request dated and signed in the name of the Issuer by an Authorized Officer of the Issuer.

"Kona Loans" shall mean Loans which were acquired by FRI from Kona Hawaiian Vacation Ownership, LLC.

"Letters of Understanding" shall mean (i) the letter agreement dated March 31, 2003 among FAC, Cendant and the Depositor with respect to the obligations of FAC under the Fairfield Master Loan Purchase Agreement and Cendant's guaranty of FAC's performance under the Fairfield Master Loan Purchase Agreement and (ii) the letter agreement dated March 31, 2003 among Trendwest, Cendant and the Depositor with respect to the obligations of Trendwest under the Trendwest Master Loan Purchase Agreement and Cendant's guaranty of the Trendwest performance under the Trendwest Master Loan Purchase Agreement.

"LIBOR" shall mean an interest rate per annum determined by the Trustee for each Interest Period in accordance with the provisions of Section 2.4.

"LIBOR Determination Date" shall mean the second London Business Day prior to the Closing Date with respect to the period from the Closing Date through April 14, 2003; and, with respect to each Accrual Period thereafter, the second London Business Day immediately preceding the first day of such Accrual Period commencing with the April 2003 Payment Date.

"Lien" shall mean any mortgage, security interest, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LLC Agreement" shall mean the Limited Liability Company Agreement of Sierra 2003-1 Receivables Funding Company, LLC dated as of March 31, 2003 as amended, supplemented, restated or otherwise modified from time to time.

"Loan" shall mean each loan, installment contract or contract for deed or contract or note secured by a mortgage, deed or trust, vendor's lien or retention of title originated or acquired by a Seller and relating to the sale of one or more Timeshare Properties.

"Loan Balance" shall mean the outstanding principal balance due under or in respect of a Pledged Loan (including a Defaulted Loan (until it becomes a Released Pledged Loan)).

"Loan Documents" shall, with respect to any Pledged Loan, have the meaning assigned to that term in the Purchase Agreement under which such Pledged Loan was transferred from the Seller to the Depositor.

"Loan File" shall, with respect to any Pledged Loan, have the meaning assigned to that term in the Purchase Agreement under which such Pledged Loan was transferred from the Seller to the Depositor.

"Loan Rate" shall mean the annual rate at which interest accrues on any Pledged Loan, as modified from time to time in accordance with the terms of any related Credit Standards and Collection Policies.

"Loan Schedule" shall mean the Loan Schedule containing information about the Pledged Loans, which Loan Schedule is attached hereto as Schedule 2 and which is as delivered by the Issuer to the Collateral Agent as of the Closing Date and as amended upon the release of Pledged Loans or the Grant of Qualified Substitute Loans.

"Lockbox Account" shall mean any of the accounts established pursuant to a Lockbox Agreement.

"Lockbox Agreement" shall mean the Intercreditor Agreement and any agreement substantially in the form of Exhibit I by and between the Issuer, the Trustee and the Servicer and the applicable Lockbox Bank, which agreement sets forth the rights of the Issuer, the Trustee and the applicable Lockbox Bank, with respect to the disposition and application of the Collections deposited in the applicable Lockbox Account, including without limitation the right of the Trustee to direct the Lockbox Bank, to remit all Collections directly to the Trustee.

"Lockbox Bank" shall mean any of the commercial banks holding one or more Lockbox Accounts.

"London Business Day" shall mean a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

"Lot" shall mean a fully or partially developed parcel of real estate.

"Major Credit Card" shall mean a credit card issued by any VISA USA, Inc., MasterCard International Incorporated, American Express Company, Discover Bank or Diners Club International Ltd. credit card entity.

"Majority Holders" shall mean with respect to all Notes issued and outstanding, the Holders of fifty-one percent or more of the Aggregate Principal Amount of all Notes.

"Market Servicing Rate" shall mean the rate calculated by the Trustee following a Servicer Default and which rate shall be calculated as follows: (1) the Trustee shall, within 10 Business Days after the occurrence of a Servicer Default, solicit bids from entities which are experienced in servicing loans similar to the Pledged Loans and shall request delivery of such bids to the Trustee within 30 days of the delivery of the notice to such potential Successor Servicers, and such bids shall state a servicing fee as part of the bid and (2) upon the receipt of three arms length bids, the Trustee shall disregard the highest bid and the lowest bid and select the remaining middle bid, and the servicing fee rate bid by such bidder shall be the Market Servicing Rate.

"Master Loan Purchase Agreement" shall mean the Fairfield Master Loan Purchase Agreement or the Trendwest Master Loan Purchase Agreement.

"Material Adverse Effect" shall mean, with respect to any Person and any event or circumstance, a material adverse effect on:

(a) the business, properties, operations or condition (financial or otherwise) of any of such Person;

(b) the ability of such Person to perform its respective obligations under any of the Transaction Documents to which it is a party;

(c) the validity or enforceability of, or collectibility of amounts payable under, this Agreement (if such Person is a party to this Agreement) or any of the Transaction Documents to which it is a party;

(d) the status, existence, perfection or priority of any Lien arising through or under such Person under any of the Transaction Documents to which it is a party; or

(e) the value, validity, enforceability or collectibility of the Pledged Loans with respect to the Notes or any of the other Pledged Assets with respect to the Notes.

"Maturity Date" shall mean the Payment Date occurring in January 2014.

"Member" shall have the meaning assigned thereto in the LLC Agreement.

"Monthly Adjustment Amount" shall mean, for the Class A Notes, the Class A Monthly Adjustment Amount, for the Class B Notes, the Class B Monthly Adjustment Amount, for the Class C Notes, the Class C Monthly Adjustment Amount and for the Class D Notes, the Class D Monthly Adjustment Amount.

"Monthly Collateral Agent Fee" shall mean, in respect of any Due Period (or portion thereof), the amount due to the Collateral Agent for fees related to the Collateral for the Series 2003-1 Notes.

"Monthly Custodian Fee" shall mean, in respect of any Due Period (or portion thereof), the amount due to the Custodian under the Custodial Agreement for fees related to the Pledged Loans and related Pledged Assets.

"Monthly Principal" shall mean on any Payment Date, the sum of (i) the principal portion of Scheduled Payments due during the related Due Period on the Pledged Loans; (ii) the principal amount of any prepayments collected on any Pledged Loan during the related Due Period, and the amounts deposited into the Collection Account since the most recent Payment Date in respect of the release of Trendwest Loans which have become Timeshare Upgrades and are treated as prepayments; (iii) principal proceeds from the purchase by the Sellers of any Pledged Loans that have become Defaulted Loans during the related Due Period and any Net Liquidation Proceeds from the disposition of Pledged Assets securing Defaulted Loans received during the related Due Period; and (iv) the principal proceeds of any repurchase of a Defective Loan by a Seller or deposit in respect of a Defective Loan by the Issuer.

"Monthly Servicer Fee" shall mean, in respect of any Due Period (or portion thereof), an amount equal to one-twelfth of the product of (a) 1.25% and (b) the Aggregate Loan Balance of the Pledged Loans that have not been released from the lien of this Agreement at the beginning of such Due Period or if a Successor Servicer has been appointed and accepted the appointment or if the Trustee is acting as Servicer, an amount equal to one-twelfth of the product of (x) the lesser of 2.35% and the Market Servicing Rate (or such higher rate as may be consented to by Noteholders representing not less than 66 2/3% of the Aggregate Principal Amount) and (y) the Aggregate Loan Balance of the Pledged Loans that have not been released from the lien of this Agreement at the beginning of such Due Period.

"Monthly Servicing Report" shall mean each monthly report prepared by the Servicer as provided in Section 8.2.

"Monthly Trustee Fee" shall mean, in respect of any Due Period, an amount equal to one-twelfth of 0.01% of the Aggregate Loan Balance of the Pledged Loans as of the first day of such Due Period as an administration fee plus an amount equal to one-twelfth of 0.02% of the Aggregate Loan Balance of the Pledged Loans as of the first day of such Due Period as a backup servicer fee.

"Moody's" shall mean Moody's Investors Service, Inc. or any successor thereto.

"Mortgage" shall mean any mortgage, deed of trust, purchase money deed of trust or deed to secure debt encumbering the related Timeshare Property, granted by the related Obligor to the Originator of a Loan to secure payments or other obligations under such Loan.

"Multiemployer Plan" shall have the meaning set forth in Section 3(37) of ERISA.

"Net Liquidation Proceeds" shall mean, with respect to any Defaulted Loan which is a Pledged Loan and which has not been released from the Lien of this Agreement, the proceeds of the sale, liquidation or other disposition of the collateral securing such Defaulted Loan.

"Net Swap Payment" shall mean, for any Payment Date, the amount, if any, by which the Fixed Amount for such date exceeds the Floating Amount for such date.

"Net Swap Receipt" shall mean, for any Payment Date, the amount, if any, by which the Floating Amount for such date exceeds the Fixed Amount for such date.

"Nominee" shall have the meaning set forth in the Purchase Agreements.

"Non-U.S. Certificate" shall have the meaning set forth in subsection 2.12(b).

"Noteholder" or "Holder" shall mean the Person in whose name a Note is registered in the Note Register.

"Note Interest Rate" shall mean with respect to each Class, the respective rate per annum set forth below:

Class of Notes	Note Interest Rate
Class A Notes	3.09%

Class B Notes	3.48%
Class C Notes	4.56%
Class D Notes	LIBOR as determined from time to time plus 4.50%

"Note Owner" shall mean, with respect to a Note, the Person who is the owner of a security entitlement to such Note, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Note Purchase Agreement" shall mean the Note Purchase Agreement dated March 25, 2003 among the Issuer, the Sellers and the Initial Purchasers named therein.

"Note Register" shall have the meaning specified in Section 2.6.

"Note Registrar" shall have the meaning specified in Section 2.6.

"Notes" shall mean the Sierra 2003-1 Receivables Funding Company, LLC Loan-Backed Notes, Series 2003-1.

"Obligor" shall mean, with respect to any Pledged Loan, the Person or Persons obligated to make Scheduled Payments thereon.

"Offering Circular" shall mean the final Offering Circular dated March 25, 2003 relating to the Notes.

"Officer's Certificate" shall mean, unless otherwise specified in this Agreement, a certificate delivered to the Trustee signed by any Vice President or more senior officer of the Issuer or the Servicer, as the case may be, or, in the case of a Successor Servicer, a certificate signed by any Vice President or more senior officer or the financial controller (or an officer holding an office with equivalent or more senior responsibilities) of such Successor Servicer, and delivered to the Trustee.

"Operating Agreement" shall mean the Ninth Amended and Restated Operating Agreement dated as of March 31, 2003 by and between FRI, FMB, FAC, Kona and the VB Subsidiaries as described therein.

"Opinion of Counsel" shall mean a written opinion of counsel who may be counsel for, or an employee of, the Person providing the opinion and who shall be reasonably acceptable to the Trustee.

"Originator," with respect to any Pledged Loan, shall have the meaning assigned to such term in applicable Purchase Agreement or if such term is not so defined, the entity which originates or acquires Loans and transfers such Loans directly or through a Seller to the Depositor.

"Overcollateralization Amount," shall mean on any Payment Date, the excess, if any, of (i) the Aggregate Loan Balance as of the last day of the related Due Period over (ii) the Aggregate Principal Amount on such Payment Date, after taking into account any distributions of principal to the Noteholders on such Payment Date.

"Overcollateralization Release Amount," shall mean (i) on any Payment Date on or after the Stepdown Date when neither a Cash Accumulation Event nor a Sequential Order Event has occurred and is then continuing, an amount equal to the excess, if any, of (a) the Interim Overcollateralization Amount on such Payment Date over (b) the Required Overcollateralization Amount on such Payment Date; provided that such amount will not be more than the Monthly Principal for such Payment Date and (ii) on any other Payment Date, zero.

"Overdue Interest" shall mean, as of any Payment Date, the amount, if any, by which Accrued Interest in respect of all prior Payment Dates exceeds the amount paid to Noteholders on such prior Payment Dates, together with interest thereon for each Accrual Period for each Class at the rate of the applicable Note Interest Rate plus 2%.

"PAC" shall mean an arrangement whereby an Obligor makes Scheduled Payments under a Pledged Loan via pre-authorized debit.

"Paying Agent" shall mean the Trustee or any successor thereto, in its capacity as paying agent.

"Payment Date" shall mean the 15th day of each calendar month, or, if such 15th day is not a Business Day, the next succeeding Business Day, commencing in April 2003.

"Performance Guarantor" shall mean Cendant Corporation, a Delaware corporation.

"Performance Guaranty" shall mean the Guaranty dated as of March 31, 2003 pursuant to which the Performance Guarantor guarantees the performance of FAC as Servicer under this Agreement and guarantees the Issuer's obligations under Section 5.4.

"Permanent Regulation S Global Note" shall have the meaning assigned thereto in subsection 2.12(a).

"Permitted Encumbrance" with respect to any Pledged Loan has the meaning assigned to that term under the Purchase Agreement pursuant to which such Loan has been sold to the Depositor.

"Permitted Investments" shall mean (i) U.S. Government Obligations having maturities on or before the first Payment Date after the date of acquisition; (ii) time deposits and certificates of deposit having maturities on or before the first Payment Date after the date of acquisition, maintained with or issued by any commercial bank having capital and surplus in excess of $500,000,000 and having a short term senior unsecured debt rating of at least "A-1" by S&P and "P-l" by Moody's and "F1" by Fitch if rated by Fitch; (iii) repurchase agreements having maturities on or before the first Payment Date after the date of acquisition for underlying securities of the types described in clauses (i) and (ii) above or clause (iv) below with any institution having a short term senior unsecured debt rating of at least "P-1" by Moody's and "A-1" by S&P and "F1" by Fitch if rated by Fitch; (iv) commercial paper maturing on or before the first Payment Date after the date of acquisition and having a short term senior unsecured debt rating of at least "P-1" by Moody's and "A-1+" by S&P and "F1" by Fitch if rated by Fitch; and (v) money market funds rated "Aaa" by Moody's and rated "AAAm" or "AAAm-G" by S&P and which invest solely in any of the foregoing, including any such funds in which the Trustee or an Affiliate of the Trustee acts as an investment advisor or provides other investment related services; provided, however, that no obligation of any Seller or the Performance Guarantor shall constitute a Permitted Investment and provided further, that no interest only obligation and no investment purchased by the Issuer or the Trustee at a premium shall constitute Permitted Investments.

"Person" shall mean any person or entity including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity or organization of any nature, whether or not a legal entity.

"Plan" shall mean an employee benefit plan or other retirement arrangement subject to ERISA or Section 4975 of the Code of 1986, as amended from time to time.

"Plan Insolvency" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Pledged Assets" with respect to each Pledged Loan, shall mean all right, title and interest of the Depositor in, to and under the Pledged Loans from time to time and the related Transferred Assets and all of the Depositor's rights under the Purchase Agreements, the Letters of Understanding, the Collections and the proceeds of any of the foregoing.

"Pledged Loans" shall mean the Loans listed on the Loan Schedule.

"POA" shall mean each property owners' association or similar timeshare owner body for a Timeshare Property Regime or Resort or portion thereof, in each case established pursuant to the declarations, articles or similar charter documents applicable to each such Timeshare Property Regime, Resort or portion thereof.

"Post Office Box" shall mean each post office box to which Obligors are directed to mail payments in respect of the Pledged Loans.

"Predecessor Note" shall mean, with respect to any particular Note, every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purpose of this definition, any Note authenticated and delivered under Section 2.7 in lieu of a mutilated, lost, destroyed or stolen Note shall evidence the same debt as the mutilated, lost, destroyed or stolen Note.

"Principal Distribution Amount" shall mean the Monthly Principal reduced by the Overcollateralization Release Amount, if any, and increased by the Extra Principal Distribution Amount, if any.

"Principal Amount" shall mean, the Initial Principal Amount of a Class, less principal payments previously paid to such Class as of such date.

"Priority of Payments" shall mean the application of Available Funds in accordance with Section 3.1.

"Proceeding" shall have the meaning specified in Section 11.3.

"Purchase Agreement" shall mean a Master Loan Purchase Agreement between a Seller and the Depositor pursuant to which the Seller sells Loans to the Depositor.

"QIB" shall have the meaning set forth in subsection 2.6(c).

"Qualified Substitute Loan" shall mean a substitute Pledged Loan that is an Eligible Loan on the applicable date of substitution and that on such date of substitution has (i) a coupon rate not less than the coupon rate of the substituted Pledged Loan, (ii) a remaining term to stated maturity not greater than the remaining term to maturity of the substituted Pledged Loan and (iii) is provided by the same Seller as that Pledged Loan for which the Qualified Substitute Loan is to be substituted.

"Rating Agency" shall mean each of Fitch, S&P or Moody's as appropriate and their respective successors in interest.

"Rating Agency Condition" shall mean, with respect to any action, that each Rating Agency shall have notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then existing rating of any outstanding Class.

"Record Date" shall mean as to any Payment Date the last day of the preceding Due Period.

"Records" shall, with respect to any Pledged Loan, have the meaning assigned thereto in the applicable Purchase Agreement.

"Reference Banks" shall mean leading banks selected by the Servicer and engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an

established place of business in London, (ii) whose quotations appear on Telerate Page 3750 on the Interest Determination Date in question and (iii) which have been designated as such by the Servicer.

"Regulation S Certificate" shall have the meaning assigned thereto in subsection 2.9(d).

"Regulation S Global Note" shall mean either the Temporary Regulation S Global Note or the Permanent Regulation S Global Note.

"Release Date" shall mean the date on which Pledged Loans are released from the Lien of this Agreement.

"Release Price" shall mean an amount equal to the outstanding Loan Balance of the Pledged Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the release is to be made, plus accrued and unpaid interest thereon to the date of such release.

"Released Pledged Loan" shall mean any Loan which was included as a Pledged Loan, but which has been released from the Lien of this Agreement pursuant to the terms hereof.

"Reorganization" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event" shall mean any of the events described in Section 4043 of ERISA.

"Required Overcollateralization Amount," shall mean, as of any Payment Date, an amount equal to (i) prior to the Stepdown Date, 11% of the Aggregate Loan Balance as of the Cut-Off Date, and (ii) on and after the Stepdown Date, (A) if no Cash Accumulation Event has occurred and is continuing, the greater of (x) 0.50% of the Aggregate Loan Balance as of the Cut-Off Date and (y) 22% of the Aggregate Loan Balance as of the last day of the related Due Period and (B) if a Cash Accumulation

Event has occurred and is continuing, the Required Overcollateralization Amount as determined on the immediately preceding Payment Date; provided that if a Sequential Order Event has occurred and is then continuing, the Required Overcollateralization Amount will be equal to the Aggregate Loan Balance as of the last day of the related Due Period.

"Reserve Account" shall mean the account established pursuant to Section 3.5 of this Agreement.

"Reserve Account Amount" shall mean, as of any date, the amount then on deposit in the Reserve Account.

"Reserve Required Amount" shall mean (a) as of the Closing Date, 1% of the Aggregate Loan Balance as of the Cut-Off Date, and (b) at any time after the Closing Date, (i) if no Cash Accumulation Event has occurred and is continuing, the greater of (A) the lesser of (x) 2% of the Aggregate Loan Balance at such time and (y) 1% of the Aggregate Loan Balance as of the Cut-Off Date and (B) 0.50% of the Aggregate Loan Balance as of the Cut-Off Date; and (ii) if a Cash Accumulation Event has occurred and is continuing, the product of (A) the Aggregate Loan

Balance as of the last day of the immediately preceding Due Period and (B) the greater of (x) 10% or (y) 2 times the Delinquency Ratio for such Due Period; provided that in no event will the Required Reserve Amount be greater than the Aggregate Principal Amount.

"Resort" shall have the meaning set forth in the applicable Purchase Agreement.

"Responsible Officer" shall mean any officer assigned to the Corporate Trust Office (or any successor thereto), including any Vice President, Assistant Vice President, Trust Officer, any Assistant Secretary, any trust officer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, in each case having direct responsibility for the administration of this Agreement.

"Rule 144A Global Note" shall have the meaning assigned thereto in Section 2.11.

"S&P" shall mean Standard & Poor's Ratings Group, a Division of the McGraw-Hill Companies, Inc. or any successor thereto.

"Sale" shall have the meaning specified in Section 11.13(a).

"Sale and Assignment Agreement" shall mean the Sale and Assignment Agreement dated as of March 31, 2003 entered into by Sierra 2002 and the Depositor and pursuant to which Sierra 2002 sells and assigns to the Depositor all of Sierra 2002's right, title and interest in the Pledged Loans and the Pledged Assets related thereto.

"Scheduled Payment" shall mean the scheduled monthly payment of principal and interest on a Pledged Loan.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

"Seller" shall mean FAC or Trendwest or, in either case, any successor thereto.

"Sequential Order" shall have the meaning set forth in Section 3.1(b).

"Sequential Order Events" shall mean: (i) an Insolvency Event has occurred with respect to the Issuer; (ii) on any two consecutive Payment Dates, (A) Available Funds are not sufficient to pay all Accrued Interest due on the Notes on that date, or (B) the Overcollateralization Amount is less than the Required Overcollateralization Amount, after giving effect to distributions of principal on such Payment Date; or (iii) on any Payment Date, after application of all Available Funds, the sum of the Aggregate Loan Balance plus the amount on deposit in the Reserve Account is less than the Aggregate Principal Amount of all Notes, and Available Funds are not sufficient to pay all principal on the Notes due on that Payment Date. The Sequential Order Events described in (ii) and (iii) above will continue to be in effect until such time, if ever, that the Noteholders representing not less than 66 2/3% of the outstanding principal balance of each Class of Notes has consented to the termination of the Sequential Order Event.

"Series 2003-1 Term Purchase Agreement" shall mean the Series 2003-1 Term Purchase Agreement dated as of March 31, 2003 between the Depositor as seller of the Pledged Loans and the Issuer.

"Servicer" shall mean Fairfield Acceptance Corporation – Nevada or, if the conditions set forth in Section 7.12 are satisfied, Trendwest, in either case in its capacity as Servicer pursuant to this Agreement and, after any Service Transfer, the Successor Servicer.

"Servicer Advance" shall mean amounts, if any, advanced by the Servicer, at its option, to cover any shortfall between (i) the Scheduled Payments on the Pledged Loans for a Due Period and (ii) the amounts actually deposited in the Collection Account on account of such Scheduled Payments on or prior to the Payment Date immediately following such Due Period.

"Servicer Default" shall mean the defaults specified in Section 12.1.

"Service Transfer" shall have the meaning set forth in Section 12.1.

"Servicing Officer" shall mean any officer of the Servicer involved in, or responsible for, the administration and servicing of the Loans whose name appears on a list of servicing officers furnished to the Trustee by the Servicer, as such list may be amended from time to time.

"Settlement Statement" shall mean the information furnished by the Servicer to the Trustee for distribution to the Noteholders and pursuant to Section 8.1 of this Agreement.

"Sierra 2002" shall mean Sierra Receivables Funding Company, LLC, a Delaware limited liability company.

"Sierra 2002 Trustee" shall mean the trustee under the terms of the Master Indenture and Servicing Agreement dated as of August 29, 2002 and the Series 2002-1 supplement thereto, each of which is among the trustee named therein, FAC and Sierra 2002.

"Sierra 2002-1 Loans" shall mean Loans sold by a Seller to the Depositor under the terms of the Purchase Agreements and designated as Series 2002-1 Loans, a portion of which have been sold transferred by Sierra 2002 to the Depositor and sold by the Depositor to the Issuer and included in the Pledged Loans.

"Sierra 2003-1 Performance Guaranty" shall mean the Guaranty dated as of March 31, 2003 pursuant to which the Performance Guarantor guarantees the performance of FAC as Servicer under this Agreement and guarantees the Issuer's obligations under Section 5.4.

"Stepdown Date" shall mean the later to occur of the Payment Date in April 2005 or the Payment Date on which the Aggregate Loan Balance as of the last day of the related Due Period is less than 50% of the Aggregate Loan Balance as of the Cut-Off Date.

"Subservicer" shall mean each entity which enters into a Subservicing Agreement with the Servicer and agrees to service all or a portion of the Pledged Loans.

"Subservicing Agreement" shall mean the agreement between the Servicer and Trendwest relating to the servicing of Pledged Loans originated by Trendwest or if FAC is no longer the Servicer, the agreement between the Servicer and FAC relating to the servicing of the Pledged Loans originated by FAC.

"Subsidiary" shall mean, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person.

"Substitution Adjustment Amount" shall have the meaning specified in the Series 2003-1 Term Purchase Agreement.

"Substitution Date" shall have the meaning specified in Exhibit A to the Series 2003-1 Term Purchase Agreement.

"Successor Servicer" shall have the meaning set forth in Section 12.2.

"Swap Counterparty" shall mean Bank of America, N.A. and any entity replacement swap counterparty as provided in Section 3.6.

"Tax Sharing Agreement" shall mean the Tax Sharing Agreement dated as of March 31, 2003 by and between Cendant, FAC and the Issuer.

"Telerate Page 3750" shall mean the display page currently so designated on the Dow Jones Telerate Service (or such other page as may replace such page on such service for the purpose of displaying comparable rates or prices).

"Temporary Regulation S Global Note" shall have the meaning assigned thereto in Section 2.11.

"Termination Date" shall have the meaning specified in Section 14.1.

"Termination Notice" shall have the meaning specified in Section 12.1.

"Termination Payments" shall mean payments required to be made by the Issuer to the Swap Counterparty under the terms of the Interest Rate Swap as a result of a termination of the Interest Rate Swap.

"Termination Receipts" shall mean payments required to be made by the Swap Counterparty to the Issuer under the terms of the Interest Rate Swap as a result of a termination of the Interest Rate Swap.

"Timeshare Price" shall mean the original price of the Timeshare Property paid by an Obligor, plus any accrued and unpaid interest and other amounts owned by the Obligor.

"Timeshare Property" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"Timeshare Property Regime" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"Timeshare Upgrade" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"Title Clearing Agreement" shall have the meaning assigned thereto in the applicable Purchase Agreement.

"Transaction Documents" shall mean, collectively, this Agreement, the Series 2003-1 Term Purchase Agreement, the Sale and Assignment Agreement, the Purchase Agreements, the assignment agreements executed by the Sellers and related to the periodic sale of Pledged Loans, the Custodial Agreements, the Lockbox Agreements, the Title Clearing Agreements, the Collateral Agency Agreement, the Administrative Services Agreements, the Financing Statements and all other agreements, documents and instruments delivered pursuant thereto or in connection therewith, and "Transaction Document" shall mean any of them.

"Transferred Assets" shall, with respect to each Pledged Loan, have the meaning set forth in the Purchase Agreement under which such Loan was transferred to the Depositor.

"Trendwest" shall mean Trendwest Resorts, Inc., an Oregon corporation, a wholly-owned indirect subsidiary of Cendant, and its successors and assigns.

"Trendwest Loan" shall mean a Pledged Loan which was sold to the Depositor under the Trendwest Master Loan Purchase Agreement.

"Trendwest Master Loan Purchase Agreement" shall mean that Master Loan Purchase Agreement dated as of August 29, 2002 between Trendwest and the Depositor and the Series 2002-1 Supplement thereto.

"Trendwest Originator" shall mean Trendwest.

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

"Trustee" shall mean Wachovia Bank, National Association or its successor in interest, or any successor trustee appointed as provided in this Agreement.

"Trustee Fee Letter" shall mean the schedule of fees attached as Schedule 1, and all amendments thereof and supplements thereto.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any applicable jurisdiction.

"UDI" shall have the meaning assigned thereto in the respective Purchase Agreements.

"US Government Obligations" shall mean (i) obligations of, or obligations guaranteed as to principal and interest by, the U.S. Government or any agency or instrumentality thereof, when these obligations are backed by the full faith and credit of the United States (ii) and certain obligations of government-sponsored agencies that are not backed by the full faith credit of the United States which are limited to: Federal Home Loan Mortgage Corp. debt obligations; Farm

Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes; Federal Home Loan Banks consolidated debt obligations; Federal National Mortgage Association debt obligations; Student Loan Marketing Association debt obligations which mature before September 30, 2008; Financing Corp. debt obligations; and Resolution Funding Corp. debt obligations.

"Vacation Credits" shall mean ownership interests in WorldMark that entitle the owner thereof to use the Resorts owned by WorldMark.

"VB Subsidiaries" shall mean Sea Gardens Beach and Tennis Resorts, Inc., Vacation Break Resorts, Inc. and Vacation Break Resorts at Star Island, Inc.

"WorldMark" shall mean WorldMark, The Club, a California not-for-profit mutual benefit corporation.

Section 1.2 Other Definitional Provisions.

(a) With respect to terms used in this Agreement and not otherwise defined herein such terms shall have the meanings ascribed to them in the Series 2003-1 Term Purchase Agreement.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 1.1, and accounting terms partly defined in Section 1.1 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles and as in effect from time to time. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein or in any such certificate or other document shall control.

(d) Any reference to each Rating Agency shall only apply to any specific rating agency if such rating agency is then rating any outstanding Class of Notes.

(e) Unless otherwise specified, references to any amount as on deposit or outstanding on any particular date shall mean such amount at the close of business on such day.

(f) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Article, Section, subsection, Schedule and Exhibit references contained in this Agreement are references to Articles, Sections, subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

Section 1.3 Intent and Interpretation of Documents

The arrangement by this Agreement, the Series 2003-1 Term Purchase Agreement, the Sale and Assignment Agreement, the Purchase Agreements, the Custodial Agreements, the Collateral Agency Agreement and the other Transaction Documents is intended not to be a taxable mortgage pool for federal income tax purposes, and is intended to constitute a sale of the Loans by the applicable Seller to the Depositor for commercial law purposes. Each of the Depositor and the Issuer are and are intended to be a legal entity separate and distinct from each Seller for all purposes other than tax purposes. This Agreement and the other Transaction Documents shall be interpreted to further these intentions.

ARTICLE II

THE NOTES

Section 2.1 Designation.

(a) There is hereby created a series of Notes of the Issuer to be issued pursuant to this Agreement and which are hereby designated as "Sierra 2003-1 Receivables Funding Company, LLC Loan-Backed Notes, Series 2003-1," the "Series 2003-1 Notes" or the "Notes."

(b) The terms of the Notes shall be as set forth in this Agreement.

Section 2.2 Form Generally. The Notes and the Trustee's or Authentication Agent's certificate of authentication thereon (the "Certificate of Authentication") shall be in substantially the forms set forth as Exhibit A with respect to the Class A Notes, Exhibit B with respect to the Class B Notes, Exhibit C with respect to the Class C Notes and Exhibit D with respect to the Class D Notes, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistently herewith, be determined by the Authorized Officers of the Issuer executing such Notes as evidenced by their execution of such Notes. Any portion of the text of any Note may be set forth on the reverse or subsequent pages thereof, with an appropriate reference thereto on the face of the Note.

The Notes shall be typewritten, word processed, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Section 2.3 Interest and Principal Payments. The Notes of each Class shall bear interest from and including the Closing Date at the following rates per annum:

Class of Notes	Interest Rate
Class A Notes	3.09%
Class B Notes	3.48%
Class C Notes	4.56%
Class D Notes	One Month LIBOR plus 4.50%

Interest on the Class A Notes, Class B Notes and Class C Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Class D Notes will be computed on the basis of actual days elapsed and a year of 360 days. Interest shall be due and payable on April 15, 2003 and each Payment Date thereafter.

To the extent of Available Funds, principal shall be due and payable on the Notes as provided in Section 3.1(a) or if a Sequential Order Event has occurred and is continuing as provided in Section 3.1(b), and any amounts of principal not paid prior to the Maturity Date, shall be due and payable on such date.

Section 2.4 Determination of LIBOR.

(a) On each LIBOR Determination Date, the Trustee shall determine LIBOR for a period of the Designated Maturity and shall give notice thereof to the Issuer and the Servicer.

For each Accrual Period, "LIBOR" will be determined on the LIBOR Determination Date for such Accrual Period. The Trustee will determine LIBOR for such Accrual Period on the basis of the offered rates of the Reference Banks for the Designated Maturity, for U.S. dollar deposits, as such rates appear on the Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

On each LIBOR Determination Date, LIBOR for the applicable Accrual Period will be established by the Trustee as follows:

(a) If on such LIBOR Determination Date two or more Reference Banks provide such offered quotations, LIBOR for such related Accrual Period will be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of 0.0001%).

(b) If on such LIBOR Determination Date fewer than two Reference Banks provide such offered quotations, LIBOR for the related Accrual Period will be the higher of (x) LIBOR as determined on the previous LIBOR Determination Date and (y) the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of 0.0001%) of the one-month U.S. dollar lending rates that three New York City banks selected by the Trustee are quoting at approximately 11:00 a.m. (New York City time) on the relevant LIBOR Determination Date to leading European banks.

The establishment of LIBOR on each Determination Date by the Trustee and the Trustee's calculation of the rate of interest applicable to the Class D Notes for the related Accrual Period will (in the absence of manifest error) be final and binding. The Trustee shall, upon the establishment of LIBOR on each LIBOR Determination Date notify the Issuer and the Servicer of the rate.

Section 2.5 Execution, Authentication and Delivery. The Notes shall be executed on behalf of the Issuer by any of its Authorized Officers. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

The Trustee shall, upon written order of the Issuer, authenticate and deliver Notes for original issue in an aggregate principal amount of $302,600,000, including $180,200,000 principal amount of Class A Notes, $27,200,000 principal amount of Class B Notes, $37,400,000 principal amount of Class C Notes and $57,800,000 principal amount of Class D Notes. The Trustee shall be entitled to rely upon such written order as authority to so authenticate and deliver the Notes without further inquiry of any Person.

Each Note shall be dated the date of its authentication. The Notes shall be issuable as registered Notes in the minimum denomination of $500,000 and in integral multiples of $1,000 in excess thereof.

No Note shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.6 Registration; Registration of Transfer and Exchange; Transfer Restrictions. (a) The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. The Trustee shall be the initial "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Note Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of Note Registrar.

If a Person other than the Trustee is appointed by the Issuer as Note Registrar, the Issuer will give the Trustee and the Swap Counterparty prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Registrar, and the Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar as to the names and addresses of the Holders of the Notes and the principal amounts and number of such Notes.

Upon surrender for registration of transfer of any Note at the office of the Note Registrar as provided in Section 2.6, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, and upon receipt of such surrendered Note the Trustee shall authenticate and the Noteholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Notes in any authorized denominations, of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for other Notes in any authorized denominations, of the same Class and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, and upon receipt of such surrendered Note the Trustee shall authenticate and the Noteholder shall obtain from the Trustee, the Notes which the Noteholder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Agreement, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, and such other documents as the Trustee may require.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge or expense that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to subsection 15.1(e) not involving any transfer.

The preceding provisions of this section notwithstanding, the Issuer shall not be required to make, and the Note Registrar need not register, transfers or exchanges of Notes (i) for a period of 20 days preceding the due date for any payment with respect to the Notes or (ii) after the Trustee sends a notice of redemption with respect to such Note in accordance with Section 2.18.

(b) The Notes have not been registered under the Securities Act or any state securities law. None of the Issuer, the Note Registrar or the Trustee is obligated to register the Notes under the Securities Act or any other securities or "Blue Sky" laws or to take any other action not otherwise required under this Agreement to permit the transfer of any Note without registration.

(c) No transfer of any Note or any interest therein (including, without limitation, by pledge or hypothecation) shall be made except in compliance with the restrictions on transfer set forth in this Section 2.6 (including the applicable legend to be set forth on the face of each Note as provided in Exhibit A to this Agreement) and in Section 2.12 and Section 2.13 in a transaction exempt from the registration requirements of the Securities Act and applicable state securities or "Blue Sky" laws (i) to a person (A) that the transferor reasonably believes is a "qualified institutional buyer" within the meaning thereof in Rule 144A (a "QIB") in the form of security entitlements to the Rule 144A Global Note, and (B) that is aware that the resale or other transfer is being made in reliance on Rule 144A or (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in the form of security entitlements to the applicable Regulation S Global Note.

(d) Each Note Owner, by its acceptance of its security entitlement to a Note, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(i) It understands and acknowledges that the Notes will be offered and may be resold by the Initial Purchasers (A) in the United States to QIBs pursuant to Rule 144A in the form of security entitlements to the Rule 144A Global Note, or (B) outside the United States pursuant to Regulation S under the Securities Act, initially in the form of security entitlements to the Temporary Regulation S Global Note. As set forth in Section 2.13, beneficial interests in the Temporary Regulation S Global Note may be exchanged for beneficial interests in the Permanent Regulation S Global Note.

(ii) It understands that the Notes have not been and will not be registered under the Securities Act or any state or other applicable securities law and that the Notes, or any interest or participation therein, may not be offered, sold, pledged or otherwise transferred unless registered pursuant to, or exempt from registration under, the Securities Act and any state or other applicable securities law.

(iii) It acknowledges that none of the Issuer or the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Issuer or the offering or sale of any Notes, other than the information contained in the Offering Circular, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary in connection with its decision to purchase the Notes.

(iv) It acknowledges that the Notes will bear a legend to the following effect unless the Issuer determines otherwise, consistent with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE, OR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO THE ISSUER, (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH NOTE OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE, UNLESS SUCH PERSON ACQUIRED THIS NOTE IN A TRANSFER

DESCRIBED IN CLAUSE (3) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

PRIOR TO PURCHASING ANY NOTES, PURCHASERS SHOULD CONSULT COUNSEL WITH RESPECT TO THE AVAILABILITY AND CONDITIONS OF EXEMPTION FROM THE RESTRICTION ON RESALE OR TRANSFER. THE ISSUER HAS NOT AGREED TO REGISTER THE NOTES UNDER THE SECURITIES ACT, TO QUALIFY THE NOTES UNDER THE SECURITIES LAWS OF ANY STATE OR TO PROVIDE REGISTRATION RIGHTS TO ANY PURCHASER.

AS SET FORTH HEREIN, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF."

(v) If it is acquiring any Note, or any interest or participation therein, as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to such account and that it has full power to make the acknowledgments, representations and agreements contained herein on behalf of each such account.

(vi) It (A)(i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A and if it is acquiring such Notes or any interest or participation therein for the account of another QIB, such other QIB is aware that the sale is being made in reliance on Rule 144A and (iii) is acquiring such Notes or any interest or participation therein for its own account or for the account of a QIB, or (B) is not a U.S. person and is purchasing such Notes or any interest or participation therein in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S.

(vii) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirements of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes, or any interest or participation therein as described in the Offering Circular and pursuant to the provisions of this Agreement.

(viii) It agrees that if in the future it should offer, sell or otherwise transfer such Note or any interest or participation therein, it will do so only (A) to the Issuer, (B) pursuant to Rule 144A to a person it reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, purchasing for its own account or for the account of a QIB, whom it has informed that such offer, sale or other transfer is being made in reliance on Rule 144A or (C) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act.

(ix) If it is acquiring such Note or any interest or participation therein in an "offshore transaction" (as defined in Regulation S under the Securities Act), it acknowledges that the Notes will initially be represented by the Temporary Regulation S Global Note and that transfers thereof or any interest or participation therein are restricted as set forth in this Agreement. If it is a QIB, it acknowledges that the Notes offered in reliance on Rule 144A will be represented by a Rule 144A Global Note and that transfers thereof or any interest or participation therein are restricted as set forth in this Agreement.

(x) It understands that the Temporary Regulation S Global Note will bear a legend to the following effect unless the Issuer determines otherwise, consistent with applicable law:

"THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE AGREEMENT REFERRED TO BELOW. NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE."

(xi) It acknowledges that the Depositor, the Issuer, the Initial Purchasers and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the foregoing acknowledgments, representations and agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers.

(xii) With respect to any foreign purchaser claiming an exemption from United States income or withholding tax, that it has delivered to the Trustee a true and complete Form W-8BEN or W-8ECI, indicating such exemption or any successor or other forms and documentation as may be sufficient under the applicable regulations for claiming such exemption.

(xiii) It acknowledges that transfers of the Notes or any interest or participation therein shall otherwise be subject in all respects to the restrictions applicable thereto contained in this Agreement.

Any transfer, resale, pledge or other transfer of the Notes contrary to the restrictions set forth above and elsewhere in this Agreement shall be deemed void ab initio by the Trustee. As used in this Section 2.6, the terms "United States" and "U.S. persons" have the meaning given them in Regulation S under the Securities Act.

(e) It understands and acknowledges that the Issuer has structured this Agreement and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer, and the Issuer and each Noteholder by acceptance of its Note agree to

treat the Notes (or interests therein) as indebtedness for purposes of federal, state, local and foreign income or franchise taxes or any other applicable tax.

(f) Notwithstanding anything to the contrary contained herein, each Note and this Agreement may be amended or supplemented to modify the restrictions on and procedures for resale and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally (provided, however, that no such amendment or supplement shall in any way impact the Interest Rate Swap). Each Noteholder shall, by its acceptance of such Note, have agreed to any such amendment or supplement.

Section 2.7 Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) in the case of a destroyed, lost or stolen Note, there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Trustee that such Note has been acquired by a protected purchaser, and provided that the requirements of Section 8-405 of the UCC are met, the Issuer shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within twenty (20) days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable or upon the redemption date without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, claim, liability, cost or expense incurred by the Issuer or the Trustee, its agents and/or counsel, in connection therewith.

Upon the issuance of any replacement Note under this Section 2.7, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee, its agents and/or counsel) connected therewith.

Except as set forth in the first paragraph of this Section 2.7, every replacement Note issued pursuant to this Section 2.7 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.7 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.8 Persons Deemed Owner. Prior to due presentment for registration of transfer of any Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name any Note is registered (as of the day of determination) as the owner of such Note for the purpose of receiving payments of principal of and interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.9 Payment of Principal and Interest; Defaulted Interest.

(a) The Notes of each Class shall accrue interest at the Note Interest Rate for that Class. The amount of interest due and payable on the Notes with respect to each Payment Date shall be an amount equal to the Accrued Interest with respect to such Payment Date plus any Interest Carry-Forward Amount. Any installment of interest or principal, if any, or any other amount, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered on the Record Date, by check mailed first-class, postage prepaid to such Person's address as it appears on the Note Register on such Record Date, (i) except that with respect to Notes registered on the Record Date in the name of the nominee of the Clearing Agency (initially, such nominee to be Cede & Co.), payment will be made by wire transfer in immediately available funds to the account designated by such nominee, and (ii) except for (A) the final installment of principal payable with respect to such Note on a Payment Date and (B) the redemption price for any Note called for redemption pursuant to Section 2.18, in each case which shall be payable as provided below.

(b) The principal amount of the Notes to the extent not previously paid, shall be due and payable on the Maturity Date. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the date on which an Event of Default described in Section 11.1 shall have occurred and be continuing, if the Notes have been declared to be immediately due and payable as provided in Section 11.1. So long as no Sequential Order Event shall have occurred and be continuing, principal payments on the Notes shall be made pro rata to the Noteholders entitled thereto.

Notices in connection with redemptions of Notes shall be mailed or sent by facsimile to Noteholders and the Swap Counterparty as provided in Section 15.5.

(c) If the Issuer defaults in a payment of interest on the Notes when such interest becomes due and payable on any Payment Date, the Issuer shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) at the applicable Note Interest Rate in any lawful manner. The Issuer may pay such defaulted interest to the persons who are Noteholders on a subsequent special record date, which date shall be fixed or caused to be fixed by the Issuer and shall be at least three Business Days prior to the payment date. The Issuer shall fix or cause to be fixed any such payment date, and, prior to the third Business Day prior to any such special

record date, the Issuer shall mail or transmit by facsimile to each Noteholder and the Swap Counterparty a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

(d) Holders of a security entitlement to Notes sold in reliance on Regulation S as Temporary Regulation S Global Notes are prohibited from receiving payments or from exchanging security entitlements to such Temporary Regulation S Global Notes for Permanent Regulation S Global Notes until the later of (i) the expiration of the Distribution Compliance Period (the "Exchange Date") and (ii) the furnishing of a certificate, substantially in the form of Exhibit C attached hereto, certifying that the beneficial owner of the Temporary Regulation S Global Note is a non-U.S. person (a "Regulation S Certificate") as provided in Section 2.12.

Section 2.10 Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall, following its receipt thereof, be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall, following its receipt thereof, be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.10, except as expressly permitted by this Agreement. All canceled Notes shall be returned to the Issuer.

Section 2.11 Global Notes. The Notes, upon original issuance, will be issued in global form (i) to QIBs in transactions exempt from the registration requirements of the Securities Act in reliance on Rule 144A, as a single note in fully registered form, without interest coupons (the "Rule 144A Global Note"), authenticated and delivered in substantially the forms attached hereto included in Exhibits A through D and/or (ii) as a single note in "offshore transactions" (within the meaning of Regulation S), in fully registered form, without interest coupons (the "Temporary Regulation S Global Note"), authenticated and delivered in substantially the forms attached hereto included in Exhibits A through D. Such Notes shall be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Issuer and shall initially be registered on the Note Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Note Owner will receive a Definitive Note representing such Note Owner's interest in such Note, except as provided in Section 2.15. Unless and until definitive, fully registered Notes (the "Definitive Notes") have been issued to Note Owners pursuant to Section 2.15:

(i) the provisions of this Section 2.11 shall be in full force and effect;

(ii) the Note Registrar and the Indenture Trustee shall be entitled to deal with the Clearing Agency for all purposes of this Indenture (including the payment of principal of and interest on the Notes and the giving of instructions or directions hereunder) as the sole holder of the Notes, and shall have no obligation to the Note Owners;

(iii) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Agreement, the provisions of this Section 2.11 shall control;

(iv) the rights of Note Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Note Owners and the Clearing Agency and/or the Clearing Agency Participants pursuant to the Depository Agreement. Unless and until Definitive Notes are issued pursuant to Section 2.15, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of principal of and interest on the Notes to such Clearing Agency Participants;

(v) whenever this Agreement requires or permits actions to be taken based upon instructions or directions of Holders of Notes evidencing a specified percentage of the Aggregate Principal Amount of the Notes, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Note Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the Aggregate Principal Amount of the Notes and has delivered such instructions to the Trustee; and

(vi) the Notes may not be transferred as a whole except by the Clearing Agency to a nominee of the Clearing Agency or by a nominee of the Clearing Agency to the Clearing Agency or another nominee of the Clearing Agency or by the Clearing Agency or any such nominee to a successor Clearing Agency or a

nominee of such successor Clearing Agency.

Section 2.12 Regulation S Global Notes.

(a) Notes issued in reliance on Regulation S under the Securities Act will initially be in the form of a Temporary Regulation S Global Note. Any security entitlement to a Note evidenced by the Temporary Regulation S Global Note is exchangeable for a security entitlement to Note in fully registered, global form, without interest coupons, authenticated and delivered in substantially the form with respect to each Class attached hereto in each of Exhibit A, B, C and D (the "Permanent Regulation S Global Note"), upon the later of (i) the Exchange Date and (ii) the furnishing of a Regulation S Certificate.

(b) (i) On or prior to the Exchange Date, each owner of a security entitlement to a Temporary Regulation S Global Note shall deliver to Euroclear or Clearstream (as applicable) a Regulation S Certificate; provided, however, that any owner of a security entitlement to a Temporary Regulation S Global Note on the Exchange Date or on any Payment Date that has previously delivered a Regulation S Certificate hereunder shall not be required to deliver any subsequent Regulation S Certificate (unless the certificate previously delivered is no longer true as of such subsequent date, in which case such owner shall promptly notify Euroclear or Clearstream, as applicable, thereof and shall deliver an updated Regulation S Certificate). Euroclear and/or Clearstream, as applicable, shall deliver to the Paying Agent or the Trustee a certificate substantially in the form of Exhibit F (a "Non-U.S. Certificate") attached hereto promptly upon the receipt of each such Regulation S Certificate, and no such owner (or transferee from such owner) shall be entitled to receive a security entitlement to a Permanent Regulation S Global Note or any payment of or principal of interest on or any other payment with respect to its security entitlement to a Temporary Regulation S Global Note prior to the Paying Agent or the Trustee receiving such Non-U.S. Certificate from Euroclear or Clearstream with respect to the portion of the Temporary Regulation S Global Note owned by such owner

(and, with respect to a security entitlement to the Permanent Regulation S Global Note, prior to the Exchange Date).

(c) Any payments of principal of, interest on or any other payment on a Temporary Regulation S Global Note received by Euroclear or Clearstream with respect to any portion of such Regulation S Global Note owned by a Note Owner that has not delivered the Regulation S Certificate required by this Section 2.12 shall be held by Euroclear and Clearstream solely as agents for the Paying Agent and the Trustee. Euroclear and Clearstream shall remit such payments to the applicable Note Owner (or to a Euroclear or Clearstream member on behalf of such Note Owner) only after Euroclear or Clearstream has received the requisite Regulation S Certificate. Until the Paying Agent or the Trustee has received a Non-U.S. Certificate from Euroclear or Clearstream, as applicable, that it has received the requisite Regulation S Certificate with respect to the ownership of a security entitlement any portion of a Temporary Regulation S Global Note, the Paying Agent or the Trustee may revoke the right of Euroclear or Clearstream, as applicable, to hold any payments made with respect to such portion of such Temporary Regulation S Global Note. If the Paying Agent or the Trustee exercises its right of revocation pursuant to the immediately preceding sentence, Euroclear or Clearstream, as applicable, shall return such payments to the Paying Agent or the Trustee and the Trustee shall hold such payments in the Collection Account until Euroclear or Clearstream, as applicable, has provided the necessary Non-U.S. Certificates to the Paying Agent or the Trustee (at which time the Paying Agent shall forward such payments to Euroclear or Clearstream, as applicable, to be remitted to the Note Owner that is entitled thereto on the records of Euroclear or Clearstream (or on the records of their respective members)).

Each Note Owner with respect to a Temporary Regulation S Global Note shall exchange its security entitlement thereto for a security entitlement to a Permanent Regulation S Global Note on or after the Exchange Date upon furnishing to Euroclear or Clearstream (as applicable) the Regulation S Certificate and upon receipt by the Paying Agent or the Trustee, as applicable of the Non-U.S. Certificate thereof from Euroclear or Clearstream, as applicable, in each case pursuant to the terms of this Section 2.12. On and after the Exchange Date, upon receipt by the Paying Agent or the Trustee of any Non-U.S. Certificate from Euroclear or Clearstream described in the immediately preceding sentence (i) with respect to the first such certification, the Issuer shall execute, upon receipt of an order to authenticate, and the Trustee shall authenticate and deliver to the Clearing Agency Custodian the applicable Permanent Regulation S Global Note and (ii) with respect to the first and all subsequent certifications, the Clearing Agency Custodian shall exchange on behalf of the applicable owners the portion of the applicable Temporary Regulation S Global Note covered by such certification for a comparable portion of the applicable Permanent Regulation S Global Note. Upon any exchange of a portion of a Temporary Regulation S Global Note for a comparable portion of a Permanent Regulation S Global Note, the Clearing Agency Custodian shall endorse on the schedules affixed to each such Regulation S Global Note (or on continuations of such schedules affixed to each such Regulation S Global Note and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the Temporary Regulation S Global Note, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the Permanent Regulation S Global Note, an increase in the principal amount thereof equal to the principal amount of the decrease in the Temporary Regulation S Global Note pursuant to clause (x) above.

Section 2.13 Special Transfer Provisions.

(a) If a holder of a security entitlement to the Rule 144A Global Note wishes at any time to exchange its security entitlement to the Rule 144A Global Note for a security entitlement to the Regulation S Global Note, or to transfer a security entitlement to the Rule 144A Global Note to a person who wishes to take delivery thereof in the form of a security entitlement to the Regulation S Global Note, such holder may, subject to the rules and procedures of the Clearing Agency and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of the securities entitlement for an equivalent security entitlement to the Regulation S Global Note. Upon receipt by the Trustee of (1) instructions given in accordance with the Clearing Agency's procedures from or on behalf of a Note Owner of the Rule 144A Global Note, directing the Trustee (via the Clearing Agency's Deposit/Withdrawal of Custodian System ("DWAC")), as transfer agent, to credit or cause to be credited a security entitlement to the Regulation S Global Note in an amount equal to the security entitlement to the Rule 144A Global Note to be exchanged or transferred, (2) a written order in accordance with the Clearing Agency's procedures containing information regarding the Euroclear or Clearstream account to be credited with such increase and the name of such account, and (3) a certificate given by such Note Owner stating that the exchange or transfer of such security entitlement has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Clearing Agency (via DWAC), its nominee, or the custodian for the Clearing Agency, as the case may be, to reduce or reflect on its records a reduction of the Rule 144A Global Note by the aggregate principal amount of the security entitlement to the Rule 144A Global Note to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Euroclear Bank S.A./N.V., as operator of Euroclear or Clearstream or another agent member of Euroclear, or Clearstream, or both, as the case may be, acting for and on behalf of them) a security entitlement to such Regulation S Global Note equal to the reduction in the principal amount of the Rule 144A Global Note. Notwithstanding anything to the contrary, the Trustee may conclusively rely upon the completed schedule set forth in the certificate evidencing the Notes.

(b) If a holder of a security entitlement to the Regulation S Global Note wishes at any time to exchange its security entitlement to the Regulation S Global Note for a security entitlement to the Rule 144A Global Note, or to transfer a security entitlement to the Regulation S Global Note to a person who wishes to take delivery thereof in the form of security entitlement to the Rule 144A Global Note, such holder may, subject to the rules and procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such security entitlement for an equivalent security entitlement to the Rule 144A Global Note. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, from or on

behalf of a Note Owner of the Regulation S Global Note directing the Trustee, as transfer agent, to credit or cause to be credited a security entitlement to the Rule 144A Global Note in an amount equal to the security entitlement to the Regulation S Global Note to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Clearstream and the Clearing Agency, as the case may be, containing information regarding the account with the Clearing Agency to be credited with such increase and the name of such account, and (3) prior to the expiration of the Distribution Compliance Period, a certificate given by such Note Owner stating that the person transferring such security entitlement to such Regulation S Global Note reasonably believes that the person acquiring such security entitlement to the Rule 144A Global Note is a QIB and is obtaining such security entitlement for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction, the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Note by the aggregate principal amount of the security entitlement to such Regulation S Global Note to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Clearing Agency, its nominee, or the custodian for the Clearing Agency, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of the Rule 144A Global Note by the aggregate principal amount of the security entitlement to the Regulation S Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a security entitlement to the Rule 144A Global Note equal to the reduction in the principal amount of the Regulation S Global Note. After the expiration of the Distribution Compliance Period, the certification requirement set forth in clause (3) of the second sentence of this subsection 2.13(b) will no longer apply to such exchanges and transfers. Notwithstanding anything to the contrary, the Trustee may conclusively rely upon the completed schedule set forth in the certificate evidencing the Notes.

(c) Any security entitlement to one of the Global Notes that is transferred to a person who takes delivery in the form of a security entitlement to the other Global Note will, upon transfer, cease to be an interest in such Global Note and become a security entitlement to the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to security entitlements to such other Global Note for as long as it remains such a security entitlement.

(d) Until the later of the Exchange Date and the provision of the certifications required by Section 2.9(d), security entitlements to a Regulation S Global Note may only be held through Euroclear Bank S.A./N.V., as operator of Euroclear or Clearstream or another agent member of Euroclear and Clearstream acting for and on behalf of them. During the Distribution Compliance Period, security entitlements to the Regulation S Global Note may be exchanged for security entitlements to the Rule 144A Global Note only in accordance with the certification requirements described above.

Section 2.14 Notices to Clearing Agency. Whenever a notice or other communication to the Holders of the Notes is required under this Agreement, unless and until Definitive Notes shall have been issued to Note Owners pursuant to Section 2.15, the Trustee shall give all such

notices and communications specified herein to be given to Holders of the Notes to the Clearing Agency, and shall have no obligation to the Note Owners.

Section 2.15 Definitive Notes. If (i) the Issuer advises the Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Notes, and the Issuer is unable to locate a qualified successor, or (ii) the Issuer, at its option advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency, or (iii) after the occurrence of an Event of Default or a Servicer Default, Note Owners of security entitlements aggregating a majority of the Aggregate Principal Amount of the Notes advise the Issuer and the Clearing Agency in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Note Owners, then the Clearing Agency shall notify all Note Owners and the Trustee of the occurrence of any such event and of the availability of Definitive Notes to Note Owners. Upon surrender to the Trustee of the typewritten Note or Notes representing the Global Notes by the Clearing Agency, accompanied by registration instructions, the Issuer shall execute and the Trustee shall authenticate the Definitive Notes in accordance with the instructions of the Clearing Agency. None of the Issuer, the Note Registrar or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes to Note Owners, the Trustee shall recognize the Holders of such Definitive Notes as Noteholders.

Section 2.16 Payments on the Notes.

(a) Subject to the availability of funds and to the Priority of Payments, the Notes will provide for (i) the payment of Accrued Interest on each Payment Date through the Maturity Date, (ii) absent the occurrence of a Sequential Order Event the payment of a Principal Distribution Amount on each Payment Date through the Maturity Date and (iii) if a Sequential Order Event has occurred the payment of principal in Sequential Order until the earlier of the date on which all Notes are paid in full or the Maturity Date. All outstanding principal of the Notes will be due and payable (unless paid on an earlier date) on the Maturity Date.

(b) Interest and principal payable in respect of the Notes of any Class on any Payment Date shall be paid to the Holders of the Notes of such Class as of the related Record Date.

(c) All reductions in the principal amount of a Note (or one or more predecessor Notes) effected by payments of installments of principal made on any Payment Date shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(d) Notwithstanding any other provision of this Agreement, principal of, interest on and all other amounts payable on or in respect of the Notes will constitute limited recourse obligations of the Issuer secured by and payable solely from the Collateral, and following realization of the Collateral any claims of the Noteholders shall be extinguished and shall not revive thereafter. Neither the Issuer, nor any of its respective agents, members, partners, beneficiaries, officers, directors, employees or any Affiliate of any of them or any of their respective successors or assigns or any other Person or entity shall be personally liable for any

amounts payable, or performance due, under the Notes or this Agreement. It is understood that the foregoing provisions of this paragraph shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral, or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Agreement until such Collateral has been realized whereupon any outstanding indebtedness or obligation shall be extinguished. It is further understood that the foregoing provisions of this paragraph shall not limit the right of any Person to name the Issuer as party defendant in any action, suit or in the exercise of any other remedy under the Notes or in this Agreement, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person.

(e) For so long as any of the Notes are listed on the Luxembourg Stock Exchange or any other stock exchange, to the extent required by the rules of such exchange, the Issuer or, upon Issuer Order, the Trustee, in the name and at the expense of the Issuer, shall notify such stock exchange in the event that the Notes do not

receive scheduled payments of principal or interest on any Payment Date and the Servicer at the expense of the Issuer will arrange for publication of such information in a daily newspaper in Luxembourg.

Section 2.17 Limited Recourse to the Issuer. The Notes are limited recourse obligations of the Issuer payable only from and to the extent of the Collateral. The Holders of the Notes shall have recourse to the Issuer only to the extent of the Collateral, and to the extent such Collateral is not sufficient to pay the Notes and the interest thereon in full and all other obligations of the Issuer under this Agreement, the Holders of the Notes and holders of other obligations payable from the Collateral shall have no rights in any other assets which the Issuer may have.

Section 2.18 Clean-Up Call. The Notes are subject to redemption by the Issuer, but only if the Issuer has been so directed by the Servicer to make such redemption, on any Payment Date on or after the date on which the Aggregate Loan Balance as of the end of the related Due Period is 10% or less of the Aggregate Loan Balance as of the Cut-Off Date. The redemption price will be equal to the Aggregate Principal Amount plus accrued and unpaid interest to the date of redemption; provided that any Termination Payments due to the Swap Counterparty under the Interest Rate Swap will be required to be paid concurrently with or prior to any such redemption.

At any time after the Issuer has delivered notice of an optional redemption, the Issuer will deposit or cause to be deposited funds into the Collection Account sufficient to pay all principal and interest due or to become due on the Notes in connection with such redemption and related costs and expenses incurred or to be incurred by the Trustee. Upon the payment of the Notes and all interest thereon and upon the payment of all amounts due to the Swap Counterparty, and at the written direction of the Issuer, the Trustee will release its lien on the Collateral. The Trustee will invest the funds in the Collection Account in specific investments pursuant to this Agreement and will apply such funds deposited into the Collection Account and earnings on such funds to the payment in full of all principal and interest due on the Notes.

Section 2.19 Authentication Agent.

(a) The Trustee may appoint one or more Authentication Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee in authenticating the Notes in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Notes. Whenever reference is made in this Agreement to the authentication of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of the Trustee by an Authentication Agent and a certificate of authentication executed on behalf of the Trustee by an Authentication Agent. Each Authentication Agent must be acceptable to the Issuer and the Servicer.

(b) Any institution succeeding to the corporate agency business of an Authentication Agent shall continue to be an Authentication Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authentication Agent.

(c) An Authentication Agent may at any time resign by giving notice of resignation to the Trustee, the Swap Counterparty and to the Issuer. The Trustee may at any time terminate the agency of an Authentication Agent by giving notice of termination to such Authentication Agent and to the Issuer, the Swap Counterparty and the Servicer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an Authentication Agent shall cease to be acceptable to the Trustee or the Issuer, the Trustee may promptly appoint a successor Authentication Agent. Any successor Authentication Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authentication Agent. No successor Authentication Agent shall be appointed unless acceptable to the Issuer and the Servicer.

(d) The Issuer agrees to pay to each Authentication Agent from time to time reasonable compensation for its services under this Section 2.19.

(e) The provisions of Sections 13.1 and 13.3 shall be applicable to any Authentication Agent.

(f) Pursuant to an appointment made under this Section 2.19, the Notes may have endorsed thereon, in lieu of or in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in substantially the following form:

"This is one of the Notes described in the within-mentioned Agreement.

_____

_____
as Authentication Agent
for the Trustee

By: _____
Authorized Signatory"

Section 2.20 Appointment of Paying Agent. The Paying Agent shall make payments to Noteholders from the Collection Account or other applicable Account pursuant to the provisions of this Agreement and shall report the amounts of such distributions to the Issuer. Any Paying Agent shall have the revocable power to withdraw funds from the Collection Account or other applicable Account for the purpose of making the distributions referred to above. The Issuer may revoke such power and remove the Paying Agent if the Issuer determines in its sole discretion that the Paying Agent shall have failed to perform its obligations under this Agreement in any material respect. The Issuer reserves the right at any time to vary or terminate the appointment of a Paying Agent for the Notes, and to appoint additional or other Paying Agents, provided that it will at all times maintain the Trustee as a Paying Agent. In the event that any Paying Agent shall resign, the Issuer may appoint a successor to act as Paying Agent. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

Section 2.21 Confidentiality. The Trustee and the Collateral Agent hereby agree not to disclose to any Person any of the names or addresses of the Obligor under any Pledged Loan or other information contained in the Loan Schedule or the data transmitted to the Trustee or the Collateral Agent hereunder, except (i) as may be required by law, rule, regulation or order applicable to it or in response to any subpoena or other valid legal process, (ii) as may be necessary in connection with any request of any federal or state regulatory authority having jurisdiction over it or the National Association of Insurance Commissioners, (iii) in connection with the performance of its duties hereunder, (iv) to a Successor Servicer appointed pursuant to Section 12.2, (v) in enforcing the rights of Noteholders and (vi) as requested by any Person in connection with the financing statements filed pursuant to this Agreement. The Trustee and the Collateral Agent hereby agree to take such measures as shall be reasonably requested by the Issuer of it to protect and maintain the security and confidentiality of such information. The Trustee and the Collateral Agent shall use reasonable efforts to provide the Issuer with written notice five days prior to any disclosure pursuant to this Section 2.21.

Nothing in the foregoing paragraph should, however, be construed to limit the ability of the Trustee and the Collateral Agent (and their respective Affiliates, employees, officers, directors, agents and advisors) to disclose to any and all Persons, without limitation of any kind, the tax structure and tax treatment (as such terms are

used in sections 6011, 6111, and 6112 of the Code and the regulations promulgated thereunder) of the Notes, and all materials of any kind (including opinions or other tax analyses) that have been provided to the Trustee or the Collateral Agent related to such tax structure and tax treatment. In this regard, the Trustee and the Collateral Agent acknowledge and agree that disclosure of the tax structure or tax treatment of the Notes is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, the Trustee and the Collateral Agent acknowledge and agree that they do not know or have reason to know that the use or disclosure of information relating to the tax structure or tax treatment of the Notes is limited in any other manner (such as where the Notes are claimed to be proprietary or exclusive) for the benefit of any other Person. Neither the Trustee nor the Collateral Agent shall be permitted to disclose the tax structure and tax treatment of the Notes to the extent that such disclosure would constitute a violation of Federal or state securities laws.

Section 2.22 144A Information. The Issuer agrees to furnish to the Trustee, for each Noteholder or any prospective transferee of a Note at such Noteholder's (or transferee's) request, all information with respect to the Issuer or the Servicer, the Pledged Loans or the Notes required pursuant to Rule 144A promulgated by the Securities and Exchange Commission under the Securities Act, to enable such Noteholder to effect resales of the Notes (or interests therein) pursuant to such rule.

ARTICLE III

PAYMENTS, SECURITY AND ALLOCATIONS

Section 3.1 Priority of Payments, Sequential Order.

(a) The Servicer shall apply, or by written instruction to the Trustee shall cause the Trustee to apply, on each Payment Date Available Funds for that Payment Date on deposit in the Collection Account and, pursuant to Section 3.5(b), amounts on deposit in the Reserve Account, if any, to make the following payments and in the following order of priority:

FIRST, to the Trustee the Monthly Trustee Fees and expenses of the Trustee and indemnity amounts which relate to the Notes to the extent not paid by the Servicer, plus accrued and unpaid Monthly Trustee Fees, expenses and indemnity amounts for prior Payment Dates; provided, however, that (i) any expenses of the Trustee related to the transfer of servicing to a successor servicer and payable in priority FIRST will be limited to $100,000 per calendar quarter and $340,000 in the aggregate, and (ii) any other expenses of the Trustee will be limited to $10,000 per calendar year as long as no Event of Default relating to a default in the payment of interest or principal on the Notes has occurred, and the Notes have not been accelerated, or the Collateral sold, pursuant to this Agreement;

SECOND, to the Servicer, the Monthly Servicer Fee plus any unreimbursed Servicer Advances, plus any accrued and unpaid Monthly Servicer Fees and unreimbursed Servicer Advances for prior Payment Dates;

THIRD, to the Swap Counterparty, the Net Swap Payment, if any;

FOURTH, to the extent not paid by the Servicer, to the Custodian the Monthly Custodian Fee, plus any accrued and unpaid Monthly Custodian Fees for prior Payment Dates, not to exceed an amount on such Payment Date equal to one-twelfth of 0.06% of the Aggregate Loan Balance on such Payment Date;

FIFTH, to the extent not paid by the Servicer, to the Collateral Agent, the Monthly Collateral Agent Fee, plus any accrued and unpaid Monthly Collateral Agent Fees for prior Payment Dates;

SIXTH, to the Class A Noteholders, Accrued Interest on the Class A Notes and any overdue interest from prior periods (and interest thereon);

SEVENTH, to the Class B Noteholders, Accrued Interest on the Class B Notes and any overdue interest from prior periods (and interest thereon);

EIGHTH, to the Class C Noteholders, Accrued Interest on the Class C Notes and any overdue interest from prior periods (and interest thereon);

NINTH, to the Class D Noteholders, Accrued Interest on the Class D Notes and any overdue interest from prior periods (and interest thereon); and so long as no Sequential Order Event has occurred and is continuing, to the Swap Counterparty any Termination Payments relating to a termination of the Interest Rate Swap arising from (a) the Swap Counterparty not receiving any Net Swap Payment, (b) bankruptcy, insolvency or similar event of the Issuer or (c) the liquidation of the Collateral under this Agreement, pro rata in proportion to the amounts due;

TENTH, so long as no Sequential Order Event has occurred and is continuing to the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the Principal Distribution Amount pro rata in proportion to their respective Class Percentages; if a Sequential Order Event has occurred and is continuing all remaining Available Funds will be paid in Sequential Order as set forth in subsection 3.1(b);

ELEVENTH, to (a) the Class A Noteholders, (b) the Class B Noteholders, (c) the Class C Noteholders and (d) the Class D Noteholders, in that order, reimbursement of any Interest Carry-Forward Amounts owing to such Class;

TWELFTH, if the amount on deposit in the Reserve Account is less than the Reserve Required Amount, to the Reserve Account the remaining amount of Available Funds to the extent needed to increase the amount on deposit in the Reserve Account to the Reserve Required Amount;

THIRTEENTH, to the Trustee, any other amounts due to the Trustee in respect of fees, expenses or indemnity to the extent not paid by the Servicer or pursuant to priority FIRST;

FOURTEENTH, to the Swap Counterparty, any Termination Payments relating to a termination of the Interest Rate Swap not paid pursuant to clause NINTH of this subsection 3.1(a); and

FIFTEENTH, to the Issuer, any remaining Available Funds free and clear of the Lien of this Agreement.

(b) Sequential Order. If a Sequential Order Event occurs and is continuing, principal payments shall not be made to the Class A Notes, Class B Notes, Class C Notes and Class D Notes on a pro rata basis but thereafter and so long as the Sequential Order Event has not been cured, on each Payment Date all Available Funds remaining after application of clause "NINTH" in subsection (a) above shall be applied in the following order of priority ("Sequential Order"):

(i) to principal on the Class A Notes until the Class A Notes are paid in full;

(ii) to principal on the Class B Notes until the Class B Notes are paid in full;

(iii) to principal on the Class C Notes until the Class C Notes are paid in full;

(iv) to the Swap Counterparty, any Termination Payments relating to a termination of the Interest Rate Swap arising from (a) the Swap Counterparty not receiving any Net Swap Payment, (b) bankruptcy, insolvency, or similar event of the Issuer or (c) the liquidation of the Collateral under this Agreement; and

(iv) to principal on the Class D Notes until the Class D Notes are paid in full.

Funds remaining on any Payment Date after making principal payments on the Notes as described above while a Sequential Order Event shall be in effect, shall be distributed as provided in provisions ELEVENTH through FIFTEENTH in subsection (a) above.

Section 3.2 Information Provided to Trustee. The Servicer shall promptly provide the Trustee in writing with all information necessary to enable the Trustee to make the payments and deposits required pursuant to Section 3.1 as required by Section 8.1 and the Trustee shall be entitled to rely thereon.

Section 3.3 Payments. On each Payment Date, the Trustee, as Paying Agent, shall distribute to the Holders and the other parties entitled thereto herein the amounts due and payable under this Agreement and the Notes.

Section 3.4 Collection Account.

(a) Collection Account. The Trustee, for the benefit of the Noteholders and the Swap Counterparty, shall establish and maintain in the name of the Trustee, a segregated account designated as the "Sierra 2003-1 Receivables Funding Company, LLC Series 2003-1 Collection Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders and the Swap Counterparty pursuant to this Agreement. Deposits made into the Collection Account shall be limited to amounts deposited therein on the Closing Date, amounts paid to the Issuer under the terms of the Interest Rate Swap, Collections and other Available Funds and earnings on the Account. If, at any time, the Collection Account ceases to be an Eligible Account, the Trustee (or the Servicer on its behalf) shall within 10 Business Days establish a new Collection Account as an Eligible Account and shall transfer any property in the Collection Account to the new Collection Account. So long as the Trustee is an Eligible Institution, the Collection Account may be maintained with it in an Eligible Account.

(b) Withdrawals. The Trustee shall have the sole and exclusive right to withdraw or order a transfer of funds from the Collection Account, in all events in accordance with the terms and provisions of this Agreement and the information most recently delivered to the Trustee pursuant to Section 8.1; provided, however, that the Trustee shall be authorized to accept and act upon instructions from the Servicer regarding withdrawals or transfers of funds from the Collection Account, in all events in accordance with the provisions of this Agreement and the information most recently delivered pursuant to Sections 3.1 and 8.1. In addition, notwithstanding anything in the foregoing to the contrary, the Trustee shall be authorized to

accept instructions from the Servicer on a daily basis regarding withdrawals or order transfers of funds from the Collection Account, to the extent such funds either (i) have been mistakenly deposited into the Collection Account (including without limitation funds representing assessments or dues payable by Obligors to property owners associations or other entities) or (ii) relate to items subsequently returned for insufficient funds or as a result of stop payments. In the case of any withdrawal or transfer pursuant to the foregoing sentence, the Servicer shall provide the Trustee and the Swap Counterparty with notice of such withdrawal or transfer, together with reasonable supporting details, on the next Monthly Servicing Report to be delivered by the Servicer following the date of such withdrawal or transfer (or in such earlier written notice as may be required by the Trustee from the Servicer from time to time). Notwithstanding anything therein to the contrary, the Trustee shall be entitled to make withdrawals or order transfers of funds from the Collection Account, in the amount of all reasonable and appropriate out-of-pocket costs and expenses incurred by the Trustee in connection with any misdirected funds described in clause (i) and (ii) of the second foregoing sentence. Within two Business Days of receipt, the Servicer shall transfer all Collections processed by the Servicer to the Trustee for deposit into the Collection Account. The Trustee shall deposit or cause to be deposited into the Collection Account upon receipt the Release Price in respect of releases of Pledged Loans by the Issuer. On each Payment Date, the Trustee shall apply amounts in the Collection Account to make the payments and disbursements described in Section 3.1 and this Section 3.4.

(c) Administration of the Collection Account. Funds in the Collection Account shall, at the direction of the Servicer, at all times be invested in Permitted Investments; provided, however, that all Permitted Investments shall mature on or before the next Payment Date, in order to ensure that funds on deposit therein will be available on such Payment Date. The Trustee shall maintain or cause to be maintained possession of any negotiable instruments or security certificates evidencing the Permitted Investments from the time of purchase thereof until the time of sale or maturity. Subject to the restrictions set forth in the first sentence of this subsection 3.4(c), the Servicer shall instruct the Trustee in writing regarding the investment of funds on deposit in the Collection Account. All investment earnings on such funds shall be deemed to be available to the Trustee for the uses specified in this Agreement. The Trustee shall be fully protected in following the investment instructions of the Servicer, and shall have no obligation for keeping the funds fully invested at all times or for making any investments other than in accordance with such written investment instructions. If no investment instructions are received from the Servicer, the Trustee is authorized to invest the funds in Permitted Investments described in clause (v) of the definition thereof. In no event shall the Trustee be liable for any investment losses incurred in connection with the investment of funds on deposit in the Collection Account by the Trustee pursuant to this Agreement.

(d) Irrevocable Deposit. Any deposit made into the Collection Account hereunder shall, except as otherwise provided herein, be irrevocable and the amount of such deposit and any money, instrument, investment property or other property on deposit in, carried in or credited to such Account hereunder and all interest thereon shall be held in trust by the Trustee and applied solely as provided herein.

(e) Source. All amounts delivered to the Trustee shall be accompanied by information in reasonable detail and in writing specifying the source and nature of the amounts.

Section 3.5 Reserve Account

(a) Creation and Funding of the Reserve Account. The Trustee shall establish and maintain in the name of the Trustee, an Eligible Account designated as the "Sierra 2003-1 Receivables Funding Company, LLC Reserve Account" bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders and the Swap Counterparty pursuant to this Agreement. The Reserve Account shall be under the sole dominion and control of the Trustee; however, if so directed by the Servicer, the Reserve Account may be an Eligible Account in the name of the Trustee opened at another Eligible Institution. If, at any time, the Reserve Account ceases to be an Eligible Account, the Trustee (or the Servicer on its behalf) shall within 10 Business Days establish a new Reserve Account as an Eligible Account

and shall transfer any property in the Reserve Account to such new Reserve Account. So long as the Trustee is an Eligible Institution, the Reserve Account may be maintained with it in an Eligible Account.

A deposit shall be made to the Reserve Account on the Closing Date in an amount equal to the Reserved Required Amount and, on each Payment Date, deposits shall be made to the Reserve Account to the extent provided in provision TWELFTH of subsection 3.1(a).

(b) If on any Payment Date, the Available Funds are not sufficient to pay those amounts described in provisions FIRST through TENTH of subsection 3.1(a), the Trustee, at the direction of the Servicer, shall withdraw an amount equal to the lesser of (i) the excess of those amounts described in provisions FIRST through TENTH of subsection 3.1(a), over the Available Funds available to pay such amounts and (ii) the Reserve Account Amount and use such amount to pay amounts due but unpaid, in the order set forth in provisions FIRST through TENTH of subsection 3.1(a).

(c) Release of Funds from Reserve Account. Upon the termination of a Cash Accumulation Event, the Trustee shall release all cash on deposit in the Reserve Account in excess of the Reserve Required Amount to the Issuer free and clear of the lien of this Agreement; provided, however, that such amounts shall first be used to pay any amounts owing to the Trustee pursuant to priority THIRTEENTH of subsection 3.1(a) before being released to the Issuer.

(d) Termination of Reserve Account. Any funds remaining in the Reserve Account after all Notes (including both principal and interest thereon) have been paid in full and in cash and all other obligations of the Issuer under this Agreement and the Notes have been paid in full and in cash shall be remitted by the Trustee to the Issuer free and clear of the lien of this Agreement.

(e) Administration of the Reserve Account. Funds in the Reserve Account shall be invested in Permitted Investments as directed by the Servicer; provided, however, that all Permitted Investments shall mature on or before the next Payment Date. All such Permitted Investments shall be held by the Trustee. Subject to the restrictions set forth in the first sentence of this subsection (e), the Servicer shall instruct the Trustee in writing regarding the investment of funds on deposit in the Reserve Account. The Trustee shall be fully protected in following the investment instructions of the Servicer, and shall have no obligation for keeping the funds fully

invested at all times or for making any investments other than in accordance with such written investment instructions. If no investment instructions are received from the Servicer, the Trustee is authorized to invest the funds in Permitted Investments described in clause (v) of the definition thereof. In no event shall the Trustee be liable for any investment losses incurred in connection with the investment of funds on deposit in the Reserve Account by the Trustee pursuant to this Agreement.

(f) Deposit Irrevocable. Any deposit made into the Reserve Account hereunder shall, except as otherwise provided herein, be irrevocable and the amount of such deposit and any money, instruments, investment property, or other property credited to, carried in, or deposited in the Reserve Account hereunder and all interest thereon shall be held in trust by the Trustee and applied solely as provided herein.

Section 3.6 Interest Rate Swap.

(a) The Issuer shall enter into the Interest Rate Swap, certain terms of which are set forth herein for the convenience of the parties thereto for incorporation therein by reference, with the Swap Counterparty on the Closing Date. The Interest Rate Swap shall have a termination date which is the earliest of January 15, 2014 or when the notional amount thereunder has been reduced to zero, subject to early termination in accordance with the terms of the Interest Rate Swap. The Interest Rate Swap shall have a notional amount for each Accrual Period equal to the Adjusted Principal Amount of the Class D Notes as of the close of business on the first day of such Accrual Period. Under the Interest Rate Swap, the Issuer shall be the fixed rate payer and shall pay a fixed rate of 7.16% and the Swap Counterparty shall be the floating rate payer and shall pay a floating rate of LIBOR plus 4.50%. Pursuant to the terms of the Interest Rate Swap, the Swap Counterparty shall pay to the Trustee, on behalf of the Issuer, on each Payment Date, the Net Swap Receipt, if any, plus the amount of any Net Swap Receipt due but not paid with respect to any previous Payment Date. The Trustee shall deposit such Net Swap Receipts, if any, into the Collection Account and shall apply such amounts as Available Funds pursuant to subsection 3.1 of this Agreement. In addition, in accordance with the terms of the Interest Rate Swap, the Issuer shall pay to the Swap Counterparty the Net Swap Payment, if any, for such Payment Date, plus the amount of any Net Swap Payment due but not paid on any previous Payment Date, from amounts available pursuant to provision THIRD of subsection 3.1(a).

(b) Following the termination of the Interest Rate Swap pursuant to the terms thereof, the Swap Counterparty shall pay to the Trustee for the benefit of the Issuer the amount of the Termination Receipt, if any, to be made by the Swap Counterparty pursuant to the Interest Rate Swap. The Trustee shall, promptly upon receipt of any such Termination Receipt, if any, at the written direction of the Servicer, deposit such Termination Receipt into the Collection Account to be applied as Available Funds.

(c) Following the termination of Interest Rate Swap pursuant to the terms thereof, the Issuer shall pay to the Swap Counterparty the amount of the Termination Payment, if any, to be made by the Issuer pursuant to the Interest Rate Swap to the extent of funds available therefore under provision NINTH of subsection 3.1(a), if applicable, or provision FOURTEENTH, if applicable, or if a Sequential Order Event has occurred and is continuing, as provided in subsection 3.1(b).

(d) The Interest Rate Swap shall provide that if a Ratings Event (as defined below) shall occur and be continuing with respect to the Swap Counterparty, then the Swap Counterparty shall (A) within five Business Days of such Ratings Event, give notice to the Issuer of the occurrence of such Ratings Event, and (B) use reasonable efforts to transfer (at its own cost) the Swap Counterparty's rights and obligations under the Interest Rate Swap to another party, subject to satisfaction of the Rating Agency Condition. If a Ratings Event occurs, the Issuer, to the extent it has been notified of such event, shall notify the Trustee and the Servicer. Unless such a transfer by the Swap Counterparty has occurred within 20 Business Days after the occurrence of a Ratings Event, the Issuer shall demand that the Swap Counterparty post Eligible Collateral, as defined in the Interest Rate Swap, to secure the Issuer's exposure or potential exposure to the Swap Counterparty. The Eligible Collateral to be posted shall be subject to the Rating Agency Condition. Valuation and posting of Eligible Collateral shall be made as of each Payment Date as provided in the Interest Rate Swap. Notwithstanding the posting of Eligible Collateral, the Swap Counterparty shall continue to use reasonable efforts to transfer its rights and obligations under the Interest Rate Swap to an acceptable third party; provided, however, that the Swap Counterparty's obligations to find a transferee and to post Eligible Collateral shall remain in effect only for so long as a Ratings Event is continuing.

(e) The Interest Rate Swap shall provide that a "Ratings Event" will occur with respect to the Swap Counterparty if the long-term and short-term senior unsecured deposit ratings of the Swap Counterparty cease to be at least A and A-1 by S&P, or at least A1 and P-1 by Moody's, or at least A and F1 by Fitch, to the extent such obligations are rated by S&P or Moody's or Fitch.

The Interest Rate Swap shall further provide that if the long-term and short-term senior unsecured deposit ratings of the Swap Counterparty cease to be at least A2 and P-1 by Moody's, then the Swap Counterparty shall not be entitled to post Eligible Collateral, as defined in the Interest Rate Swap, but rather shall be required to use reasonable efforts to transfer the Swap Counterparty's rights and obligations under the Interest Rate Swap to an eligible transferee within 20 Business Days of the publication date of such downgrade.

If the Interest Rate Swap is terminated for any reason and no successor swap is entered into, the Servicer shall solicit bids from three or more prospective replacement swap counterparties for the price of a replacement swap agreement with a notional amount equal to the outstanding principal amount of the Class D Notes. With the consent of Noteholders representing 51% or more of the Aggregate Principal Amount at such time, and upon satisfaction of the Rating Agency Condition, the Issuer will enter into such replacement swap agreement. If Noteholders representing 51% or more of the Aggregate Principal Amount do not consent to such replacement swap agreement, or if the Rating Agency Condition is not met, the Issuer will not enter into a replacement swap agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

Section 4.1 Representations and Warranties Regarding the Issuer. The Issuer hereby represents and warrants to the Trustee and the Collateral Agent on the date of execution of this Agreement as follows:

(a) Due Formation and Good Standing. The Issuer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware, and has full power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under each of the Transaction Documents to which it is a party. The Issuer is duly qualified to do business and is in good standing as a foreign entity, and has obtained all necessary licenses and approvals in each jurisdiction in which failure to qualify or to obtain such licenses and approvals would render any Pledged Loan unenforceable by the Issuer or would otherwise have a Material Adverse Effect.

(b) Due Authorization and No Conflict. The execution, delivery and performance by the Issuer of each of the Transaction Documents to which it is a party, and the consummation by the Issuer of each of the transactions contemplated hereby and thereby, including without limitation the acquisition of the Pledged Loans under the Series 2003-1 Term Purchase Agreement and the making of the Grants contemplated hereunder, have in all cases been duly authorized by the Issuer by all necessary action, do not contravene (i) the Issuer's certificate of formation or the LLC Agreement, (ii) any existing law, rule or regulation applicable to the Issuer, (iii) any contractual restriction contained in any material indenture, loan or credit agreement, lease, mortgage, deed of trust, security agreement, bond, note, or other material agreement or instrument binding on or affecting the Issuer or its property or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the Issuer or its property (except where such contravention would not have a Material Adverse Effect), and do not result in or require the creation of any Lien upon or with respect to any of its properties (except as provided in such Transaction Documents); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. Each of the other Transaction Documents to which the Issuer is a party have been duly executed and delivered by the Issuer.

(c) Governmental and Other Consents. All approvals, authorizations, consents, orders of any court or governmental agency or body required in connection with the execution and delivery by the Issuer of any of the Transaction Documents to which the Issuer is a party, the consummation by the Issuer of the transactions contemplated hereby or thereby, the performance by the Issuer of and the compliance by the Issuer with the terms hereof or thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect on the Issuer.

(d) Enforceability of Transaction Documents. Each of the Transaction Documents to which the Issuer is a party have been duly and validly executed and delivered by the Issuer and constitute the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as enforceability may be subject to or limited by

Debtor Relief Laws or by general principles of equity (whether considered in a suit at law or in equity).

(e) No Litigation. There are no proceedings or investigations pending or, to the best knowledge of the Issuer, threatened, against the Issuer before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement or any of the other Transaction Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Transaction Documents, (iii) seeking any determination or ruling that would adversely affect the performance by the Issuer of its obligations under this Agreement or any of the other Transaction Documents to which the Issuer is a party, (iv) seeking any determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Transaction Documents or (v) seeking any determination or ruling which would be reasonably likely to have a Material Adverse Effect on the Issuer.

(f) Use of Proceeds. All proceeds of the issuance of the Notes shall be used by the Issuer to acquire Loans from the Depositor under the Series 2003-1 Term Purchase Agreement, to pay costs related to the issuance of the Notes, to pay principal and/or interest on any Notes or to otherwise fund costs and expenses permitted to be paid under the terms of the Transaction Documents.

(g) Governmental Regulations. The Issuer is not (1) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or (2) a "public utility company" or a "holding company," a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8)or 2(a)(11) of the Public Utility Holding Company Act of 1935, as amended.

(h) Margin Regulations. The Issuer is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each of the quoted terms is defined or used in any of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time). No part of the proceeds of any of the Notes has been used for so purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of any of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

(i) Location of Chief Executive Office and Records. As of the date hereof, the principal place of business and chief executive office of the Issuer is located at 10750 West Charleston Boulevard, Suite 130, Mail Stop 2045, Las Vegas, Nevada 89135. As of the date hereof, the principal place of business and chief executive office of the Servicer is located at 10750 West Charleston Boulevard, Suite 130, Las Vegas, Nevada 89135. As of the date hereof, neither the Issuer nor the Servicer operates its business or maintains the Records at any other locations. As of the date hereof, the issuer is a limited liability company organized under the law of the State of Delaware, whose correct name is set forth in the signature pages hereof.

(j) Lockbox Accounts. Except in the case of any Lockbox Account pursuant to which only collections in respect of loans subject to a PAC or Credit Card Account are

deposited, the Issuer has filed or has caused to be filed a standing delivery order with the United States Postal Service authorizing each Lockbox Bank to receive mail delivered to the related Post Office Box. The account numbers of all Lockbox Accounts, together with the names, addresses, ABA numbers and names of contact persons of all the Lockbox Banks maintaining such Lockbox Accounts and the related Post Office Boxes, are specified in the exhibits to this Agreement. From and after the Closing Date, except as provided in the Intercreditor Agreement, the Trustee shall hold all right and title to and interest in all of the monies, checks, instruments, depository transfers or automated clearing house electronic transfers and other items of payment and their proceeds and all monies and earnings, if any, thereon in the Lockbox Accounts. The Issuer has no other lockbox accounts for the collection of Scheduled Payments in respect of Pledged Loans except for the Lockbox Accounts.

(k) No Trade Names. The Issuer has no trade names, fictitious names, assumed names or "doing business as" names, and has not had any such names or had any other legal name at any time since its formation.

(l) Subsidiaries. The Issuer has no Subsidiaries and does not own or hold, directly or indirectly, any capital stock or equity security of, or any equity interest in, any Person, other than Permitted Investments.

(m) Transaction Documents. The Series 2003-1 Term Purchase Agreement is the only agreement pursuant to which the Issuer purchases the Pledged Loans and the related Pledged Assets. The Issuer has furnished to the Trustee and the Collateral Agent, true, correct and complete copies of each Transaction Document to which the Issuer is a party, each of which is in full force and effect. Neither the Issuer nor any Affiliate thereof is in default of any of its obligations thereunder in any material respect. The Issuer is the lawful owner of, and has good title to, each Pledged Loan and all related Pledged Assets, free and clear of any Liens (other than the Lien of this Agreement and any Permitted Encumbrances on the related Timeshare Properties), or has a first-priority perfected security interest therein. All such Pledged Loans and other related Pledged Assets are purchased without recourse to the Depositor except as described in the Series 2003-1 Term Purchase Agreement. The purchase by the Issuer under the Series 2003-1 Term Purchase Agreement constitute either a sale or a first-priority perfected security interest, enforceable against creditors of the Depositor.

(n) Business. Since its formation, the Issuer has conducted no business other than the execution, delivery and performance of the Transaction Documents contemplated hereby, the purchase of Loans thereunder, the issuance and payment of the Notes and such other activities as are incidental to the foregoing. The Issuer has incurred no Debt except that expressly incurred hereunder and under the other Transaction Documents.

(o) Ownership of the Issuer. One hundred percent (100%) of the outstanding equity interest in the Issuer is directly owned (both beneficially and of record) by the Depositor.

(p) Taxes. The Issuer has timely filed or caused to be timely filed all federal, state, and local and foreign tax returns which are required to be filed by it, and has paid or caused to be paid all taxes due and owing by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings timely instituted and diligently pursued

and with respect to which the Issuer has set aside adequate reserves on its books in accordance with GAAP and which proceedings have not given rise to any Lien.

(q) Tax Classification. Since its formation, for federal income tax purposes, the Issuer (i) has been classified as a disregarded entity or partnership and (ii) has not been classified as an association taxable as a corporation or a publicly traded partnership.

(r) Solvency. The Issuer (i) is not "insolvent" (as such term is defined in the Bankruptcy Code); (ii) is able to pay its debts as they become due; and (iii) does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage.

(s) ERISA. There has been no (i) occurrence or expected occurrence of any Reportable Event with respect to any Benefit Plan subject to Title IV of ERISA of the Issuer or any of its ERISA Affiliates, or any withdrawal from, or the termination, Reorganization or Plan Insolvency of any Multiemployer Plan or (ii) institution of proceedings or the taking of any other action by the Pension Benefit Guaranty Corporation or the Issuer or any of its ERISA Affiliates or any such Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Plan Insolvency of, any such Plan.

(t) No Adverse Selection. No selection procedures materially adverse to the Noteholders, the Trustee or the Collateral Agent have been employed in selecting the Pledged Loans for inclusion in the Collateral on the Closing Date.

Section 4.2 Representations and Warranties Regarding the Loan Files. The Issuer represents and warrants to each of the Trustee, the Collateral Agent, the Servicer and the Noteholders as to each Pledged Loan that:

(a) Possession. On or immediately prior to the Closing Date the Custodian will have possession of each original Pledged Loan and the related Loan File, and will have acknowledged such receipt and its undertaking to hold such documents for purposes of perfection of the Collateral Agent's interests in such original Pledged Loan and the related Loan File; provided, however, that the fact that any of the Loans not required to be in its respective Loan File under the terms of the respective Purchase Agreements is not in the possession of the Custodian in its respective Loan File does not constitute a breach of this representation; and provided that, possession of Loan Documents may be in the form of microfiche or other electronic copies of the Loan Documents to the extent provided in the Custodial Agreement.

(b) Marking Records. On or before the Closing Date, each of the Issuer and the Servicer shall have caused the portions of the computer files relating to the Pledged Loans Granted to the Collateral Agent on such date to be clearly and unambiguously marked to indicate that such Loans constitute part of the Collateral Granted by the Issuer in accordance with the terms of this Agreement.

The representations and warranties of the Issuer set forth in this Section 4.2 shall be deemed to be remade without further act by any Person on and as of each Substitution Date with respect to each Loan Granted by the Issuer on and as of each such date. The representations and

warranties set forth in this Section 4.2 shall survive any Grant of the respective Loans by the Issuer.

Section 4.3 Rights of Obligors and Release of Loan Files.

(a) Notwithstanding any other provision contained in this Agreement, including the Collateral Agent's, the Trustee's and the Noteholders' remedies pursuant hereto and pursuant to the Collateral Agency Agreement, the rights of any Obligor to any Timeshare Property subject to a Pledged Loan shall, so long as such Obligor is not in default thereunder, be superior to those of the Collateral Agent, the Trustee and the Noteholders, and none of the Collateral Agent, the Trustee or the Noteholders, so long as such Obligor is not in default thereunder, shall interfere with such Obligor's use and enjoyment of the Timeshare Property subject thereto.

(b) If pursuant to the terms of this Agreement, the Collateral Agent or the Trustee shall acquire through foreclosure the Issuer's interest in any portion of the Timeshare Property subject to a Pledged Loan, the Collateral Agent and the Trustee hereby specifically agree to release or cause to be released any Timeshare Property from

any Lien hereunder upon completion of all payments and the performance of all the terms and conditions required to be made and performed by such Obligor under such Pledged Loan, and each of the Collateral Agent and the Trustee hereby consents to any such release by, or at the direction of, the Collateral Agent.

(c) At such time as an Obligor has paid in full the purchase price or the requisite percentage of the purchase price for deeding pursuant to a Pledged Loan and has otherwise fully discharged all of such Obligor's obligations and responsibilities required to be discharged as a condition to deeding, the Servicer shall notify the Trustee by a certificate substantially in the form attached hereto as Exhibit E (which certificate shall include a statement to the effect that all amounts received in connection with such payment have been deposited in the Collection Account) of a Servicing Officer and shall request delivery to the Servicer from the Custodian of the related Loan Files. Upon receipt of such certificate and request or at such earlier time as is required by applicable law, the Trustee and the Collateral Agent (a) shall be deemed, without the necessity of taking any action, to have approved release by the Custodian of the Loan Files to the Servicer (in all cases in accordance with the provisions of the Custodial Agreement), (b) shall be deemed to approve the release by the Nominee of the related deed of title, and any documents and records maintained in connection therewith, to the Obligor as provided in the Title Clearing Agreement, provided that title to the Timeshare Property has not already been deeded to the Obligor and/or (c) shall execute such documents and instruments of transfer and assignment and take such other action as is necessary to release its interest in the Timeshare Property subject to deeding (in the case of any Pledged Loan which has been paid in full). The Servicer shall cause each Loan File or any document therein so released which relates to a Pledged Loan for which the Obligor's obligations have not been fully discharged to be returned to the Custodian for the sole benefit of the Collateral Agent when the Servicer's need therefor no longer exists.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE ISSUER; ASSIGNMENT OF REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Trustee, the Collateral Agent and the Noteholders on the Closing Date as follows:

(a) Perfection of Security Interests in Collateral.

(i) Payment of principal and interest on the Notes and the prompt observance and performance by the Issuer of all of the terms and provisions of this Agreement are secured by the Collateral. Upon the issuance of the Notes and at all times thereafter so long as any Notes are outstanding, this Agreement creates a security interest (as defined in the applicable UCC) in the Collateral in favor of the Collateral Agent for the benefit of the Trustee, the Noteholders and the Swap Counterparty to secure amounts payable under the Notes which security interest is perfected and prior to all other Liens (other than any Permitted Encumbrances) and is enforceable as such against all creditors of and purchasers from the Issuer; and

(ii) the Collateral constitutes either "accounts," "chattel paper," "instruments" or "general intangibles" within the meaning of the applicable UCC.

Section 5.2 Eligible Loans. The Issuer hereby represents and warrants to the Trustee and the Collateral Agent that each of the Pledged Loans is an Eligible Loan. For purposes of this Agreement, the term "Eligible Loan" means a Loan purchased by the Issuer under the Series 2003-1 Term Purchase Agreement which has the following characteristics as of the Cut-Off Date:

(a) with respect to which (i) the related Timeshare Property is not a Lot, (ii) the related Timeshare Property has been purchased by an Obligor, (iii) except in the case of a Green Loan, a certificate of occupancy for the related Timeshare Property has been issued, (iv) except in the case of a Green Loan, the unit for the related Timeshare Property is complete and ready for occupancy, is not in need of material maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (v) the related Timeshare Property Regime is not in need of maintenance or repair, except for ordinary, routine maintenance and repairs that are not substantial in nature or cost and contains no structural defects materially affecting its value, (vi) there is no legal, judicial or administrative proceeding pending, or to the Issuer's knowledge threatened, for the total condemnation of the related Timeshare Property or partial condemnation of any portion of the related Timeshare Property Regime that would have a material adverse effect on the value of the related Timeshare Property and (vii) the related Timeshare Property, if not Vacation Credits, is not related to a Resort located outside of the United States;

(b) with respect to which the rights of the Obligor thereunder are subject to declarations, covenants and restrictions of record affecting the Resort; provided, however, that a Pledged Loan shall not fail to be an Eligible Loan solely because the rights of the Obligor thereunder have been subjected to the FairShare Plus Program;

(c) in the case of a Pledged Loan that is an Installment Contract, with respect to which the Issuer has a valid ownership or security interest in an underlying Timeshare Property, subject only to Permitted Encumbrances, unless the criteria in paragraph (d) are satisfied;

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

(e) that was issued in a transaction that complied, and is in compliance, in all material respects with all requirements of applicable federal, state and local law, including applicable laws relating to usury, truth-in-lending, property sales, consumer credit protection and disclosure;

(f) that requires the Obligor to pay the unpaid principal balance over an original term of not greater than 120 months;

(g) the Scheduled Payments on which are denominated and payable in United States dollars;

(h) that is not a Defective Loan either under this Agreement or under the terms of the Purchase Agreement applicable to such Pledged Loan or a Defaulted Loan;

(i) the Scheduled Payments on which are not 30 days or more delinquent and has never been a Defaulted Loan as of the Cut-Off Date;

(j) that does not (i) finance the purchase of credit life insurance and (ii) finance, and was not originated in connection with, the Trendwest "Explorer" program, unless such Loan has been converted to a Loan in connection with the WorldMark program;

(k) with respect to which the related Timeshare Property (i) if the Loan is a Fairfield Loan (A) consists of a Fixed Week or a UDI and (B) if it consists of a Fixed Week, it has been converted into a UDI or has become subject to the FairShare Plus Program, which conversion or other modification does not give rise to the extension of the maturity of any payments under such Pledged Loan or (ii) if the Loan is a Trendwest Loan, consists of Vacation Credits;

(l) that, if it is a Fairfield Loan (i) either (A) was transferred by FRI to FAC pursuant to the Operating Agreement, (B) in the case of any Pledged Loan originated by an Originator other than FRI or any Loan related to the Dolphin's Cove Resort or a Kona Loan, was transferred by such Originator to FRI pursuant to the Operating Agreement, (C) in the case of any Loan related to the Dolphin's Cove Resort, was originated by Dolphin's Cove Resort, Ltd., a California limited partnership, and was transferred to FRI pursuant to a receivables purchase agreement dated December 29, 2000 by and between Dolphin's Cove Resort, Ltd. and FRI or (D) in the case of a Kona Loan was transferred to FRI under the terms of a July 2002 agreement or (ii) was purchased by FAC from Fairfield Receivables Corporation pursuant to an Assignment of Contracts and Mortgages, dated as of August 29, 2002;

(m) that (i) if it is a Fairfield Loan, it was, except with respect to a Loans related to Dolphin's Cove Resort, Ltd. and Kona Loans, originated by a Fairfield Originator and has been consistently serviced by FAC, in each case in the ordinary course of its respective business and in accordance with Customary Practices and Credit Standards and Collection Policies, (ii) if it is a Fairfield Loan related to Dolphin's Cove Resort, Ltd., it was acquired by FRI in December 2000 and has since that date been consistently serviced by FAC and if it is a Kona Loan, it was originated by Kona and has since December 1, 2002 been consistently serviced by FAC, in each case, in the ordinary course of its respective business and in accordance with Customary Practices and Credit Standards and Collection Policies and (iii) if it is a Trendwest Loan, was originated by Trendwest and has been consistently serviced by Trendwest, in each case in the ordinary course of its business and in accordance with Trendwest's Customary Practices and Credit Standards and Collection Policies;

(n) that has not been specifically reserved against by the Issuer or classified as uncollectible or charged off;

(o) that arises from transactions in a jurisdiction in which (i) with respect to Fairfield Loans, FRI and each Subsidiary of FRI (other than the Depositor, the Issuer and Sierra 2002) that conducts business in such jurisdiction is duly qualified to do business, except where the failure to so qualify will not adversely affect or impair the legality, validity, binding effect and enforceability of such Pledged Loan and (ii) with respect to Trendwest Loans, Trendwest is duly qualified to do business, except where the failure to so qualify will not adversely affect or impair the legality, validity, binding effect and enforceability of such Pledged Loan;

(p) that constitutes a legal, valid, binding and enforceable obligation of the related Obligor, except as such enforceability may be limited by Debtor Relief Laws and

as such enforceability may be limited by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(q) that is fully amortizing pursuant to a required schedule of substantially equal monthly payments of principal and interest;

(r) with respect to which (i) the downpayment has been made and (ii) no statutory rescission rights with respect to the related Obligor are continuing as of the Cut-Off Date;

(s) that had an Equity Percentage of 10% or more at the time of the sale of the related Timeshare Property to the related Obligor (or, in the case of a Loan relating to a Timeshare Upgrade originated by Trendwest, an Equity Percentage of 10% or more of the value of all Vacation Credits owned by the related Obligor);

(t) with respect to which at least one Scheduled Payment has been made by the Obligor; and

(u) that, in the case of a Green Loan, (i) satisfies each of the eligibility criteria set forth in paragraphs (a) through (t) above other than any such criteria that cannot be satisfied due solely to (A) the related Green Timeshare Property being located in a Resort that is not yet complete and ready for occupancy; (B) the Issuer not having a valid ownership interest in the related Green Timeshare Property; or (C) the related Green Timeshare Property not having been deeded to the Obligor or legal title not being held by the Nominee; and (ii) the related Green Timeshare Property has a scheduled completion date no more than six months following the Cut-Off Date.

Section 5.3 Assignment of Representations and Warranties. The Issuer hereby assigns to the Trustee and the Collateral Agent all of its rights relating to the Pledged Loans and related Pledged Assets under the Series 2003-1 Term Purchase Agreement including the rights assigned to the Issuer by the Depositor of the Depositor's rights to payment due from the related Seller for repurchases of Defective Loans (as such term is defined in such Purchase Agreement) resulting from the breach of representations and warranties under such Purchase Agreement and the Depositor's rights under the First Guaranty Agreement.

Section 5.4 Release of Defective Loans.

(a) Deposit of Release Price or Substitution of Qualified Substitute Loan. Subject to subsection (b) of this section, upon discovery by the Issuer or upon written notice from the Depositor or the Trustee that any Pledged Loan is a Defective Loan, the Issuer shall, within 90 days after the earlier of its discovery or receipt of notice thereof (i) if such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, direct the applicable Seller to perform its obligation under such Purchase Agreement to either (A) deposit the Release Price with the Trustee or (B) deliver to the Trustee one or more Qualified Substitute Loans in substitution for such Defective Loan and pay to the Trustee the Substitution Adjustment Amount, or (ii) if such Defective Loan does not constitute a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, deposit the Release Price with the Trustee. If such

Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, then, notwithstanding any other provision of this Agreement, the Issuer shall have no obligation or liability with respect to such Defective Loan should the applicable Seller fail to perform its obligations under the Purchase Agreement with respect to such Defective Loan. For purposes of this Agreement, the term "Release Price" shall mean an amount equal to

the outstanding Loan Balance of such Defective Loan as of the close of business on the Due Date immediately preceding the Payment Date on which the repurchase is to be made, plus accrued but unpaid interest thereon to the date of the repurchase.

(b) Substitution. If under a Purchase Agreement, a Seller delivers a Qualified Substitute Loan for release of a Defective Loan, the Issuer shall execute a Supplemental Grant in substantially the form of Exhibit J hereto and deliver such Supplemental Grant to the Trustee and the Collateral Agent. Payments due with respect to Qualified Substitute Loans prior to the last day of the Due Period next preceding the date of substitution shall not be property of the Issuer, but will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Payment Date. Scheduled Payments due on a Defective Loan prior to the last day of the Due Period next preceding the date of substitution shall be property of the Issuer, and after such last day of the Due Period next preceding the date of substitution the Seller shall be entitled to retain all Scheduled Payments due thereafter and other amounts received in respect of such Defective Loan. The Issuer shall cause the Servicer to deliver a schedule of any Defective Loans so removed and Qualified Substitute Loans so substituted to the Trustee and the Collateral Agent and such schedule shall be an amendment to the Loan Schedule. Upon such substitution, the Qualified Substitute Loan or Loans shall be subject to the terms of this Agreement in all respects, the Issuer shall be deemed to have made the representations, and warranties with respect to each Qualified Substitute Loan set forth in Section 5.1 and 5.2 of this Agreement, in each case as of the date of substitution, and the Issuer shall be deemed to have made a representation and warranty that each Loan so substituted is a Qualified Substitute Loan as of the date of substitution. The provisions of Section 5.4(a) shall apply to any Qualified Substitute Loan as to which the Issuer has breached the Issuer's representations and warranties in Section 5.1 and 5.2 to the same extent as for any other Pledged Loan. In connection with the substitution of one or more Qualified Substitute Loans for one or more Defective Loans, the Servicer shall determine the amount (such amount, a "Substitution Adjustment Amount"), if any, by which the aggregate principal balance of all such Qualified Substitute Loans as of the date of substitution is less than the aggregate principal balance of all such Defective Loans (after application of the principal portion of the Scheduled Payments due in the month of substitution that are to be distributed to the Issuer in the month of substitution). If such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, the Issuer shall direct the applicable Seller to perform its obligation under such Purchase Agreement to pay to the Trustee the Substitution Adjustment Amount in immediately available funds. Such Substitution Adjustment Amount shall be treated as if it were a portion of the Release Price for the Defective Loan and included in Available Funds as such. If such Defective Loan constitutes a Defective Loan as defined in the Purchase Agreement pursuant to which the Depositor acquired such Defective Loan, then, notwithstanding any other provision of this Agreement, the Issuer shall have no obligation or liability to pay the Substitution Adjustment Amount with respect to such Defective Loan should the applicable Seller fail to perform its obligation under the Purchase Agreement to pay such Substitution Adjustment Amount to the Trustee.

If a Seller repurchases a Pledged Loan as a Defective Loan or provides a Qualified Substitute Loan for a Defective Loan, then the Issuer shall automatically and without further action sell, transfer, assign, set over and otherwise convey to such Seller, without recourse, representation or warranty, all of the Issuer's right, title and interest in and to the related Defective Loan, the related Timeshare Property, the Loan File relating thereto and any other related Pledged Assets, all monies due or to become due with respect thereto and all Collections with respect thereto (including payments received from Obligors from and including the last day of the Due Period next preceding the date of transfer, subject to the payment of any Substitution Adjustment Amount). The Issuer shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the applicable Seller to effect the conveyance of such Defective Loan, the related Timeshare Property and related Loan File pursuant to this Section 5.4(b).

Promptly after the repurchase of Defective Loans in respect of which the Release Price has been paid or a Qualified Substitute Loan has been provided, on such date, the Issuer shall direct the Servicer to delete such Defective Loans from the Loan Schedule.

The obligations of the Issuer set forth in Section 5.4(a) shall constitute the sole remedy against the Issuer with respect to any breach of the representations and warranties set forth in Section 5.1 and Section 5.2 available hereunder to the Trustee or the Collateral Agent.

ARTICLE VI

ADDITIONAL COVENANTS OF ISSUER

Section 6.1 Affirmative Covenants. The Issuer shall:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, and all Pledged Loans and Transaction Documents to which it is a party (including without limitation the laws, rules and regulations of each state governing the sale of timeshare contracts).

(b) Preservation of Existence. Preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity, and maintain all necessary licenses and approvals, in each jurisdiction in which it does business, except where the failure to preserve and maintain such existence, rights, franchises, privileges, qualifications, licenses and approvals would not have a Material Adverse Effect.

(c) Adequate Capitalization. Ensure that at all times it is adequately capitalized to engage in the transactions contemplated by this Agreement.

(d) Keeping of Records and Books of Account. Maintain and implement administrative and operating procedures (including without limitation an ability to recreate records evidencing the Pledged Loans in the event of the destruction or loss of the originals thereof) and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Pledged Loans (including without limitation

records adequate to permit the daily identification of all Collections with respect to, and adjustments of amounts payable under, each Pledged Loan).

(e) Performance and Compliance with Receivables and Loans. At its expense, timely and fully perform and comply in all material respects with all material provisions, covenants and other promises required to be observed by it under the Pledged Loans.

(f) Credit Standards and Collection Policies. Comply in all material respects with the Credit Standards and Collection Policies and Customary Practices in regard to each Pledged Loan and the related Pledged Assets.

(g) Collections. (1) Instruct or cause all Obligors to be instructed to either:

(A) send all Collections directly to a Post Office Box for credit to a Lockbox Account or directly to a Lockbox Account, or

(B) in the alternative, make Scheduled Payments by way of pre-authorized debits from a deposit account of such Obligor pursuant to a PAC or from a credit card of such Obligor pursuant to a Credit Card Account from which Scheduled Payments shall be electronically transferred directly to a Lockbox Account immediately upon each such debit (provided that, for the avoidance of doubt, each Obligor may at any time cease to pay its Scheduled Payments directly to a Post Office Box or a Lockbox Account or pursuant to a PAC or Credit Card Account, so long as the Servicer promptly

instructs such Obligor to commence one of the two alternative methods of funds transfer provided for in either of sub-clauses (A) or (B) of this clause (1)).

(2) In the case of funds transfers pursuant to a PAC or Credit Card Account, take, or cause each of the Servicer, a Lockbox Bank and/or the Trustee to take, all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(3) If the Issuer shall receive any Collections, the Issuer shall hold such Collections in trust for the benefit of the Trustee, the Noteholders and the Swap Counterparty and deposit such Collections into a Lockbox Account or the Collection Account within two Business Days following the Issuer's receipt thereof.

(h) Compliance with ERISA. Comply in all material respects with the provisions of ERISA, the Code, and all other applicable laws and the regulations and interpretations thereunder.

(i) Perfected Security Interest. Take such action with respect to each Pledged Loan as is necessary to ensure that the Collateral Agent maintains on behalf of the Trustee, a first priority perfected security interest in such Pledged Loan and the Pledged Assets relating thereto, in each case free and clear of any Liens (other than the Lien created by this Agreement and in the case of any Timeshare Properties, any Permitted Encumbrance).

(j) No Release. Not take any action and shall use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or material obligations under any document, instrument or agreement included in the Collateral, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such document, instrument or agreement except as expressly provided in this Agreement or such other instrument or document.

(k) Insurance and Condemnation.

(i) The Issuer shall do or cause to be done all things that it may accomplish with a reasonable amount of cost or effort to cause each of the POAs for each Resort to (A) maintain one or more policies of "all-risk" property and general liability insurance with financially sound and reputable insurers, providing coverage in scope and amount which (x) satisfies the requirements of the declarations (or any similar charter document) governing the POA for the maintenance of such insurance policies and (y) is at least consistent with the scope and amount of such insurance coverage obtained by prudent POAs and/or management of other similar developments in the same jurisdiction; and (B) apply the proceeds of any such insurance policies in the manner specified in the relevant declarations (or any similar charter document) governing the POA and/or any similar charter documents of such POA. For the avoidance of doubt, the parties hereto acknowledge that the ultimate discretion and control relating to the maintenance of any such insurance policies is vested in the POAs in accordance with the respective declaration (or any similar charter document) relating to each Timeshare Property Regime.

(ii) The Issuer shall remit to the Collection Account the portion of any proceeds received pursuant to a condemnation of property in any Resort to the extent that such proceeds relate to any of the Timeshare Properties.

(l) Custodian.

(i) On or before the Closing Date, the Issuer shall deliver or cause to be delivered directly to the Custodian for the benefit of the Collateral Agent pursuant to the Custodial Agreement the Loan File for each Pledged Loan. Such Loan File may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement. The Issuer shall cause the Custodian to hold, maintain and keep custody of the Loan Files for the benefit of the Collateral Agent in a secure fire retardant location at an office of the Custodian, which location shall be reasonably acceptable to the Collateral Agent and the Trustee.

(ii) The Issuer shall cause the Custodian at all times to maintain control of the Loan Files for the benefit of the Collateral Agent on behalf of the Trustee in each case pursuant to the Custodial Agreement. Each of the Issuer and the Servicer may access the Loan Files at the Custodian's storage facility only for the purposes and upon the terms and conditions set forth herein and in the Custodial Agreement. Each of the Issuer and the Servicer may only remove documents from the Loan File for collection services and other routine servicing requirements from such facility in accordance with the terms of the Custodial Agreement, all as set forth and pursuant to the "Bailment Agreement" (as defined in and attached as an exhibit to the Custodial Agreement).

(iii) The Issuer shall at all times comply in all material respects with the terms of its obligations under the Custodial Agreement and shall not enter into any modification, amendment or supplement of or to, and shall not terminate, the Custodial Agreement, without the Collateral Agent's and Trustee's prior written consent.

(m) Separate Identity. Take all actions required to maintain the Issuer's status as a separate legal entity. Without limiting the foregoing, the Issuer shall:

(i) Maintain in full effect its existence, rights and franchises as a limited liability company under the laws of the state of its formation and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement and the other Transaction Documents to which the Issuer is a party and each other instrument or agreement necessary or appropriate to proper administration hereof and permit and effectuate the transactions contemplated hereby.

(ii) Except as provided herein, maintain its own deposit, securities and other account or accounts with financial institutions, separate from those of any Affiliate of the Issuer. The funds of the Issuer will not be diverted to any other Person or for other than the use of the Issuer, and, except as may be expressly permitted by this Agreement or any other Transaction Document to which the Issuer is a party, the funds of the Issuer shall not be commingled with those of any other Person.

(iii) Ensure that, to the extent that it shares the same officers or other employees as any of its members, managers or other Affiliates, the salaries of and the expenses related to providing benefits to such officers and other employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iv) Ensure that, to the extent that it jointly contracts with any of its stockholders, members or managers or other Affiliates to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that the Issuer contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs.

(v) Ensure that all material transactions between the Issuer and any of its Affiliates shall be only on an arm's-length basis and shall not be on terms more favorable to either party than the terms that would be found in a similar transaction involving unrelated third parties. All such transactions shall receive the approval of the Issuer's board of directors including at least one Independent Director (defined below).

(vi) Maintain a principal executive and administrative office through which its business is conducted and a telephone number separate from those of its members,

managers and other Affiliates. To the extent that the Issuer and any of its members, managers or other Affiliates have offices in contiguous space, there shall be fair and appropriate allocation of overhead costs (including rent) among them, and each such entity shall bear its fair share of such expenses.

(vii) Conduct its affairs strictly in accordance with its certificate of formation and limited liability company agreement and observe all necessary, appropriate and customary formalities, including, but not limited to, holding all regular and special meetings of the board of directors appropriate to authorize all actions of the Issuer, keeping separate and accurate minutes of such meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, intercompany transaction accounts. Regular meetings of the board of directors shall be held at least annually.

(viii) Ensure that its board of directors shall at all times include at least one Independent Director (for purposes hereof, "Independent Director" shall mean any member of the board of directors of the Issuer that is not and has not at any time been (x) an officer, agent, advisor, consultant, attorney, accountant, employee or shareholder of any Affiliate of the Issuer which is not a special purpose entity, (y) a director of any Affiliate of the Issuer other than an independent director of any Affiliate which is a special purpose entity or (z) a member of the immediate family of any of the foregoing).

(ix) Ensure that decisions with respect to its business and daily operations shall be independently made by the Issuer (although the officer making any particular decision may also be an officer or director of an Affiliate of the Issuer) and shall not be dictated by an Affiliate of the Issuer.

(x) Act solely in its own company name and through its own authorized members, managers, officers and agents, and no Affiliate of the Issuer shall be appointed to act as agent of the Issuer. The Issuer shall at all times use its own stationery and business forms and describe itself as a separate legal entity.

(xi) Except as contemplated by the Transaction Documents, ensure that no Affiliate of the Issuer shall loan money to the Issuer, and no Affiliate of the Issuer will otherwise guaranty debts of the Issuer.

(xii) Other than organizational expenses and as contemplated by the Transaction Documents, pay all expenses, indebtedness and other obligations incurred by it using its own funds.

(xiii) Except as provided herein and in any other Transaction Document, not enter into any guaranty, or otherwise become liable, with respect to or hold its assets or creditworthiness out as being available for the payment of any obligation of any Affiliate of the Issuer nor shall the Issuer make any loans to any Person.

(xiv) Ensure that any financial reports required of the Issuer shall comply with generally accepted accounting principles and shall be issued separately from, but may be

consolidated with, any reports prepared for any of its Affiliates so long as such consolidated reports contain footnotes describing the effect of the transactions between the Issuer and such Affiliate and also state that the assets of the Issuer are not available to pay creditors of the Affiliate.

(xv) Ensure that at all times it is adequately capitalized to engage in the transactions contemplated in its certificate of formation and its limited liability company agreement.

(n) Computer Files. Mark or cause to be marked each Pledged Loan in its computer files as described in Section 4.2(b).

(o) Taxes. File or cause to be filed, and cause each of its Affiliates with whom it shares consolidated tax liability to file, all federal, state, and foreign local tax returns which are required to be filed by it, except where the failure to file such returns could not reasonably be expected to have a Material Adverse Effect. The Issuer shall pay or cause to be paid all taxes due and owing by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Issuer or the applicable Affiliate shall have set aside adequate reserves on its books in accordance with GAAP, and which proceedings could not reasonably be expected to have a Material Adverse Effect.

(p) Tax Classification. For as long as the Notes are outstanding, the Issuer shall not take any action, or fail to take any action, that would cause the Issuer to not remain classified, for Federal income tax purposes, as a disregarded entity or a partnership that is not classified as a publicly traded partnership.

(q) Tax Sharing Agreement. For as long as the Notes are outstanding, (i) the Tax Sharing Agreement among Cendant, FAC and the Issuer, dated March 31, 2003 (the "Tax Sharing Agreement") shall remain in effect and (ii) no amendment shall be made to the Tax Sharing Agreement without the prior written consent of a majority of the Noteholders if such amendment (i) would reduce the amount or timing of payments for which Cendant is responsible, or (ii) would effect any limitations on payments required to be made by the Issuer pursuant to the Tax Sharing Agreement as in effect as of the date hereof.

(r) Transaction Documents. Comply in all material respects with the terms of, employ the procedures outlined in and enforce the obligations of the Depositor under the Series 2003-1 Term Purchase Agreement and of the parties to each of the other Transaction Documents to which the Issuer is a party, and take all such action as may reasonably be required to maintain all such Transaction Documents to which the Issuer is a party in full force and effect.

(s) Loan Schedule. At least once each calendar month, provide to the Trustee an amendment to the Loan Schedule, or cause the Servicer to provide an amendment to the Loan Schedule, listing the Pledged Loans released from the Collateral and adding to the Loan Schedule any Qualified Substitute Loans and amending the Loan Schedule to reflect terms or discrepancies in such schedule that become known to the Issuer since the filing of the original Loan Schedule or since the most recent amendment thereto.

(t) Segregation of Collections. (a) Prevent the deposit into any Account of any funds other than Collections or other funds to be deposited into such Accounts under this Agreement or the other Transaction Documents (provided that, this covenant shall not be breached to the extent that funds are inadvertently deposited into any of such Accounts and are promptly segregated and removed from the Account); and

(b) With respect to each Lockbox Account either (i) prevent the deposit into such account of any funds other than Collections in respect of Pledged Loans or (ii) enter into an intercreditor agreement with other entities which have an interest in the amounts in the Lockbox Account to allocate the Collections with respect to the Pledged Loans to the Issuer and transfer such amounts to the Trustee for deposit into the appropriate Collection Account; (provided that, the covenant in clause (i) of this paragraph (b) shall not be breached to the extent that funds not constituting Collections in respect of the Pledged Loans are inadvertently deposited into such Lockbox Account and are promptly segregated and remitted to the owner thereof).

(u) Filings; Further Assurances. (a) On or prior to the Closing Date, the Issuer shall have caused at its sole expense the Financing Statements, assignments and amendments thereof necessary to perfect the security interest in the Collateral to be filed or recorded in the appropriate offices.

(b) The Issuer shall, at its sole expense, from time to time authorize, prepare, execute and deliver, or authorize and cause to be prepared, executed and delivered, all such Financing Statements, continuation statements, amendments, instruments of further assurance and other instruments, in such forms, and shall take such other actions, as shall be required by the Servicer or the Trustee or as the Servicer or the Trustee otherwise deems reasonably necessary or advisable to perfect the Lien created in the Collateral. The Servicer agrees, at its sole expense, to cooperate with the Issuer in taking any such action (whether at the request of the Issuer or the Trustee). Without limiting the foregoing, the Issuer shall from time to time, at its sole expense, authorize, execute, file, deliver and record all such supplements and amendments hereto and all such Financing Statements, amendments thereto, continuation statements, instruments of further assurance, or other statements, specific assignments or other instruments or documents and take any other action that is reasonably necessary to, or that any of the Servicer or the Trustee deems reasonably necessary or advisable to: (i) Grant more effectively all or any portion of the Collateral; (ii) maintain or preserve the Lien Granted hereunder (and the priority thereof) or carry out more effectively the purposes hereof; (iii) perfect, maintain the perfection of, publish notice of, or protect the validity of any Grant made pursuant to this Agreement; (iv) enforce any of the Pledged Loans or any of the other Pledged Assets (including without limitation by cooperating with the Trustee, at the expense of the Issuer, in filing and recording such Financing Statements against such Obligors as the Servicer or the Trustee shall deem necessary or advisable from time to time); (v) preserve and defend title to any Pledged Loans or all or any other part of the Pledged Assets, and the rights of the Trustee in such Pledged Loans or other related Pledged Assets, against the claims of all Persons and parties; or (vi) pay any and all taxes levied or assessed upon all or any part of any Collateral.

(iii) The Issuer shall, on or prior to the date of Grant of any Pledged Loans hereunder, deliver or cause to be delivered all original copies of the Pledged Loan (other than in the case of any Pledged Loans not required under the terms of the relevant Purchase Agreement to be in the relevant Loan File), together with the related Loan File, to the Custodian, in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Trustee. Such "original copies" may be provided in microfiche or other electronic form to the extent permitted under the Custodial Agreement. In the event that the Issuer receives any other instrument or any writing which, in either event, evidences a Pledged Loan or other Pledged Assets, the Issuer shall deliver such instrument or writing to the Custodian to be held as collateral in which the Collateral Agent has a security interest for the benefit of the Trustee within two Business Days after the Issuer's receipt thereof, in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Trustee.

(iv) The Issuer hereby authorizes the Trustee, and gives the Collateral Agent its irrevocable power of attorney (which authorization is coupled with an interest and is irrevocable), in the name of the Issuer or otherwise, to execute, deliver, file and record any Financing Statement, continuation statement, amendment, specific assignment or other writing or paper and to take any other action that the Trustee in its sole discretion, may deem necessary or appropriate to further perfect the Lien created hereby. Any expenses incurred by the Trustee or the Collateral Agent pursuant to the exercise of its rights under this Section 6.1 shall be for the sole account and responsibility of the Issuer and payable under Section 3.1 to the Trustee.

(v) Management of Resorts. The Issuer hereby covenants and agrees that it will with respect to each Resort cause the Originator with respect to that Resort (to the extent that such Originator is otherwise responsible for maintaining such Resort) to do or cause to be done all things which it may accomplish with a reasonable amount of cost or effort, in order to maintain each such Resort (including without limitation all grounds, waters and improvements thereon) in at least as good condition, repair and working order as would be customary for prudent managers of similar timeshare properties.

Section 6.2 Negative Covenants of the Issuer. So long as any of the Notes are outstanding, the Issuer shall not:

(a) Sales, Liens, Etc., Against Receivables and Related Security. Except for the releases contemplated under Sections 5.4, 14.6, 14.7, 14.8 and 14.9 of this Agreement, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist, any Lien (other than the Lien created by this Agreement or, with respect to Timeshare Properties relating to Pledged Loans, any Permitted Encumbrances thereon) upon or with respect to, any Pledged Loan or any other Pledged Assets, or any interests in either thereof, or upon or with respect to any Collateral hereunder. The Issuer shall immediately notify the Trustee and the Collateral Agent of the existence of any Lien on any Pledged Loan or any other Pledged Assets, and the Issuer shall defend the right, title and interest of each of the Issuer and the Collateral Agent, Trustee and Noteholders in, to and under the Pledged Loans and all other Pledged Assets, against all claims of third parties.

(b) Extension or Amendment of Loan Terms. Extend (other than as a result of a Timeshare Upgrade or in accordance with Customary Practices), amend, waive or otherwise modify the terms of any Pledged Loan or permit the rescission or cancellation of any Pledged Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Pledged Loan or otherwise.

(c) Change in Business or Credit Standard and Collection Policies. (i) Make any change in the character of its business or (ii) make any change in the Credit Standards and Collection Policies or (iii) deviate from the exercise of Customary Practices, which change or deviation would, in any such case, materially impair the value or collectibility of any Pledged Loan.

(d) Change in Payment Instructions to Obligors. Add or terminate any bank as a Lockbox Bank from those listed in Schedule 3 hereto or make any change in the instructions to Obligors regarding payments to be made to any Lockbox Account at a Lockbox Bank, unless the Trustee shall have received (i) 30 days' prior notice of such addition, termination or change; (ii) written confirmation from the Issuer that after the effectiveness of any such termination, there shall be at least one (1) Lockbox Account in existence; and (iii) prior to the effective date of such addition, termination or change, (x) executed copies of Lockbox Agreements executed by each new Lockbox Bank, the Issuer, the Trustee and the Servicer and (y) copies of all agreements and documents signed by either the Issuer or the respective Lockbox Bank with respect to any new Lockbox Account.

(e) Stock, Merger, Consolidation, Etc. Consolidate with or merge into or with any other Person, or purchase or otherwise acquire all or substantially all of the assets or capital stock, or other ownership interest of, any Person or sell, transfer, lease or otherwise dispose of all or substantially all of its assets to any Person, except as expressly permitted under the terms of this Agreement.

(f) No Change in Control. At any time fail to be (i) a wholly owned member of the Cendant Group, as defined in the Tax Sharing Agreement and (ii) an entity wholly owned directly or indirectly by FAC.

(g) Change in Name, Etc. Use any trade names, fictitious names, assumed names or "doing business as" names.

(h) ERISA Matters. (i) Engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (ii) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (iii) fail to make any payments to any Multiemployer Plan that the Issuer or any of its ERISA Affiliates may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (iv) terminate any Benefit Plan so as to result in any liability; or (v) permit to exist any occurrence of any Reportable Event that represents a material risk of a liability of the Issuer or any of its ERISA Affiliates under ERISA or the Code; provided, however, that the ERISA Affiliates of the Issuer may take or allow such prohibited transactions, accumulated funding

deficiencies, payments, terminations and Reportable Events described in clauses (i) through (v) above so long as such events occurring within any fiscal year of the Issuer, in the aggregate, involve a payment of money by or an incurrence of liability of any such ERISA Affiliate (collectively, "ERISA Liabilities") in an amount that does not exceed $2,000,000.

(i) Terminate or Reject Loans. Without limiting anything in subsection 6.2(b), terminate or reject any Pledged Loan prior to the end of the term of such Loan, whether such rejection or early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law, unless prior to such termination or rejection, such Pledged Loan and any related Pledged Assets have been released from the Lien created by this Agreement.

(j) Debt. Create, incur, assume or suffer to exist any Debt except as contemplated by the Transaction Documents.

(k) Guarantees. Guarantee, endorse or otherwise be or become contingently liable (including by agreement to maintain balance sheet tests) in connection with the obligations of any other Person, except endorsements of negotiable instruments for collection in the ordinary course of business and reimbursement or indemnification obligations as provided for under this Agreement or as contemplated by the Transaction Documents.

(l) Limitation on Transactions with Affiliates. Enter into, or be a party to any transaction with any Affiliate, except for:

(i) the transactions contemplated hereby and by the other Transaction Documents; and

(ii) to the extent not otherwise prohibited under this Agreement, other transactions upon fair and reasonable terms materially no less favorable to the Issuer than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate.

(m) Lines of Business. Conduct any business other than that described in the LLC Agreement, or enter into any transaction with any Person which is not contemplated by or incidental to the performance of its obligations under the Transaction Documents to which it is a party.

(n) Limitation on Investments. Make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets or otherwise) in, any Affiliate or any other Person except for (i) Permitted Investments and (ii) the purchase of Loans pursuant to the terms of the Series 2003-1 Term Purchase Agreement.

(o) Insolvency Proceedings. Seek dissolution or liquidation in whole or in part of the Issuer.

(p) Distributions to Member. Make any distribution to its Member except as provided in the LLC Agreement.

(q) Place of Business; Change of Name. Change (x) its type or jurisdiction of organization from that listed in Section 4.1(a), (y) its name or (z) the location of its Records relating to the Collateral or its chief executive office from the location listed in Section 4.1(i), unless in any such event the Issuer shall have given the Trustee and the Collateral Agent and the Swap Counterparty at least thirty (30) days prior written notice thereof and, in the case of (x) or (y) shall take all action necessary or reasonably requested by the Trustee or the Collateral Agent within 30 days of such request, to amend its existing Financing Statements and file additional Financing Statements in all applicable jurisdictions necessary or advisable to maintain the perfection of the Lien of the Collateral Agent under this Agreement.

ARTICLE VII

SERVICING OF PLEDGED LOANS

Section 7.1 Responsibility for Loan Administration. The Servicer shall manage, administer, service and make collections on the Pledged Loans on behalf of the Trustee and Issuer. Without limiting the generality of the foregoing, but subject to all other provisions hereof, the Trustee and the Issuer grant to the Servicer a limited power of attorney to execute and the Servicer is hereby authorized and empowered to so execute and deliver, on behalf of itself, the Issuer and the Trustee or any of them, any and all instruments of satisfaction or cancellation or of partial or full release or discharge and all other comparable instruments with respect to the Pledged Loans, any related Mortgages and the related Timeshare Properties, but only to the extent deemed necessary by the Servicer.

The Trustee, the Issuer and the Collateral Agent, at the request of a Servicing Officer, shall furnish the Servicer with any reasonable documents or take any action reasonably requested, necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder (subject, in the case of requests for documents contained in any Loan Files, to the requirements of Section 6.1(l)).

Fairfield Acceptance Corporation - Nevada is hereby appointed as the Servicer until such time as another entity becomes the Servicer under subsection 7.12(b) or until such time as any Service Transfer shall be effected under Article XII.

Section 7.2 Standard of Care. In managing, administering, servicing and making collections on the Pledged Loans pursuant to this Agreement, the Servicer will exercise that degree of skill and care consistent with Customary Practices and the Credit Standards and Collection Policies.

Section 7.3 Records. The Servicer shall, during the period it is Servicer hereunder, maintain such books of account, computer data files and other records as will enable the Trustee to determine the status of each Pledged Loan and will enable such Loan to be serviced in accordance with the terms of this Agreement by a Successor Servicer following a Service Transfer.

Section 7.4 Loan Schedule. The Servicer shall at all times maintain the Loan Schedule and provide to the Trustee, the Issuer, the Collateral Agent and the Custodian a current, complete copy of the Loan Schedule. The Loan Schedule may be in one or multiple documents including an original listing and monthly amendments listing changes.

Section 7.5 Enforcement.

(a) The Servicer will, consistent with Section 7.2, act with respect to the Pledged Loans in such manner as will maximize the receipt of Collections in respect of such Pledged Loans (including, to the extent necessary, instituting foreclosure proceedings against the Timeshare Property, if any, underlying a Pledged Loan or disposing of the underlying Timeshare Property, if any). The Servicer will diligently monitor the integration of the collection functions of FAC and Trendwest and to the extent the Servicer detects any deterioration in collections or any increase in delinquencies or defaults or other factors which indicate or might indicate any deterioration in collections, the Servicer will use its best efforts to determine the source of the problem and will use its best efforts to remedy such problem.

(b) The Servicer may sue to enforce or collect upon Pledged Loans, in its own name, if possible, or as agent for the Issuer. If the Servicer elects to commence a legal proceeding to enforce a Pledged Loan, the act of commencement shall be deemed to be an automatic assignment of the Pledged Loan to the Servicer for purposes of collection only. If, however, in any enforcement suit or legal proceeding it is held that the Servicer may not enforce a Pledged Loan on the grounds that it is not a real party in interest or a holder entitled to enforce the Pledged Loan, the Trustee on behalf of the Issuer shall, at the Servicer's expense, take such steps as the Servicer and the Trustee may mutually agree are necessary (such agreement not to be unreasonably withheld) to enforce the Pledged Loan, including bringing suit in its name or the name of the Issuer. The Servicer shall provide to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred thereby.

(c) The Servicer, upon notice to the Trustee, may grant to the Obligor on any Pledged Loan any rebate, refund or adjustment out of the appropriate Collection Account that the Servicer in good faith believes is required as a matter of law; provided that, on any Business Day on which such rebate, refund or adjustment is to be paid hereunder, such rebate, refund or adjustment shall only be paid to the extent of funds otherwise available for distribution from the Collection Account.

(d) The Servicer will not extend, amend, waive or otherwise modify the terms of any Pledged Loan (other than in accordance with Customary Practices) or permit the rescission or cancellation of any Pledged Loan, whether for any reason relating to a negative change in the related Obligor's creditworthiness or inability to make any payment under the Pledged Loan or otherwise.

(e) The Servicer shall have discretion to sell the collateral which secures any Defaulted Loans free and clear of the Lien of this Agreement, in exchange for cash, in accordance with Customary Practices and Credit Standards and Collection Policies. All proceeds of any such sale of such collateral shall be deposited by the Servicer into the Collection Account.

(f) The Servicer shall not sell any Defaulted Loan or any collateral securing a Defaulted Loan to any Seller or Originator except for amount at least equal to the fair market value thereof.

(g) Notwithstanding any other provision of this Agreement, the Servicer shall have no obligation to, and shall not, foreclose on the collateral securing any Pledged Loan unless the proceeds from such foreclosure will be sufficient to cover the expenses of such foreclosure. Notwithstanding any other provision of this Agreement, proceeds from the foreclosure by the Servicer on the collateral securing any Pledged Loans shall first be applied by the Servicer to reimburse itself for the expenses of such foreclosure, and any remaining proceeds shall be deposited into the Collection Account.

Section 7.6 Trustee and Collateral Agent to Cooperate. Upon request of a Servicing Officer, the Trustee and the Collateral Agent shall perform such other acts as are reasonably requested by the Servicer (including without limitation the execution of documents) and otherwise cooperate with the Servicer in enforcement of the Trustee's rights and remedies with respect to Pledged Loans.

Section 7.7 Other Matters Relating to the Servicer. The Servicer is hereby authorized and empowered to:

(a) advise the Trustee in connection with the amount of withdrawals from Accounts in accordance with the provisions of this Agreement;

(b) execute and deliver, on behalf of the Issuer, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Pledged Loans and, after the delinquency of any Pledged Loan and to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect to such Pledged Loan including without limitation the exercise of rights under any power-of-attorney granted in any Pledged Loan; and

(c) make any filings, reports, notices, applications, registrations with, and to seek any consents or authorizations from the Securities and Exchange Commission and any state securities authority on behalf of the Issuer as may be necessary or advisable to comply with any federal or state securities or reporting requirements laws.

Prior to the occurrence of an Event of Default hereunder, the Trustee agrees that it shall promptly follow the instructions of the Servicer duly given to withdraw funds from the Accounts.

Section 7.8 Servicing Compensation. As compensation for its servicing activities hereunder the Servicer shall be entitled to receive the Monthly Servicer Fee.

Section 7.9 Costs and Expenses. The costs and expenses incurred by the Servicer in carrying out its duties hereunder, including without limitation the fees and expenses incurred in connection with the enforcement of Pledged Loans, shall be paid by the Servicer and the Servicer shall be entitled to reimbursement hereunder from the Issuer as provided in Section 3.1. Failure

by the Servicer to receive reimbursement shall not relieve the Servicer of its obligations under this Agreement.

Section 7.10 Representations and Warranties of the Servicer. The Servicer hereby represents and warrants to the Trustee, the Collateral Agent and the Noteholders as of the date of this Agreement:

(a) Organization and Good Standing. The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power, authority, and legal right to own its property and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement. The Servicer is duly qualified to do business and is in good standing as a foreign corporation, and has obtained all necessary licenses and approvals in each jurisdiction necessary for the enforcement of each Pledged Loan or in which failure to qualify or to obtain such licenses and approvals would have a Material Adverse Effect on the Noteholders.

(b) Due Authorization. The execution and delivery by the Servicer of each of the Transaction Documents to which it is a party, and the consummation by the Servicer of the transactions contemplated hereby and thereby have been duly authorized by the Servicer by all necessary corporate action on the part of the Servicer.

(c) Binding Obligations. Each of the Transaction Documents to which Servicer is a party constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, except as such enforceability may be subject to or limited by applicable Debtor Relief Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(d) No Conflict; No Violation. The execution and delivery by the Servicer of each of the Transaction Documents to which the Servicer is a party, and the performance by the Servicer of the transactions contemplated by such agreements and the fulfillment by the Servicer of the terms hereof and thereof applicable to the Servicer, will not conflict with, violate, result in any breach of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any provision of any existing law or regulation or any order or decree of any court applicable to the Servicer or its certificate of incorporation or bylaws or any material indenture, contract, agreement, mortgage, deed of trust or other material instrument, to which the Servicer is a party or by which it is bound, except where such conflict, violation, breach or default would not have a Material Adverse Effect.

(e) No Proceedings. There are no proceedings or investigations pending or, to the knowledge of the Servicer threatened, against the Servicer, before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement or any of the other Transaction Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any of the other Transaction Documents, (iii) seeking any determination or ruling that, in the reasonable judgment of the Servicer, would adversely affect the performance by the Servicer of its obligations under this Agreement or any of the other Transaction Documents, (iv) seeking any

determination or ruling that would adversely affect the validity or enforceability of this Agreement or any of the other Transaction Documents or (v) seeking any determination or ruling that would have a Material Adverse Effect.

(f) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or any governmental body or official required in connection with the execution and delivery by the Servicer of this Agreement or of the other Transaction Documents to which it is a party or the performance by the Servicer of the transactions contemplated hereby and thereby and the fulfillment by the Servicer of the terms hereof and thereof, have been obtained, except where the failure so to do would not have a Material Adverse Effect.

Section 7.11 Additional Covenants of the Servicer. The Servicer further agrees as provided in this Section 7.11.

(a) Change in Payment Instructions to Obligors. The Servicer will not add or terminate any bank as a Lockbox Bank from those listed in Schedule 3 to this Agreement or make any change in the instructions to Obligors regarding payments to be made to any Lockbox Bank, unless the Trustee shall have received (i) 30 Business Days' prior notice of such addition, termination or change and (ii) prior to the effective date of such addition, termination or change, (x) fully executed copies of the new or revised Lockbox Agreements executed by each new Lockbox Bank, the Issuer, the Trustee and the Servicer and (y) copies of all agreements and documents signed by either the Issuer or the respective Lockbox Bank with respect to any new Lockbox Account.

(b) Collections. If the Servicer receives any Collections, the Servicer shall hold such Collections in trust for the benefit of the Trustee and deposit such Collections into a Lockbox Account or the Collection Account as soon as practicable but in any event within two Business Days following the Servicer's receipt thereof.

(c) Compliance with Requirements of Law. The Servicer will maintain in effect all qualifications required under all relevant laws, rules, regulations and orders in order to service each Pledged Loan, and shall comply in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties, and the servicing of the Pledged Loans (including without limitation the laws, rules and regulations of each state governing the sale of timeshare contracts).

(d) Protection of Rights. The Servicer will take no action that would impair in any material respect the rights of any of the Collateral Agent or the Trustee in the Pledged Loans or any other Collateral, or violate the Collateral Agency Agreement.

(e) Credit Standards and Collection Policies. The Servicer will comply in all material respects with the Credit Standards and Collection Policies and Customary Practices with respect to each Pledged Loan.

(f) Notice to Obligors. The Servicer will ensure that the Obligor of each Pledged Loan either:

(1) has been instructed, pursuant to the Servicer's routine distribution of a periodic statement to such Obligor next succeeding:

(A) the date the Loan becomes a Pledged Loan, or

(B) the day on which a PAC ceased to apply to such Pledged Loan, in the case of a Pledged Loan formerly subject to a PAC,

but in no event later than the then next succeeding due date for a Scheduled Payment under the related Pledged Loan, to remit Scheduled Payments thereunder to a Post Office Box for credit to a Lockbox Account, or directly to a Lockbox Account, in each case maintained at a Lockbox Bank pursuant to the terms of a Lockbox Agreement, or

(2) has entered into a PAC, pursuant to which a deposit account of such Obligor is made subject to a pre-authorized debit in respect of Scheduled Payments as they become due and payable, and the Issuer has, and has caused each of the Servicer, a Lockbox Bank and/or the Trustee, to take all necessary and appropriate action to ensure that each such pre-authorized debit is credited directly to a Lockbox Account.

(g) Relocation of Servicer. The Servicer shall give the Trustee, the Collateral Agent, the Swap Counterparty and each Rating Agency at least 30 day's prior written notice of any relocation of any office from which it services Pledged Loans or keeps records concerning the Pledged Loans. The Servicer shall at all times maintain each office from which it services Pledged Loans within the United States of America.

(h) Instruments. The Servicer will not remove any portion of the Pledged Loans or other collateral that consists of money or is evidenced by an instrument, certificate or other writing (including any Pledged Loan) from the jurisdiction in which it is then held unless the Trustee has first received an Opinion of Counsel to the effect that the Lien created by this Agreement with respect to such property will continue to be maintained after giving effect to such action or actions; provided, however, that the Custodian, the Collateral Agent and the Servicer may remove Loans from such jurisdiction to the extent necessary to satisfy any requirement of law or court order, in all cases in accordance with the provisions of the Custodial Agreement, the Collateral Agency Agreement and this Agreement.

(i) Loan Schedule. The Servicer will promptly amend the Loan Schedule to reflect terms or discrepancies that become known to the Servicer at any time.

(j) Segregation of Collections. The Servicer will:

(a) prevent the deposit into any Account of any funds other than Collections or other funds to be deposited into such Account under this Agreement (provided that, this covenant shall not be breached to the extent that funds are inadvertently deposited into any of such Accounts and are promptly segregated and removed from the Account); and

(b) with respect to each the Lockbox Account either (i) prevent the deposit into such account of any funds other than Collections in respect of Pledged Loans or

(ii) enter into an intercreditor agreement with other entities which have an interest in the amounts in the Lockbox Account to allocate the Collections with respect to Pledged Loans to the Issuer and transfer such amounts to the Trustee for deposit into the appropriate Collection Account (provided that, the covenant in clause (i) of this paragraph (b) shall not be breached to the extent funds not constituting Collections in respect of Pledged Loans are inadvertently deposited into such Lockbox Account and are promptly segregated and remitted to the owner thereof).

(k) Terminate or Reject Loans. Without limiting anything in subsection 6.2(b), the Servicer will not terminate any Pledged Loan prior to the end of the term of such Loan, whether such early termination is made pursuant to an equitable cause, statute, regulation, judicial proceeding or other applicable law, unless prior to such termination, the Issuer consents and any related Pledged Assets have been released from the Lien of this Agreement.

(l) Change in Business or Credit Standards and Collection Policies. The Servicer will not make any change in the Credit Standards and Collection Policies or deviate from the exercise of Customary Practices, which change or deviation would materially impair the value or collectibility of any Pledged Loan.

(m) Keeping of Records and Books of Account. The Servicer shall maintain and implement administrative and operating procedures (including without limitation an ability to recreate records evidencing the Pledged Loans in the event of the destruction or loss of the originals thereof) and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Pledged Loans (including without limitation records adequate to permit the daily identification of all Collections with respect to, and adjustments of amounts payable under, each Pledged Loan).

(n) Recordation of Collateral Assignments The Servicer will cause collateral Assignment of Mortgage to the Collateral Agent to be perfected as provided in the Fairfield Master Loan Purchase Agreement, except that the Servicer shall not be required to file or cause the filing of such collateral Assignment of Mortgage to the extent (a) the related Timeshare Property is located in the State of Florida and the Servicer shall have received an Opinion of Counsel to the effect that recordation of the Assignment of Mortgage is not necessary to perfect a security interest therein in favor of the Collateral Agent and (b) the long-term debt rating assigned by Moody's to the obligations of Cendant has not been withdrawn or reduced below Baa1. If the Servicer is unable to obtain the opinion described in clause (a) of the preceding sentence or if the rating described in clause (b) is withdrawn or reduced, then the Servicer will take or cause to be taken such action as is required to record the Assignment of Mortgages with respect to the Timeshare Properties located in the State of Florida.

Section 7.12 Servicer not to Resign.

(a) Resignation. The entity then serving as Servicer shall not resign from the obligations and duties hereby imposed on it hereunder except as provided in Section 7.12(b) or except upon determination that (i) the performance of its duties hereunder is no longer permissible under applicable law, (ii) there is no reasonable action which can be taken to make the performance of its duties hereunder permissible under applicable law and (iii) a Successor

Servicer shall have been appointed and accepted the duties as Servicer pursuant to Section 12.2. Any such determination permitting the resignation of the Servicer pursuant to clause (i) of the preceding sentence shall be evidenced by an Opinion of Counsel to such effect delivered to the Trustee. No such resignation shall be effective until a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 12.2.

(b) Transfer to Certain Cendant Affiliates. FAC, as Servicer, may resign as Servicer and be replaced by Trendwest, and Trendwest, as Servicer, may resign as Servicer and be replaced by FAC, in either case, only upon the following terms and conditions:

(i) the resigning Servicer shall give the Trustee, the Swap Counterparty, the Issuer, the Collateral Agent and S&P not less than 10 Business Days notice of the resignation and substitution of Trendwest in place of FAC or FAC in place of Trendwest as Servicer;

(ii) Cendant shall have given its written consent to the substitution by delivering such written consent to the Trustee and the Performance Guaranty shall be amended to cover the performance of the new Servicer;

(iii) the entity which is to become the new Servicer, shall enter into a written supplement to this Agreement and deliver such supplement to the Trustee, the Collateral Agent and the Issuer and in such supplement the new Servicer shall assume all of the rights, obligations and responsibilities of the Servicer under this Agreement; and

(iv) the entity resigning as Servicer and the entity becoming Servicer shall deliver to the Trustee a certificate to the effect that the resignation of the existing Servicer and replacement will not cause a Material Adverse Effect and as of the date of the substitution, there has been no material adverse change with respect to the servicing business of the new Servicer which will have a Material Adverse Effect (within the meaning of clause (d) or clause (e) of the definition thereof) with respect to it.

Section 7.13 Merger or Consolidation of, or Assumption of the Obligations of Servicer.

The Servicer shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(i) the corporation formed by such consolidation or into which the Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the Servicer substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia and, if the Servicer is not the surviving entity, shall expressly assume by an agreement supplemental hereto, executed and delivered to the Trustee in form satisfactory to the Trustee, the performance of every covenant and obligation of the Servicer hereunder;

(ii) the Servicer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 7.13, and all conditions precedent provided for herein relating to such transaction have been satisfied;

(iii) the Rating Agency Condition has been satisfied with respect to such consolidation, amendment, merger, conveyance or transfer; and

(iv) immediately prior to and after the consummation of such merger, consolidation, conveyance or transfer, no event which, with notice or passage of time or both, would become a Servicer Default under the terms of this Agreement shall have occurred and be continuing.

Section 7.14 Examination of Records. Each of the Issuer and the Servicer shall clearly and unambiguously identify each Pledged Loan in its respective computer or other records to reflect that such Pledged Loan has been Granted to the Collateral Agent pursuant to this Agreement. Each of the Issuer and the Servicer shall, prior to the sale or transfer to a third party of any Loan similar to the Pledged Loans held in its custody, examine its computer and other records to determine that such Loan is not a Pledged Loan.

Section 7.15 Subservicing Agreements. The Servicer, including any Successor Servicer, may enter into the Subservicing Agreements with the Subservicers for the servicing and administration of all or a part of the Pledged Loans for which the Servicer is responsible hereunder, provided that, in each case, the Subservicing Agreement is not inconsistent with this Agreement. References in this Agreement to actions taken or to be taken by the Servicer include actions taken or to be taken by a Subservicer. As part of its servicing activities hereunder, the Servicer shall monitor the performance and enforce the obligations of each Subservicer retained by it under the related Subservicing Agreement. Subject to the terms of the Subservicing Agreement, the Servicer shall have the right to remove a Subservicer retained by it at any time it considers to be appropriate provided that no subservicer shall be removed unless Cendant has given its prior written consent to the Servicer and the Trustee. Upon the resignation or removal of a Servicer, all Subservicing Agreements shall also be terminated unless accepted or reaffirmed by the Successor Servicer.

Notwithstanding anything to the contrary contained herein, or any Subservicing Agreement, the Servicer shall remain obligated and liable to the Trustee, the Issuer, the Collateral Agent and the Noteholders for the servicing and administration of the Pledged Loans in accordance with the provisions of this Agreement to the same extent and under the same terms and conditions as if it alone were servicing and administering the Pledged Loans.

The fees of a Subservicer shall be the obligation of the Servicer and neither the Issuer nor any other Person shall bear any responsibility for such fees.

Section 7.16. Servicer Advances. On or before each Determination Date the Servicer may deposit into the Collection Account an amount equal to the aggregate amount of Servicer Advances, if any, with respect to Scheduled Payments on Pledged Loans for the preceding Due Period which are not received on or prior to such Payment Date. Such Servicer Advances shall be included as Available Funds. Neither the Servicer, any Successor Servicer nor the Trustee, acting as Servicer, shall have any obligation to make any Servicer Advance and may refuse to make a Servicer Advance for any reason or no reason. The Servicer shall not make any Servicer Advance that, after reasonable inquiry and in its sole discretion, it determines is unlikely to be

ultimately recoverable from subsequent payments or collections or otherwise with respect to the Pledged Loan with respect to which such Servicer Advance is proposed to be made.

ARTICLE VIII

REPORTS

Section 8.1 Monthly Report to Trustee. On or before the Determination Date prior to each Payment Date the Servicer shall transmit to the Trustee in a form substantially like that attached as Exhibit G to this Agreement information necessary to make payments and transfer funds as provided in Sections 3.1 and 3.4 and the Servicer shall produce the Settlement Statement for such Payment Date. Transmission of such information to the Trustee shall be deemed to be a representation and warranty by the Servicer to the Trustee and the Noteholders that such information is true and correct in all material respects. At the option of the Servicer, the Settlement Statement may be combined with the Monthly Servicing Report described in Section 8.2 and delivered to the Trustee as one report.

Section 8.2 Monthly Servicing Report. On each Determination Date, the Servicer shall deliver to the Trustee, the Issuer and S&P the Monthly Servicing Report in the form set forth in Exhibit G to this Agreement with such additions as the Trustee may from time to time request, together with a certificate of a Servicing Officer substantially in the form of Exhibit G certifying the accuracy of such report and that no Event of Default or event that with the giving of notice or lapse of time or both would become an Event of Default has occurred, or if such event has occurred and is continuing, specifying the event and its status. Such certificate shall state whether or not a Sequential Order Event has occurred and shall also identify which, if any, Pledged Loans have been identified as Defective Loans or have become Defaulted Loans during the preceding Due Period and if a Cash Accumulation Event has occurred.

Section 8.3 Other Data. In addition, the Servicer shall at the reasonable request of the Trustee, the Issuer or a Rating Agency, furnish to the Trustee, the Issuer or such Rating Agency such underlying data as can be generated by the Servicer's existing data processing system without undue modification or expense; provided, however, nothing in this Section 8.3 shall permit any of the Trustee, the Issuer or any Rating Agency to materially change or modify the ongoing data reporting requirements under this Article VIII.

Section 8.4 Annual Servicer's Certificate. The Servicer will deliver to the Issuer, the Trustee and each Rating Agency within forty-five (45) days after the end of each fiscal year, beginning with the fiscal year ending December 31, 2003, an Officer's Certificate stating that (a) a review of the activities of the Servicer during the preceding calendar year (or, in the case of the first such Officer's Certificate, the period since the Closing Date) and of its performance under this Agreement during such period was made under the supervision of the officer signing such certificate and (b) to the Servicer's knowledge, based on such review, the Servicer has fully performed all of its obligations under this Agreement for the relevant time period, or, if there has been a default in the performance of any such obligation, specifying each such default known to such officer and the nature and status thereof.

Section 8.5 Notices to FAC. In the event that neither FAC nor Trendwest is acting as Servicer, any Successor Servicer appointed and acting pursuant to Section 12.2 shall deliver or make available to FAC each certificate and report required to be prepared, forwarded or delivered thereafter pursuant to the provisions of this Article VIII.

Section 8.6 Tax Reporting. The Trustee shall file or cause to be filed with the Internal Revenue Service and furnish or cause to be furnished to Noteholders Information Reporting Forms 1099, together with such other information reports or returns at the time or times and in the manner required by the Code consistent with the treatment of the Notes as indebtedness of the Issuer for federal income tax purposes.

ARTICLE IX

LOCKBOX ACCOUNTS

Section 9.1 Lockbox Accounts. The Issuer has established or has caused to be established and shall maintain or cause to be maintained a system of operations, accounts and instructions with respect to the Obligors and Lockbox Accounts at the Lockbox Banks as described in Sections 4.1(i) and 6.1. Pursuant to the Lockbox Agreement to which it is party, each Lockbox Bank shall be irrevocably instructed to initiate an electronic transfer of all funds on deposit in the relevant Lockbox Account or to the extent the Lockbox Account is operated under an intercreditor agreement all funds in the Lockbox Account that are derived from Pledged Loans, to the Collection Account on the Business Day on which such funds become available. Prior to the occurrence of an Event of Default, the Trustee shall be authorized to allow the Servicer to effect or direct deposits into the Lockbox Accounts. The Trustee is hereby irrevocably authorized and empowered, as the Issuer's attorney-in-fact, to endorse any item deposited in a Lockbox Account, or presented for deposit in any Lockbox Account or the Collection Account, requiring the endorsement of the Issuer, which authorization is coupled with an interest and is irrevocable.

All funds in each Lockbox Account shall be transferred daily by or upon the order of the Trustee by electronic funds transfer or intra-bank transfer to the Collection Account.

ARTICLE X

INDEMNITIES

Section 10.1 Liabilities to Obligors. No obligation or liability to any Obligor under any of the Pledged Loans is intended to be assumed by the Trustee or the Noteholders under or as a result of this Agreement and the transactions contemplated hereby and, to the maximum extent permitted by law, the Trustee and the Noteholders expressly disclaim any such obligation and liability.

Section 10.2 Tax Indemnification. The Issuer agrees to pay, and to indemnify, defend and hold harmless the Trustee, the Noteholders and the Swap Counterparty from, any taxes which may at any time be asserted with respect to, and as of the date of, the Grant of the Pledged Loans to the Collateral Agent for the benefit of the Trustee, the Noteholders and the Swap

Counterparty, including without limitation any sales, gross receipts, general corporation, personal property, privilege or license taxes (but not including any federal, state or other income or intangible asset taxes arising out of the issuance of the Notes or distributions with respect thereto, other than any such intangible asset taxes in respect of a jurisdiction in which the indemnified person is not otherwise subject to tax on its intangible assets) and costs, expenses and reasonable counsel fees in defending against the same.

Section 10.3 Servicer's Indemnities. Each entity serving as Servicer shall defend and indemnify the Issuer and the Trustee against any and all costs, expenses, losses, damages, claims and liabilities, including reasonable fees and expenses of counsel and expenses of litigation, in respect of any action taken, or failure to take any action by such entity as Servicer (but not by any predecessor or successor Servicer) with respect to this Agreement or any Pledged Loan; provided, however, such indemnity shall apply only in respect of any negligent action taken, or negligent failure to take any action, or reckless disregard of duties hereunder, or bad faith or willful misconduct by the Servicer. This indemnity shall survive any Service Transfer (but a Servicer's obligations under this Section 10.3 shall not relate to any actions of any Successor Servicer after a Service Transfer) and any payment of the amount owing hereunder or any release by the Issuer of any such Pledged Loan.

Section 10.4 Operation of Indemnities. Indemnification under this Article X shall include without limitation reasonable fees and expenses of counsel and expenses of litigation. If the Servicer has made any indemnity payments to the Trustee, the Noteholders, the Swap Counterparty or the Issuer pursuant to this Article X and if either the Trustee or the Issuer thereafter collect any of such amounts from others, the Trustee, the Noteholders, the Swap Counterparty or the Issuer will promptly repay such amounts collected to the Servicer without interest.

ARTICLE XI

EVENTS OF DEFAULT

Section 11.1 Events of Default. If any one of the following events shall occur:

(a) default in the payment of any Accrued Interest on any Note when the same becomes due and payable, and such default shall continue for five Business Days; or

(b) default in the payment of the principal of any Note when the same becomes due and payable on the Maturity Date; or

(c) default in the observance or performance of any material covenant or agreement of the Issuer made with respect to itself or of the Servicer made with respect to itself in this Agreement (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 11.1 specifically dealt with), or any representation or warranty of the Issuer made as to itself or the Servicer made with respect to itself in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and such default shall continue or not be cured, or the circumstance or condition in respect of

which such representation or warranty was incorrect shall not have been eliminated or otherwise cured, for a period of thirty (30) days after there shall have been given, by registered or certified mail, return receipt requested to the Issuer and to the Servicer if the Servicer is in default by the Trustee or to the Issuer and the Servicer, as applicable, and the Trustee by the Holders of at least 25% of the Aggregate Principal Amount of the Notes, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) (1) the Issuer shall consent to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Issuer or to all or substantially all of its property, as the case may be; (2) a decree or order of a court, agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Issuer and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or (3) the Issuer shall become insolvent or admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

(e) the Issuer shall become an "investment company" or shall become under the control of an "investment company" within the meaning of the Investment Company Act;

(f) failure on the part of FAC or Trendwest, if any, to (i) repurchase any Defective Loan or provide a Qualified Substitute Loan if required to do so under the terms of the applicable Purchase Agreement or (ii) maintain the perfection and first priority status of the security interest granted to the Depositor upon the sale of the Pledged Loans and such failure continues for a period of thirty (30) days after there shall have been given, by registered or certified mail, return receipt requested to the Issuer, and to FAC or Trendwest, as applicable, by the Trustee or to the Issuer and FAC or Trendwest, as applicable, and the Trustee by the Holders of at least 25% of the Aggregate Principal Amount of the Notes, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

THEN, with respect to the event described in subparagraph (d), an Event of Default shall occur as of the date of such event and with respect to each of the events described in subparagraphs (a), (b), (c), (e) and (f) an Event of Default shall occur upon the occurrence of the event, the passage of the applicable grace period, if any and the declaration that such event shall constitute an Event of Default which declaration shall be made by the Trustee or the Holders of at least 25% of the Aggregate Principal Amount of the Notes. If an Event of Default has occurred, it shall continue unless waived in writing by the Holders of at least 50% of the Aggregate Principal Amount of the Notes.

Promptly after the automatic occurrence of an Event of Default, and, in any event, within two Business Days thereafter, the Trustee shall notify each Noteholder and each Rating Agency of the occurrence thereof to the extent a Responsible Officer of the Trustee has actual knowledge thereof based upon receipt of written information or other communication.

Section 11.2 Acceleration of Maturity; Rescission and Annulment

(a) If any Event of Default occurs under subparagraph (d) of Section 11.1, the principal of each Class of Notes then outstanding, together with accrued and unpaid interest thereon, will automatically be accelerated and become immediately due and payable. If any other Event of Default occurs, the Majority Holders of the Notes may accelerate the Notes by declaring the principal of all the Notes then outstanding, together with accrued and unpaid interest thereon to be immediately due and payable, by a notice in writing to the Issuer, the Trustee and the Swap Counterparty and upon any such declaration such principal and interest shall become immediately due and payable.

(b) At any time after such an acceleration or declaration of acceleration of the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Agreement, such acceleration may be rescinded by the Holders of at least 50% of the Aggregate Principal Amount by written notice to the Issuer, the Trustee and the Swap Counterparty. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

(c) If an Event of Default has occurred and the Notes have been accelerated, payments will continue to be made in accordance with the Priority of Payment unless a Sequential Order Event has also occurred, in which case payments will be made as provided in Section 3.1 upon the occurrence of a Sequential Order Event; provided however, if the Trustee has sold the Collateral under this Agreement, then payments shall be made as provided in Section 11.7.

Section 11.3 Collection of Indebtedness and Suits for Enforcement by Trustee. The Issuer covenants that if the Notes of a Series are accelerated following the occurrence of an Event of Default, and such acceleration has not been rescinded and annulled, the Issuer shall, upon demand of the Trustee, pay to it, for the benefit of the Noteholders and the Swap Counterparty the whole amount then due and payable on the Notes for principal and interest, with interest upon the overdue principal and upon overdue installments of interest, as determined for each Class, and any amounts due to the Swap Counterparty, to the extent that payment of such interest shall be legally enforceable; and, in addition thereto, such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; provided, however, the amount due under this Section 11.3 shall not exceed the aggregate proceeds from the sale of the relevant Collateral and amounts otherwise held by the Issuer and available for such purpose.

Until such demand is made by the Trustee, the Issuer shall pay the principal of and interest on the Notes to the Trustee for the benefit of the registered Holders to be applied as provided in this Agreement, whether or not the Notes are overdue.

If the Issuer fails to pay such amounts forthwith upon such demand, then the Trustee for the benefit of the Noteholders and the Swap Counterparty and as trustee of an express trust, may, with the prior written consent of or at the direction of the Majority Holders, institute suits in equity, actions at law or other legal, judicial or administrative proceedings (each, a

"Proceeding") for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer and collect the monies adjudged or decreed to be payable in the manner provided by law out of the Collateral wherever situated. In the event a Proceeding shall involve the liquidation of Collateral, the Trustee shall pay all costs and expenses for such Proceeding and shall be reimbursed for such costs and expenses from the resulting liquidation proceeds. In the event that the Trustee determines that liquidation proceeds will not be sufficient to fully reimburse the Trustee, the Trustee shall receive indemnity satisfactory to it against such costs and expenses from the Noteholders (which indemnity may include, at the Trustee's option, consent by each Noteholder authorizing the Trustee to be reimbursed from amounts available in the Collection Account).

If an Event of Default occurs and is continuing, the Trustee may, and with the prior written consent of or at the direction of the Majority Holders, shall, proceed to protect and enforce its rights and the rights of the Noteholders hereunder and under the Notes, by such appropriate Proceedings as are necessary to effectuate, protect and enforce any such rights, whether for the specific enforcement of any covenant, agreement, obligation or indemnity in this Agreement or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 11.4 Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other Proceeding relative to the Issuer or the property of the Issuer or its creditors, the Trustee (irrespective of whether the

principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise) shall be entitled and empowered, by intervention in such Proceeding or otherwise,

(a) to file a proof of claim for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Noteholders allowed in such Proceeding, and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same to the Noteholders;

and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such Proceeding is hereby authorized by each Noteholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Article XIII.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such Proceeding.

Section 11.5 Remedies.

(a) If an Event of Default shall have occurred and be continuing, the Trustee and the Collateral Agent (upon direction by the Trustee) may, with the prior written consent of or at the direction of the Majority Holders, do one or more of the following (subject to Section 11.6):

(1) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Agreement, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral monies adjudged due;

(2) obtain possession of the Pledged Loans in accordance with the terms of the Custodial Agreement and sell the Collateral or any portion thereof or rights or interests therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 11.13;

(3) institute Proceedings in its own name and as trustee of an express trust from time to time for the complete or partial foreclosure of this Agreement with respect to the Collateral; and

(4) exercise any remedies of a secured party under the UCC with respect to the Collateral (including any Accounts) and take any other appropriate action to protect and enforce the rights and remedies of the Trustee or the Holders and each other agreement contemplated hereby (including retaining the Collateral pursuant to Section 11.6 and applying distributions from the Collateral pursuant to Section 11.7);

provided, however, that neither the Trustee nor the Collateral Agent may sell or otherwise liquidate the Collateral which constitutes Pledged Loans and Pledged Assets following an Event of Default other than an Event of Default described in this Agreement resulting from an Insolvency Event, unless either (i) the Holders of 100% of the Aggregate Principal Amount of the Notes then outstanding consent thereto, (ii) the proceeds of such sale or liquidation distributable to the Noteholders are sufficient to discharge in full the amounts then due and unpaid upon the Notes for principal and accrued interest and the fees and other amounts required to be paid prior to payment of amounts due on the Notes pursuant to Section 11.7 or (iii) the Holders of 66 2/3% of the principal amount of each Class consent thereto and the Trustee determines that the Collateral will not continue to provide sufficient funds for the payment of principal of, and interest on, the Notes as they would have become due if such Notes would not have been declared due and payable.

For purposes of clause (ii) or clause (iii) of the preceding paragraph and Section 11.6, the Trustee may, but need not, obtain and rely upon an opinion of an independent accountant or an independent investment banking firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the distributions and other amounts receivable with respect to the Collateral to make the required payments of principal of and interest on the Notes, and any such opinion shall be conclusive evidence as to such feasibility or sufficiency. The Issuer shall bear the reasonable costs and expenses of any such opinion.

(b) In addition to the remedies provided in Section 11.5(a), the Trustee may, and at the request of the Majority Holders shall, institute a Proceeding in its own name and as trustee of an express trust solely to compel performance of a covenant, agreement, obligation or indemnity or to cure the representation or warranty or statement, the breach of which gave rise to the Event of Default; and the Trustee may enforce any equitable decree or order arising from such Proceeding.

Section 11.6 Optional Preservation of Collateral. If the Notes have been accelerated following an Event of Default and such acceleration and its consequences have not been rescinded and annulled, to the extent permitted by law, the Trustee may, and at the request of Holders of 66 2/3% of the Aggregate Principal Amount of the Notes shall, elect to retain the Collateral securing the Notes intact for the benefit of the Holders of the Notes and the Swap Counterparty and in such event it shall deposit all funds received with respect to the Collateral into the Collection Account and apply such funds in accordance with the payment priorities set forth in this Agreement, as if there had not been such an acceleration; provided that, the Trustee shall have determined that the distributions and other amounts receivable with respect to the Collateral are sufficient to provide the funds required to pay the principal of and interest on the Notes as and when such principal and interest would have become due and payable pursuant to the terms of this Agreement and of such Notes if there had not been a declaration of acceleration of maturity of the Notes.

Until the Trustee has elected, or has determined not to elect, to retain the Collateral pursuant to this Section 11.6, the Trustee shall continue to apply all distributions received on such Collateral in accordance with this Agreement. If the Trustee determines to retain the Collateral as provided in this Section 11.6, such determination shall be deemed to be a rescission and annulment (but not a waiver) of the aforementioned Event of Default and its consequences pursuant to Section 11.2, but no such rescission and annulment shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 11.7 Application of Monies Collected During Event of Default. If the Notes have been accelerated following an Event of Default and such acceleration and its consequences have not been rescinded and annulled, and the Trustee has sold the Collateral, the proceeds collected by the Trustee pursuant to this Article XI or otherwise with respect to such Notes shall be applied as provided below:

FIRST, to the Trustee in payment of the Monthly Trustee Fees and in reimbursement of permitted expenses of the Trustee under each of the Transaction Documents to which the Trustee is a party and amounts due to the Trustee as indemnification; in the event of a Servicer Default and the replacement of the Servicer with the Trustee or a Successor Servicer, the costs and expenses of replacing the Servicer shall be permitted expenses of the Trustee;

SECOND, to the Servicer, the Monthly Servicer Fee plus any unreimbursed Servicer Advances plus any accrued and unpaid Monthly Servicer Fees and any unreimbursed Servicer Advances for prior Payment Dates;

THIRD, to the Swap Counterparty, the Net Swap Payment, if any;

FOURTH, to the extent not paid by the Servicer, to the Custodian the Monthly Custodian Fee, plus any accrued and unpaid Monthly Custodian Fees for prior Payment Dates;

FIFTH, to the extent not paid by the Servicer, to the Collateral Agent, the Monthly Collateral Agent Fee plus any accrued and unpaid Monthly Collateral Agent Fees for prior Payment Dates;

SIXTH, Accrued Interest, Overdue Interest from prior periods (and interest thereon) on the Class A Notes and any Interest Carry-Forward Amounts owing to such Class plus interest at the applicable Note Interest Rate on such unreimbursed Interest Carry-Forward Amounts and principal on the Class A Notes until the Class A Notes are paid in full;

SEVENTH, Accrued Interest and Overdue Interest from prior periods (and interest thereon) on the Class B Notes and any Interest Carry-Forward Amounts owing to such Class plus interest at the applicable Note Interest Rate on such unreimbursed Interest Carry-Forward Amounts and principal on the Class B Notes until the Class B Notes are paid in full;

EIGHTH, Accrued Interest and Overdue Interest from prior periods (and interest thereon) on the Class C Notes and any Interest Carry-Forward Amounts owing to such Class plus interest at the applicable Note Interest Rate on such unreimbursed Interest Carry-Forward Amounts and principal on the Class C Notes until the Class C Notes are paid in full;

NINTH, Accrued Interest and Overdue Interest from prior periods (and interest thereon) on the Class D Notes and any Interest Carry-Forward Amounts owing to such Class plus interest at the applicable Note Interest Rate on such unreimbursed Interest Carry-Forward Amounts and principal on the Class D Notes until the Class D Notes are paid in full; and any termination payments due to the Swap Counterparty as a result of the termination of the Interest Rate Swap;

TENTH, to the Trustee, any other amounts due to the Trustee under this Agreement; and

ELEVENTH, to Issuer, any remaining amounts free and clear of the Lien of this Agreement.

Section 11.8 Limitation on Suits by Individual Noteholders. Subject to Section 11.9, no Noteholder shall have any right to institute any Proceeding with respect to this Agreement, or for the appointment of a receiver or trustee, or for any other remedy hereunder or thereunder, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Majority Holders shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding,

it being understood and intended that no one or more Noteholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Agreement to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Agreement, except in the manner herein provided.

Section 11.9 Unconditional Rights of Noteholders to Receive Principal and Interest. Notwithstanding any other provision in this Agreement, the Holder of any Note shall have the right, which right is absolute and unconditional, to receive payment of the principal and interest on such Note on or after the respective due dates thereof expressed in such Note or in this Agreement and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 11.10 Restoration of Rights and Remedies. If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Agreement and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 11.11 Waiver of Event of Default. Prior to the Trustee's acquisition of a money judgment or decree for payment, in either case for the payment of all amounts owing by the Issuer in connection with this Agreement and the Notes issued thereunder the Holders of 50% or more of the Aggregate Principal Amount of Notes have the right to waive any Event of Default and its consequences.

Upon any such waiver, such Event of Default shall cease to exist, and be deemed to have been cured, for every purpose of this Agreement but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 11.12 Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, on the basis of any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 11.13 Sale of Collateral.

(a) The power to effect any sale (a "Sale") of any portion of the Collateral pursuant to Section 11.5 shall not be exhausted by any one or more Sales as to any portion of such Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable on the Notes shall have been paid, whichever occurs later. The Trustee may from time to time postpone any Sale by public announcement made at the time and place of such Sale. The Trustee hereby expressly waives its right to any amount fixed by law as compensation for any Sale. The Trustee may reimburse itself from the proceeds of any sale for the reasonable costs and expenses incurred in connection with such sale. The net proceeds of such sale shall be applied as provided in this Agreement.

(b) The Trustee and the Collateral Agent shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Collateral in connection with a Sale thereof. In addition, the Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such Sale shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

Section 11.14 Action on Notes. The Trustee's right to seek and recover judgment on the Notes or under this Agreement shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Agreement. None of the rights or remedies of the Trustee or the Noteholders hereunder shall be impaired by the recovery of any judgment by the Trustee or any Noteholder against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral.

Section 11.15. Control by Noteholders. If an Event of Default has occurred and is continuing, the Majority Holders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee; provided that

(i) such direction shall not be in conflict with any rule of law or with this Agreement;

(ii) any direction to the Trustee to sell or liquidate the Collateral which constitutes Loans and the related Pledged Assets shall be subject to the provisions of Sections 11.5 and 11.6;

(iii) if the conditions set forth in Section 11.6 have been satisfied and the Trustee elects to retain the Collateral pursuant to such Section, then any direction to the Indenture Trustee by Holders of Notes representing less than 66 2/3% of the Notes Principal Amount to sell or liquidate the Collateral shall be of no force and effect; and

(iv) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 13.1, the Trustee need not take any action that it determines might involve it in liability.

ARTICLE XII

SERVICER DEFAULTS

Section 12.1 Servicer Defaults. If any one of the following events (each, a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to make any payment, transfer or deposit on or before the date such payment, transfer or deposit is required to be made or given under the terms of this Agreement and such failure remains unremedied for three Business Days; provided, however, that if the Servicer is unable to make a payment, transfer or deposit when due and such failure is as a result of circumstances beyond the Servicer's control, the grace period shall be extended to five Business Days;

(b) failure on the part of the Servicer duly to observe or perform any other covenants or agreements of the Servicer set forth in this Agreement or any other Transaction Document to which the Servicer is a party and such failure continues unremedied for a period of 30 days after the earlier of the date on which the Servicer has actual knowledge of the failure and the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of 25% or more of the Aggregate Principal Amount of the Notes;

(c) any representation and warranty made by the Servicer in this Agreement shall prove to have been incorrect in any material respect when made and has a material and adverse impact on the Trustee's interest in the Pledged Loans and other Pledged Assets and the Servicer is not in compliance with such representation or warranty within 30 Business Days after the earlier of the date on which the Servicer has actual knowledge of such breach and the date on which written notice of such breach requiring that such breach be remedied, shall have been given to the Servicer by the Trustee or to the Servicer and the Trustee by the Holders of 25% or more of the Aggregate Principal Amount of the Notes;

(d) an Insolvency Event shall occur with respect to the Servicer or Cendant; or

(e) the Servicer shall fail to deliver the reports described in Sections 8.1 and 8.2 of this Agreement and such failure shall continue for five Business Days.

THEN, so long as such Servicer Default shall be continuing, either the Trustee, or the Majority Holders of all Notes by notice then given in writing to the Servicer, the Swap Counterparty, the Issuer and each Rating Agency (and to the Trustee if given by the Majority Holders) (a "Termination Notice"), may terminate all of the rights and obligations of the Servicer as Servicer under this Agreement (such termination being herein called a "Service Transfer"). After receipt by the Servicer and the Trustee of such Termination Notice and subject to the terms of Section 12.2(a), the Trustee shall automatically assume the responsibilities of the Servicer hereunder until the date that a Successor Servicer shall have been appointed pursuant to Section 12.2 and all authority and power of the Servicer under this Agreement shall pass to and be vested in the

Trustee or such Successor Servicer, as the case may be, without further action on the part of any Person, and, without limitation, the Trustee at the direction of the Majority Holders is hereby authorized and empowered (upon the failure of the Servicer to cooperate) to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments upon the failure of the Servicer to execute or deliver such documents or instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights.

The Servicer agrees to cooperate with the Trustee and such Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing hereunder, including without limitation the transfer to such Successor Servicer of all authority of the Servicer to service the Pledged Loans provided for under this Agreement, including without limitation all authority over any Collections which shall on the date of transfer be held by the Servicer for deposit in a Lockbox Account or which shall thereafter be received by the Servicer with respect to the Pledged Loans, and in assisting the Successor Servicer in enforcing all rights under this

Agreement including, without limitation, allowing the Successor Servicer's personnel access to the Servicer's premises for the purpose of collecting payments on the Pledged Loans made at such premises. The Servicer shall promptly transfer its electronic records relating to the Pledged Loans to the Successor Servicer in such electronic form as the Successor Servicer may reasonably request and shall promptly transfer to the Successor Servicer all other records, correspondence and documents necessary for the continued servicing of the Pledged Loans in the manner and at such times as the Successor Servicer shall reasonably request. The Servicer shall allow the Successor Servicer access to the Servicer's officers and employees. To the extent that compliance with this Section 12.1 shall require the Servicer to disclose to the Successor Servicer information of any kind which the Servicer reasonably deems to be confidential, the Successor Servicer shall be required to enter into such customary licensing and confidentiality agreements as the Servicer shall deem necessary to protect its interest and as shall be satisfactory in form and substance to the Successor Servicer. The Servicer hereby consents to the entry against it of an order for preliminary, temporary or permanent injunctive relief by any court of competent jurisdiction, to ensure compliance by the Servicer with the provisions of this paragraph.

Section 12.2 Appointment of Successor

(a) Appointment. On and after the receipt by the Servicer of a Termination Notice pursuant to Section 12.1, or any permitted resignation of the Servicer pursuant to Section 7.12, the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Termination Notice or otherwise specified by the Trustee or until a date mutually agreed upon by the Servicer and the Trustee. Upon receipt by the Servicer of a Termination Notice, the Trustee shall as promptly as possible after the giving of a Termination Notice appoint a successor servicer (in any case, the "Successor Servicer") and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Trustee; provided that such appointment shall be subject to satisfaction of the Rating Agency Condition. In the event a Successor Servicer has not been appointed and accepted the appointment by the date of termination stated in the Termination Notice the Trustee shall automatically assume responsibility for performing the servicing functions under this Agreement on the date of such termination. In the event that a Successor Servicer has not been appointed and has not accepted its appointment and the Trustee is legally unable or otherwise not capable of assuming

responsibility for performing the servicing functions under this Agreement, the Trustee shall petition a court of competent jurisdiction to appoint any established financial institution having a net worth of not less than $100,000,000 and whose regular business includes the servicing of receivables similar to the Pledged Loans or other consumer finance receivables; provided, however, pending the appointment of a Successor Servicer, the Trustee will act as the Successor Servicer.

(b) Duties and Obligations of Successor Servicer. Upon its appointment, the Successor Servicer shall be the successor in all respects to the Servicer with respect to servicing functions under this Agreement and shall be subject to all the responsibilities and duties relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Successor Servicer.

(c) Compensation of Successor Servicer; Costs and Expenses of Servicing Transfer. In connection with such appointment and assumption, the Trustee may make such arrangements for the compensation of the Successor Servicer. The costs and expenses of transferring servicing shall be paid by the Servicer which is resigning or being replaced and to the extent such costs and expenses are not so paid, shall be paid from Collections as provided herein in Sections 3.1 and 11.7.

Section 12.3 Notification to Noteholders. Upon the occurrence of any Servicer Default or any event which, with the giving of notice or passage of time or both, would become a Servicer Default, the Servicer shall give prompt written notice thereof to the Trustee and the Issuer and the Trustee shall give notice to the Noteholders at their respective addresses appearing in the Note Register and to the Swap Counterparty. Upon any termination or appointment of a Successor Servicer pursuant to this Article XII, the Trustee shall give prompt written notice thereof to the Issuer and to the Noteholders at their respective addresses appearing in the Note Register and to the Swap Counterparty.

Section 12.4 Waiver of Past Defaults. With respect to a Servicer Default described in Section 12.1, the Majority Holders of the Notes may, on behalf of all Holders, waive any default by the Servicer in the performance of its obligations hereunder and its consequences. Upon any such waiver of a past default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

Section 12.5 Termination of Servicer's Authority. All authority and power granted to the Servicer under this Agreement shall automatically cease and terminate upon termination of this Agreement pursuant to Section 12.1, and shall pass to and be vested in the Issuer and without limitation the Issuer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights upon termination of this Agreement. The Servicer shall cooperate with the Issuer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing on the Pledged Loans. The Servicer shall transfer its electronic records relating to the Pledged Loans to the Issuer in such electronic form as Issuer may

reasonably request and shall transfer all other records, correspondence and documents relating to the Pledged Loans to the Issuer in the manner and at such times as the Issuer shall reasonably request. To the extent that compliance with this Section 12.5 shall require the Servicer to disclose information of any kind which the Servicer deems to be confidential, the Issuer shall be required to enter into such customary licensing and confidentiality agreements as the Servicer shall deem necessary to protect its interests and as shall be reasonably satisfactory in form and substance to the Issuer.

Section 12.6 Matters Related to Successor Servicer.

The Successor Servicer will not be responsible for delays attributable to the Servicer's failure to deliver information, defects in the information supplied by the Servicer or other circumstances beyond the control of the Successor Servicer.

The Successor Servicer will make arrangements with the Servicer for the prompt and safe transfer of, and the Servicer shall provide to the Successor Servicer, all necessary servicing files and records, including (as deemed necessary by the Successor Servicer at such time): (i) microfiche loan documentation, (ii) servicing system tapes, (iii) Pledged Loan payment history, (iv) collections history and (v) the trial balances, as of the close of business on the day immediately preceding conversion to the Successor Servicer, reflecting all applicable Pledged Loan information.

The Successor Servicer shall have no responsibility and shall not be in default hereunder nor incur any liability for any failure, error, malfunction or any delay in carrying out any of its duties under this Agreement if any such failure or delay results from the Successor Servicer acting in accordance with information prepared or supplied by a Person other than the Successor Servicer or the failure of any such Person to prepare or provide such information. The Successor Servicer shall have no responsibility, shall not be in default and shall incur no liability (i) for any act or failure to act by any third party, including the Servicer, the Issuer or the Trustee or for any inaccuracy or omission in a notice or communication received by the Successor Servicer from any third party or (ii) which is due to or results from the invalidity, unenforceability of any Pledged Loan under applicable law or the breach or the inaccuracy of any representation or warranty made with respect to any Pledged Loan.

If the Trustee or any other Successor Servicer assumes the role of Successor Servicer hereunder, such Successor Servicer shall be entitled to appoint subservicers whenever it shall be deemed necessary by such Successor Servicer.

ARTICLE XIII

THE TRUSTEE; THE COLLATERAL AGENT; THE CUSTODIAN

Section 13.1 Duties of Trustee.

(a) The Trustee, prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge and after the curing of all such Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. If an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge has occurred and has not been cured or waived, the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent institutional trustee would exercise or use under the circumstances in the conduct of such institution's own affairs. The Trustee is hereby authorized and empowered to make the withdrawals and payments from the Accounts in accordance with the instructions set forth in this Agreement until the termination of this Agreement in accordance with Section 14.1 unless this appointment is earlier terminated pursuant to the terms hereof.

(b) The Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Trustee which are specifically required to be furnished pursuant to any provision of this Agreement, shall examine them to determine whether they conform to such requirements; provided, however, that the Trustee shall not be responsible for the accuracy or content of any resolution, certificate, statement, opinion, report, document, order or other instrument furnished by the Servicer, the Issuer or any other Person hereunder (other than the Trustee). The Trustee shall give prompt written notice to the Noteholders of any material lack of conformity of any such instrument to the applicable requirements of this Agreement discovered by the Trustee.

(c) Subject to Section 13.1(a), no provision of this Agreement shall be construed to relieve the Trustee from liability for its own gross negligence, reckless disregard of its duties, bad faith or misconduct; provided, however, that:

(i) the Trustee shall not be personally liable for an error of judgment made in good faith by a Responsible Officer or employees of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(ii) the Trustee shall not be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with this Agreement or at the direction of the Majority Holders relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising or omitting to exercise any trust or power conferred upon the Trustee, under this Agreement;

(iii) the Trustee shall not be charged with knowledge of any failure by any other party hereto to comply with its obligations hereunder or of the occurrence of any Event of Default or Servicer Default unless a Responsible Officer of the Trustee obtains actual knowledge of such failure based upon receipt of written information or other

communication or a Responsible Officer of the Trustee receives written notice of such failure from the Servicer or any Noteholder. In the absence of receipt of notice or actual knowledge by a Responsible Officer the Trustee may conclusively assume there is no Event of Default or Servicer Default; and

(iv) Prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee shall have actual knowledge or have received notice and after all the curing of all such Events of Default which may have occurred, the duties and obligations of the Trustee shall be determined solely by the express provisions of this Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, no implied covenants or obligations shall be read into this Agreement against the Trustee and, in the absence of bad faith, willful misconduct or negligence on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement.

(d) The Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it (which adequate indemnity may include, at the Trustee's option, consent by the Majority Holders authorizing the Trustee to be reimbursed for any funds from amounts available in the Collection Account for such Series), and none of the provisions contained in this Agreement shall in any event require the Trustee to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer under this Agreement except during such time, if any, as the Trustee shall be the successor to, and be vested with the rights, duties, powers and privileges of, the Servicer in accordance with the terms of this Agreement.

(e) Except for actions expressly authorized by this Agreement, the Trustee shall take no action reasonably likely to impair the interests of the Issuer in any Pledged Loan now existing or hereafter created or to impair the value of any Pledged Loan now existing or hereafter created.

(f) Except as provided in this Agreement, the Trustee shall have no power to dispose of or vary any Collateral.

(g) In the event that the Note Registrar shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the Note Registrar, as the case may be, under this Agreement, the Trustee (if it is not then the Note Registrar) shall be obligated promptly to perform such obligation, duty or agreement in the manner so required.

(h) The Trustee shall have no duty to (A) see to any recording, filing or depositing of this Agreement or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof, (B) see to any insurance, (C) see to the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against,

any part of any Collateral other than from funds available in the Collection Account, or (D) confirm or verify the contents of any reports or certificates of the Servicer delivered to the Trustee pursuant to this Agreement believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties.

Section 13.2 Certain Matters Affecting the Trustee. Except for its own gross negligence, reckless disregard of its duties, bad faith or misconduct:

(a) the Trustee may rely on and shall be protected from liability to the Issuer and the Noteholders in acting on, or in refraining from acting in accord with, any resolution, Officer's Certificate, certificate of auditors or any other certificate, statement, conversation, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed, sent or made by the proper Person or Persons;

(b) the Trustee may consult with counsel and any advice of counsel (including without limitation counsel to the Issuer or the Servicer) shall be full and complete authorization and protection from liability to the Issuer and the Noteholders in respect to any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel;

(c) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any of the Noteholders, pursuant to the provisions of this Agreement, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligations, upon the occurrence of any Servicer Default of which a Responsible Officer of the Trustee shall have actual knowledge or have received notice (which has not been cured), to exercise such of the rights and powers vested in it by this Agreement, and to use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(d) neither the Trustee nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be personally liable for any action taken, suffered or omitted to be taken by the Trustee or such Person in good faith and believed by such Person to be authorized or within the discretion or rights or powers conferred upon it by this Agreement, nor for any action taken or omitted to be taken by any other party hereto;

(e) the Trustee shall not be bound to make any investigation into the facts of matters stated in any Monthly Servicing Report or Settlement Statement, any other report or statement delivered to the Trustee by the Servicer, resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing so to do by the Majority Holders; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not assured to the Trustee by the security afforded to it by the terms of this Agreement, the Trustee may require

indemnity satisfactory to the Trustee against such cost, expense or liability as a condition to taking any such action.

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent, attorney or custodian appointed with due care by it hereunder;

(g) except as may be required by Section 13.1(b), the Trustee shall not be required to make any initial or periodic examination of any documents or records related to the Pledged Loans for the purpose of establishing the presence or absence of defects, the compliance by the Servicer or the Issuer with their respective representations and warranties or for any other purpose;

(h) the right of the Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty, and the Trustee shall not be answerable for the performance of such act; and

(i) the Trustee shall not be required to give any bond or surety in respect of the powers granted hereunder.

Section 13.3 Trustee Not Liable for Recitals in Notes or Use of Proceeds of Notes. The Trustee assumes no responsibility for the correctness of the recitals contained herein and in the Notes (other than the certificate of authentication on the Notes) or for any statements, representations or warranties made herein by any Person other than the Trustee (except as expressly set forth herein). Except as set forth in Section 13.14, the Trustee makes no representations as to the validity, enforceability or sufficiency of this Agreement or of the Notes (other than the certificate of authentication on the Notes) or of any Pledged Loan or related document. The Trustee shall not be accountable for the use or application of funds properly withdrawn from any Account on the instructions of the Servicer or for the use or application by the Issuer of the proceeds of any of the Notes, or for the use or application of any funds paid to the Issuer in respect of the Pledged Loans. The Trustee shall not be responsible for the legality or validity of this Agreement or the validity, priority, perfection or sufficiency of the security for the Notes issued or intended to be issued hereunder. The Trustee shall have no responsibility for filing any financing or continuation statement in any public office at any time or to otherwise perfect or maintain the perfection of any security interest or lien granted to it hereunder or to record this Agreement.

Section 13.4 Trustee May Own Notes; Trustee in its Individual Capacity. Wachovia Bank, National Association, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights as it would have if it were not the Trustee. Wachovia Bank, National Association and its Affiliates may generally engage in any kind of business with the Issuer or the Servicer as though Wachovia Bank, National Association were not acting in such capacity hereunder and without any duty to account therefor. Nothing contained in this Agreement shall limit in any way the ability of Wachovia Bank, National Association and its Affiliates to act as a trustee or in a similar capacity for other interval ownership and lot contract and installment note financings pursuant to agreements similar to this Agreement.

Section 13.5 Trustee's Fees and Expenses; Indemnification. The Trustee shall be entitled to receive from time to time pursuant to this Agreement and the Trustee Fee Letter, (a) such compensation as shall be agreed to between the Issuer and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by it in the execution of the trust hereby created and in the exercise and performance of any of the powers and duties hereunder as the Trustee and to be reimbursed for its out-of-pocket expenses (including reasonable attorneys' fees), incurred or paid in establishing, administering and carrying out its duties under this Agreement or the Collateral Agency Agreement and (b) subject to Section 10.3, the Issuer and the Servicer agree, jointly and severally, to pay, reimburse, indemnify and hold harmless the Trustee (without reimbursement from any Account or otherwise) upon its request for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever (including without limitation fees, expenses and disbursements of counsel) which may at any time (including without limitation at any time following the termination of this Agreement and payment on account of the Notes) be imposed on, incurred by or asserted against the Trustee in any way relating to or arising out of this Agreement, the Collateral Agency Agreement or any other Transaction Document to which the Trustee is a party or the transactions contemplated hereby or any action taken or omitted by the Trustee under or in connection with any of the foregoing except for those liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the gross negligence, reckless disregard of its duties, bad faith or willful misconduct of the Trustee and except that if the Trustee is appointed Successor Servicer pursuant to Section 10.2, the provisions of this Section 13.5 shall not apply to expenses, disbursements and advances made or incurred by the Trustee in its capacity as Successor Servicer. The agreements in this Section 13.5 shall survive the termination of this Agreement, the resignation or removal of the Trustee and all amounts payable on account of the Notes.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 13.6 Eligibility Requirements for Trustee. The Trustee hereunder (if other than Wachovia Bank, National Association) shall at all times be an Eligible Institution and a corporation or banking association organized and doing business under the laws of the United States of America or any state thereof authorized under such laws to exercise corporate trust powers, and such Trustee (including Wachovia Bank, National Association) shall have a combined capital and surplus of at least $25,000,000 (or, in the case of a successor to the initial Trustee, $100,000,000) and subject to supervision or examination by federal or state authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of federal or state supervising or examining authority, then for the purpose of this Section 13.6, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 13.6, the Trustee shall resign immediately in the manner and with the effect specified in Section 13.7.

Section 13.7 Resignation or Removal of Trustee

(a) The Trustee may at any time resign and be discharged from the trust hereby created by giving 60 days prior written notice thereof to the Issuer, the Swap Counterparty, the Servicer, the Noteholders and each Rating Agency. Upon receiving such notice of resignation, the Issuer shall promptly arrange to appoint a successor trustee meeting the requirements of Section 13.6 and the Servicer shall notify the Trustee, the Swap Counterparty and each Rating Agency of such appointment by written instrument, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted within 30 days after the giving of such notice of resignation, a successor Trustee shall be appointed by Majority Holders (with notice to the Swap Counterparty). The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the Trustee. If no successor Trustee shall have been so appointed by the Issuer or the Noteholders and shall have accepted appointment in the manner hereinafter provided, any Noteholder, on behalf of itself and all others similarly situated, or the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(b) If at any time the Trustee shall cease to be eligible in accordance with the provisions of Section 13.6 and shall fail to resign after written request therefor by the Issuer or the Servicer, or if at any time the Trustee shall be legally unable to act, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer or the Majority Holders may remove the Trustee and promptly appoint a successor Trustee by written instrument, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee.

(c) At any time the Majority Holders may remove the Trustee and promptly appoint a successor Trustee by written instrument, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 13.7 shall not become effective until acceptance of appointment by the successor Trustee as provided in Section 13.8.

Section 13.8 Successor Trustee.

(a) Any successor Trustee, appointed as provided in Section 13.7, shall execute, acknowledge and deliver to the Issuer, the Servicer and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein. The predecessor Trustee shall deliver to the successor Trustee all money, documents and other property held by it hereunder; and Issuer and the predecessor Trustee shall execute and deliver

such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Trustee all such rights, power, duties and obligations.

(b) No successor Trustee shall accept appointment as provided in this Section 13.8 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 13.6.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section 13.8, such successor Trustee shall mail notice of such succession hereunder to the Trustee, the Issuer, the Swap Counterparty, the Servicer and all Noteholders at their addresses as shown in the Note Register.

Section 13.9 Merger or Consolidation of Trustee. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided, such corporation shall be eligible under the provisions of Section 13.6, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 13.10 Appointment of Co-Trustee or Separate Trustee

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Collateral and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders and the Swap Counterparty, such title to the Collateral, or any part thereof, and subject to the other provisions of this Section 13.10, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 13.6 and no notice to the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 13.8.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any laws of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral, or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article XIII. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Servicer.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect to this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or a successor trustee.

Section 13.11 Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Agreement or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the Noteholders in respect of which such judgment has been obtained.

Section 13.12 Suits for Enforcement. If an Event of Default or a Servicer Default shall occur and be continuing, the Trustee, in its discretion, may, subject to the provisions of Article XI and Section 12.1, proceed to protect and enforce its rights and the rights of the Noteholders under this Agreement by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the execution of any power granted in this Agreement or for the enforcement of any other legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Noteholders.

Section 13.13 Rights of Noteholders to Direct the Trustee. The Majority Holders shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that, subject to Section 13.1, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Trustee in good faith shall, by a Responsible Officer or

Responsible Officers of the Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of Noteholders not parties to such direction, or if the Trustee has not been offered reasonable security or indemnity, as contemplated by Section 13.2, by such Holders; and provided further, that nothing in this Agreement shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not inconsistent with such direction by the Noteholders.

Section 13.14 Representations and Warranties of the Trustee. The Trustee represents and warrants that:

(a) the Trustee is a national banking association with trust powers organized, validly existing and in good standing under the laws of the United States;

(b) the Trustee has full power, authority and right to execute, deliver and perform this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement; and

(c) this Agreement has been duly executed and delivered by the Trustee and constitutes the legal, valid and binding agreement of the Trustee enforceable against the Trustee in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

Section 13.15 Maintenance of Office or Agency. The Trustee will maintain at its expense in The City of New York, State of New York, an office or offices or agency or agencies where notices and demands to or upon the Trustee in respect of the Notes and this Agreement may be served. The Trustee will give prompt written notice to the Issuer, the Swap Counterparty, the Servicer and the Noteholders of any change in the location of any such office or agency.

Section 13.16 No Assessment. Wachovia Bank, National Association's agreement to act as Trustee hereunder shall not constitute or be construed as Wachovia Bank, National Association's assessment of the Issuer's or any Obligor's creditworthiness or a credit analysis of any Loans.

Section 13.17 UCC Filings and Title Certificates. The Trustee and the Noteholders expressly recognize and agree that the Collateral Agent may be listed as the secured party of record on the various Financing Statements required to be filed under this Agreement in order to perfect the security interest in the Collateral, and such listing will not affect in any way the respective status of the other secured parties under the Collateral Agency Agreement as the holders of their respective interests in other collateral. In addition, such listing shall impose no duties on the Collateral Agent other than those expressly and specifically undertaken in accordance with this Agreement and the Collateral Agency Agreement.

Section 13.18 Replacement of the Custodian. Each of the Issuer and the Servicer agree not to replace the Custodian unless the Rating Agency Condition has been satisfied with respect to such replacement.

ARTICLE XIV

TERMINATION

Section 14.1 Termination of Agreement. The respective obligations and responsibilities of the Issuer, the Servicer and the Trustee created hereby (other than the obligation of the Trustee to make payments to Noteholders as hereafter set forth) shall terminate (the "Termination Date") on the day after the Payment Date following the date on which funds shall have been deposited in the Collection Account sufficient to pay the Aggregate Principal Amount of all Notes plus all interest accrued on the Notes through the day preceding such Payment Date; provided that, all amounts required to be paid on such Payment Date pursuant to this Agreement shall have been paid.

Section 14.2 Final Payment.

(a) Written notice of any termination shall be given (subject to at least two Business Days' prior notice from the Servicer to the Trustee) by the Trustee to the Noteholders, the Swap Counterparty and each Rating Agency then rating any Notes mailed not later than the fifth day of the month of such final payment specifying (a) the Payment Date and (b) the amount of any such final payment. The Trustee shall give such notice to the Note Registrar at the time such notice is given to the Noteholders.

(b) On or after the final Payment Date, upon written request of the Trustee, the Noteholders shall surrender their Notes to the office specified in such request.

Section 14.3 [Reserved]

Section 14.4 Release of Collateral. Upon the termination of this Agreement pursuant to Section 14.1, the Trustee shall release all liens and assign to the Issuer (without recourse, representation or warranty) all right, title and interest of the Trustee in and to the Collateral and all proceeds thereof. The Trustee shall execute and deliver such instruments of assignment, in each case without recourse, representation or warranty, as shall be reasonably requested by the Issuer to release the security interest of the Trustee in the Collateral.

Section 14.5 Release of Defaulted Loans. If any Pledged Loan becomes a Defaulted Loan during any Due Period, the Issuer shall, subject to the limitation set forth in the last paragraph of this Section, if so directed by a Seller and the Seller provides funds to the Issuer for such purpose, obtain a release of such Pledged Loan from the Lien of this Agreement on any Payment Date thereafter. To obtain such release the Issuer shall be required to pay the Release Price of such Defaulted Loan to the Trustee for deposit into the Collection Account. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to this Section 14.6 not less than two Business Days prior to the Payment Date on which such release is to be effected, specifying the Defaulted Loan and the Release Price therefor. The Issuer shall pay the Release Price to the Trustee for deposit into the Collection Account not later than 12:00 noon, New York City time, on the Payment Date on which such release is made.

Upon each release of a Pledged Loan under this Section 14.6, the Collateral Agent and the Trustee shall automatically and without further action release, sell, transfer, assign, set over

and otherwise convey to the Issuer, without recourse, representation or warranty, all of the Collateral Agent's and Trustee's right, title and interest in and to such Defaulted Loan and the Pledged Assets related thereto, all monies due or to become due with respect thereto and all Collections with respect thereto free and clear of the Lien of this Agreement. The Collateral Agent and the Trustee shall execute such documents, releases and instruments of transfer or assignment and take such other actions as shall reasonably be requested by the Issuer to effect the release of such Defaulted Loans and the related Pledged Assets pursuant to this Section 14.6. Promptly after the occurrence of a Release Date and after the payment for and release of a Defaulted Loan, in respect to which the Release Price has been paid the Issuer shall direct the Servicer to delete such Defaulted Loans from the Loan Schedule.

The amount of Defaulted Loans for which the Issuer is permitted to obtain a release and transfer to a Seller is limited as follows:

(a) The Loan Balance of Pledged Loans which become Defaulted Loans and which are released and transferred to FAC, as Seller, shall not exceed in the aggregate 10.5% of the Loan Balance of the Pledged Loans as of the Cut-Off Date which were Fairfield Loans; for such purposes, the Loan Balance of a Pledged Loan shall be calculated on the day prior to the day the Pledged Loan became a Defaulted Loan; and

(b) The Loan Balance of Pledged Loans which become Defaulted Loans and which are released and transferred to Trendwest, as Seller, shall not exceed in the aggregate 16.0% of the Loan Balance of the Pledged Loans as of the Cut-Off Date which were Trendwest Loans; for such purposes, the Loan Balance of a Pledged Loan shall be calculated on the day prior to the day the Pledged Loan became a Defaulted Loan.

Section 14.6 Release of Trendwest Timeshare Upgrades. If a Trendwest Loan becomes a Trendwest Timeshare Upgrade, the Issuer, upon the written request of the Depositor and the receipt by the Issuer or the Trustee of the Release Price from or on behalf of the Depositor, shall obtain a release of such Pledged Loan from the Lien of this Agreement on the Payment Date thereafter and upon such Release, shall transfer the Trendwest Loan to the Depositor. To obtain such release the Issuer shall be required to pay or cause to be paid to the Trustee the Release Price of such Trendwest Loan. Upon receipt of such Release Price, the Trustee shall deposit the Release Price into the Collection Account. The Issuer shall provide written notice to the Trustee and the Collateral Agent of any release pursuant to this Section 14.7 not less than two Business Days prior to the Payment Date on which such release is to be effected, specifying the Trendwest Loan which has become a Trendwest Timeshare Upgrade and the Release Price therefor. The Issuer shall pay the Release Price to the Trustee for deposit into the Collection Account not later than 12:00 noon, New York City time, on the day on which such release is made.

Upon each release of a Pledged Loan under this Section 14.7, the Collateral Agent and the Trustee shall automatically and without further action release, sell, transfer, assign, set over and otherwise convey to the Depositor, without recourse, representation or warranty, all of the Collateral Agent's and Trustee's right, title and interest in and to such Trendwest Loan and the Pledged Assets related thereto, all monies due or to become due with respect thereto and all Collections with respect thereto free and clear of the Lien of this Agreement. The Collateral Agent and the Trustee shall execute such documents, releases and instruments of transfer or

assignment and take such other actions as shall reasonably be requested by the Issuer to effect the release of such Trendwest Loans and the related Pledged Assets pursuant to this Section 14.7. Promptly after the occurrence of a Release Date and after the payment for and release of a Trendwest Loan, in respect to which the Release Price has been paid the Issuer shall direct the Servicer to delete such Trendwest Loan from the Loan Schedule.

Section 14.7 Release Upon Payment in Full. At such time as the Notes have been paid in full, all fees and expenses of the Trustee and the Collateral Agent with respect to the Notes have been paid in full and all obligations relating to this Agreement have been paid in full, then, the Collateral Agent shall, upon the written request of the Issuer, release all liens and assign to Issuer (without recourse, representation or warranty) all right, title and interest of the Collateral Agent in and to the Collateral, and all proceeds thereof. The Collateral Agent and the Trustee shall execute and deliver such instruments of assignment, in each case without recourse, representation or warranty, as shall be reasonably requested by the Issuer to release the security interest of the Collateral Agent in the Collateral.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.1 Amendment.

(a) Supplemental Indentures and Amendments Without Consent of the Noteholders. The Issuer, the Trustee, the Collateral Agent and the Servicer, at any time and from time to time, without the consent of any of the Noteholders, may enter into one or more amendments or indentures supplemental to this Agreement in form satisfactory to the Trustee for any of the following purposes:

(i) to add to the covenants of the Issuer for the benefit of the Noteholders and the Swap Counterparty or to surrender any right or power conferred upon the Issuer;

(ii) to Grant any additional property to the Trustee or the Collateral Agent or to be held by the Custodian, in each case, for the benefit of the Trustee and the Holders of the Notes and the Swap Counterparty;

(iii) to correct or amplify the description of any property at any time subject to the Lien of this Agreement, or to better assure, convey and confirm unto the Trustee or the Collateral Agent or deliver to the Custodian, in each case for the benefit of the Trustee and the Noteholders and the Swap Counterparty, any property subject to the Lien of this Agreement;

(iv) to cure any ambiguity, correct, modify or supplement any provision which is defective or inconsistent with any other provision herein; provided that, such correction, modification or supplement shall not alter in any material respect, the amount or timing of payments to or other rights of the Noteholders;

(v) to modify transfer restrictions on the Notes, so long as any such modifications comply with the Securities Act and the Investment Company Act; or

(vi) make any other changes which do not, in the aggregate, materially and adversely affect the rights of any Noteholders.

provided that, (x) in each case, the Issuer shall have satisfied the Rating Agency Condition with respect to such corrections, amendments, modifications or clarifications and (y), with respect to any changes described in subsection (vi), the Issuer shall have delivered to the Trustee an Officer's Certificate of the Issuer and an Officer's Certificate of the Servicer both to the effect that such change will not adversely affect the rights of any Noteholders.

Subject to Section 15.1(c), the Trustee is hereby authorized to join in the execution of any such amendment or supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained. So long as any of the Notes are outstanding, at the cost of the Issuer, the Trustee shall provide to each Rating Agency then rating any Notes a copy of any proposed amendment or supplemental indenture prior to the execution thereof by the Trustee and, as soon as practicable after the execution by the Issuer, the Trustee and the Collateral Agent of any such amendment or supplemental indenture, provide to each Rating Agency a copy of the executed amendment or supplemental indenture, as the case may be.

(b) Amendments and Supplemental Indentures With Consent of the Noteholders. With the consent of the Majority Holders and upon satisfaction of the Rating Agency Condition, the Issuer and the Trustee may enter into an amendment or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Agreement, or modifying in any manner the rights of the Holders of the Notes under this Agreement; provided that, so long as the Interest Rate Swap is in effect, no such amendment or supplemental indenture shall be entered into without the prior written consent of the Swap Counterparty if the effect of such amendment or supplement would be to adversely affect the Swap Counterparty's ability or right to receive payment under the terms of the Interest Rate Swap, or if the amendment or supplemental indenture would modify the obligations of or impair the ability of the Issuer to fully perform any of its payment obligations under the Interest Rate Swap.

No such amendment or supplemental indenture shall, without the consent of all affected Noteholders:

(i) reduce in any manner the amount of, or change the timing of, principal, interest and other payments required to be made on any Note;

(ii) change the application of proceeds of any Collateral to the payment of Notes of such Series;

(iii) reduce the percentage of Noteholders required to take or approve any action under this Agreement; or

(iv) permit the creation of any lien ranking prior to or on a parity with the lien of this Agreement with respect to any part of the Collateral or terminate the lien of this Agreement on any property at any time subject thereto or deprive the Noteholders of the security afforded by the lien of this Agreement.

It shall not be necessary in connection with any consent of the Noteholders under this Section 15.1(b) for the Noteholders to approve the specific form of any proposed amendment or supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. The Trustee will not be permitted to enter into any such supplemental indenture or amendment if, as a result of such supplemental indenture or amendment, the ratings of any outstanding Notes (if then rated) would be reduced without the consent of each affected Noteholder.

Promptly after the execution by the Issuer, the Trustee, the Collateral Agent and the Servicer of any amendment or supplemental indenture pursuant to this Section 15.1(b), the Trustee, at the expense of the Issuer shall mail to the Noteholders, the Luxembourg Stock Exchange (if and for so long as any Class of Notes is listed thereon) and each Rating Agency rating any of the Notes, a copy thereof.

(c) Execution of Amendments and Supplemental Indentures. In executing or accepting the additional trusts created by any amendment or supplemental indenture permitted by this Section 15.1 or the modifications thereby of the trusts created by this Agreement, the Trustee shall be entitled to receive, and (subject to Sections 13.1 and 13.2) shall be fully protected in relying in good faith upon, an Opinion of Counsel stating that the execution of such amendment or supplemental indenture is authorized or permitted by this Agreement and that all conditions precedent applicable thereto under this Agreement have been satisfied. The Trustee may, but shall not be obligated to, enter into any such amendment or supplemental indenture which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

(d) Effect of Amendments and Supplemental Indentures. Upon the execution of any amendment or supplemental indenture under this Section 15.1, this Agreement shall be modified in accordance therewith, and such amendment or supplemental indenture shall form a part of this Agreement for all purposes; and every Holder of a Note theretofore and thereafter authenticated and delivered hereunder shall be bound thereby.

(e) Reference in Notes to Amendments and Supplemental Indentures. Notes executed, authenticated and delivered after the execution of any amendment or supplemental indenture pursuant to this Section 15.1 may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such amendment or supplemental indenture. If the Issuer shall so determine, new Notes, so modified as to conform in the opinion of the Trustee and the Issuer to any such amendment or supplemental indenture, may be prepared and executed by the Issuer and authenticated and delivered by the Trustee or the Authentication Agent in exchange for outstanding Notes.

(f) In determining whether the requisite percentage of Noteholders have concurred in any direction, waiver or consent, Notes owned by the Issuer or an Affiliate of the Issuer shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in making

such determination or relying on any such direction, waiver or consent, only Notes which a Responsible Officer of the Trustee knows pursuant to written notice (or in the case of the Issuer, by reference to the Note Register if the Trustee is also the Note Registrar) are so owned shall be so disregarded.

Section 15.2 Reserved

Section 15.3 Limitation on Rights of the Noteholders.

(a) The death or incapacity of any Noteholder shall not operate to terminate this Agreement, nor shall such death or incapacity entitle such Noteholder's legal representatives or heirs to claim an accounting or to take any action or commence any proceeding in any court for a partition or winding up of the Collateral, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

(b) Nothing herein set forth, or contained in the terms of the Notes, shall be construed so as to constitute the Noteholders from time to time as partners or members of an association; nor shall any Noteholder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 15.4 Governing Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 15.5 Notices. All communications and notices hereunder shall be in writing and shall be deemed to have been duly given if personally delivered to, or transmitted by overnight courier, or transmitted by telex or telecopy and confirmed by a mailed writing:

If to the Issuer:

SIERRA 2003-1 RECEIVABLES FUNDING COMPANY, LLC
10750 West Charleston Boulevard
Suite 130, Mail Stop 2045
Las Vegas, Nevada 89135
Attention: President
(or such other address as may hereafter be furnished to the Trustee, the Servicer and the Collateral Agent in writing by the Issuer).

If to the Servicer:

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA
10750 West Charleston Boulevard
Suite 130
Las Vegas, Nevada 89135
Fax number: 702-227-3114
Attention: Ralph E. Turner
(or such other address as may hereafter be furnished to the Trustee, the Issuer and the Collateral Agent in writing by the Servicer).

If to the Trustee:

WACHOVIA BANK, NATIONAL ASSOCIATION
401 South Tryon Street
NC – 1179
12th Floor
Charlotte, North Carolina 28288-1179
Fax number: 704-383-6039
Attention: Structured Finance Trust Services
Re: Sierra 2003-1 Receivables Funding Company, LLC

(or such other address as may be furnished to the Servicer, the Issuer or the Collateral Agent in writing by the Trustee).

If to the Collateral Agent:

WACHOVIA BANK, NATIONAL ASSOCIATION
269 Technology Way
Building B, Unit 3
Rocklin, CA 95765
Fax number: 916-626-3152
Attention: Structured Finance Trust Services
Re: Sierra 2003-1 Receivables Funding Company, LLC

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer by the Collateral Agent).

If to each Rating Agency:

Fitch, Inc.
Attn: Asset-Backed Securities - Timeshare
55 East Monroe
Suite 3500
Chicago, IL 60610
Fax number: 312-368-2069

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer).

Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Fax number: 212-553-4392

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer).

Standard & Poor's Ratings Group
55 Water Street
New York, New York 10041
Fax number: 212-438-2655

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer).

If to the Swap Counterparty:

Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, IL 60606
Attention: Swap Operations
Telex N.: 49663210 Answerback: NATIONSBANK CHA

(or such other address as may be furnished in writing to the Trustee, the Issuer and the Servicer),

with a copy to:

Bank of America, N.A.
100 N. Tryon St., NC1-007-13-01
Charlotte, North Carolina 28255
Attention: Capital markets Documentation
(Telex No.: 9663210; Answerback: NATIONSBK CHA)
Facsimile No.: 704-386-4113

All communications and notices pursuant hereto to a Noteholder will be given by first-class mail, postage prepaid, to the registered holders of such Notes at their respective address as shown in the Note Register. Any notice so given within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Noteholder receives such notice.

Section 15.6 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Notes or rights of the Noteholders thereof.

Section 15.7 Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 12.2, this Agreement may not be assigned by the Issuer or the Servicer without the prior consent of the Majority Holders and the Swap Counterparty.

Section 15.8 Notes Non-assessable and Fully Paid. It is the intention of the Issuer that the Noteholders shall not be personally liable for obligations of the Issuer and that the indebtedness represented by the Notes shall be non-assessable for any losses or expenses of the Issuer or for any reason whatsoever.

Section 15.9 Further Assurances. Each of the Issuer, the Servicer and the Collateral Agent agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Trustee more fully to effect the purposes of this Agreement, including without limitation the authorization of any financing statements, amendments thereto, or continuation statements relating to the Pledged Loans for filing under the provisions of the UCC of any applicable jurisdiction.

Section 15.10 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Trustee or the Noteholders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of any provision hereof shall be effective unless made in writing. The rights, remedies, powers and privileges therein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 15.11 Counterparts. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

Section 15.12 Third-Party Beneficiaries. This Agreement will inure to the benefit of and be binding upon the parties hereto, the Swap Counterparty, the Noteholders and their respective successors and permitted assigns. Except as otherwise provided in this Article XV, no other person will have any right or obligation hereunder.

Section 15.13 Actions by the Noteholders

(a) Wherever in this Agreement a provision is made that an action may be taken or a notice, demand or instruction given by the Noteholders, such action, notice or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage of the Noteholders. If, at any time, the request, demand, authorization, direction, consent, waiver or other act of a specific percentage of the Noteholders is required pursuant to this Agreement, written notification of the substance thereof shall be furnished to all Noteholders.

(b) Any request, demand, authorization, direction, consent, waiver or other act by a Noteholder binds such Noteholder and every subsequent holder of such Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by the Trustee, the Issuer or

the Servicer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 15.14 Merger and Integration. Except as set forth in the Trustee Fee Letter, and except as specifically stated otherwise herein, this Agreement and the other Transaction Documents set forth the entire understanding of the parties relating to the subject matter hereof,

and, except as set forth in such Trustee Fee Letter, all prior understandings, written or oral, are superseded by this Agreement and the other Transaction Documents. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

Section 15.15 No Bankruptcy Petition. The Trustee, the Servicer, the Collateral Agent and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against the Issuer or the Depositor, or join in instituting against the Issuer or the Depositor, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any Debtor Relief Law.

Section 15.16 Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

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

SIERRA 2003-1 RECEIVABLES FUNDING COMPANY, LLC,
as Issuer

By: /s/ Ralph E. Turner
Name: Ralph E. Turner
Title: President and Treasurer

FAIRFIELD ACCEPTANCE CORPORATION-NEVADA,
as Servicer

By: /s/ Ralph E. Turner
Name: Ralph E. Turner
Title: President and Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Robert Ashbaugh
Name: Robert Ashbaugh
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Cheryl Whitehead
Name: Cheryl Whitehead
Title: Asst. Vice President

[Signature page for Indenture and Servicing Agreement]

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Exhibit 12

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

	Three Months Ended March 31,	
	2003	**2002**
Earnings before fixed charges:		
Income before income taxes and minority interest	$ 470	$ 481
Plus: Fixed charges	236	208
Less: Equity loss in unconsolidated affiliates	—	(1)
Minority interest	9	3
Earnings available to cover fixed charges	$ 697	$ 687
Fixed charges[(a)]:		
Interest, including amortization of deferred financing costs	$ 193	$ 183
Minority interest	9	3
Interest portion of rental payment	34	22
Total fixed charges	$ 236	$ 208
Ratio of earnings to fixed charges	2.95x	3.30x

(a) 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:

	March 31,	
	2003	**2002**
Incurred by the Company's PHH subsidiary	$ 48	$ 43
Related to the Company's stockholder litigation settlement liability	—	15
Related to the debt under management and mortgage programs incurred by the Company's vehicle rental subsidiary	59	51
All other	86	74

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

Exhibit 15

May 8, 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-month periods ended March 31, 2003 and 2002, as indicated in our report dated May 8, 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 quarter ended March 31, 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 99

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 quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henry R. Silverman, as Chief Executive Officer of the Company, and Kevin M. Sheehan, 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
May 8, 2003

/s/ KEVIN M. SHEEHAN

Kevin M. Sheehan
Chief Financial Officer
May 8, 2003

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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.

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Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002