As filed with the Securities and Exchange Commission on April 26, 2007.

**Registration Statement No. 333-**

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

# FORM S-4

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

# WYNDHAM WORLDWIDE CORPORATION

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **7011** | **20-0052541** |
|---|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(Primary Standard Industries Classification Code Number)* | *(I.R.S. Employer Identification No.)* |

**Seven Sylvan Way**
**Parsippany, NJ**
**(973) 753-6000**
*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Scott G. McLester, Esq.**
**Executive Vice President and General Counsel**
**Wyndham Worldwide Corporation**
**Seven Sylvan Way**
**Parsippany, New Jersey 07054**
**(973) 753-6000**
*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

***Copies of all communications to:***

**Gregory A. Fernicola, Esq.**
**Skadden, Arps, Slate, Meagher & Flom LLP**
**Four Times Square**
**New York, NY 10036-6522**
**(212) 735-3000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to Be Registered | Amount to Be Registered | Proposed Maximum Offering Price per Security | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee(1) |
|---|---|---|---|---|
| 6.00% Senior Notes due 2016 | $800,000,000 | 100% | $800,000,000 | $24,560 |

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

**SUBJECT TO COMPLETION, DATED APRIL 25, 2007**

**PROSPECTUS**

# Wyndham Worldwide Corporation

**Offer to Exchange**
**$800,000,000 aggregate principal amount of 6.00% Senior Notes due 2016**
**(CUSIP Nos. 98310W AA 6 and U98340 AA 7)**
**for**
**$800,000,000 aggregate principal amount of 6.00% Senior Notes due 2016**
**(CUSIP No. 98310W AB 4)**
**that have been registered under the Securities Act of 1933, as amended**

**The exchange offer will expire at 5:00 p.m.,**
**New York City time, on , 2007, unless extended.**

- We hereby offer, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the "exchange offer"), to exchange up to $800,000,000 aggregate principal amount of our 6.00% Senior Notes due 2016 that have been registered under the Securities Act of 1933, as amended (the "Securities Act"), which we refer to as the "exchange notes," for a like principal amount of our outstanding 6.00% Senior Notes due 2016, which we refer to as the "original notes." The terms of the exchange offer are summarized below and are more fully described in this prospectus.
- The terms of the exchange notes are substantially identical to the terms of the original notes in all material respects, except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes.
- We will accept for exchange any and all original notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on , 2007, unless extended.
- You may withdraw tenders of original notes at any time prior to the expiration of the exchange offer.
- We will not receive any proceeds from the exchange offer.
- The exchange of original notes for exchange notes generally will not be a taxable event for U.S. federal income tax purposes.
- The notes will not be listed on any securities exchange, quotation system or PORTAL.

**See "Risk Factors" beginning on page 12 to read about important factors you should consider before tendering your original notes.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is , 2007

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This prospectus contains summaries of the material terms of certain documents and refers you to certain documents that we have filed with the Securities and Exchange Commission (the "SEC"). See "Where You Can Find More Information." Copies of these documents, except for certain exhibits and schedules, will be made available to you without charge upon written or oral request to:

Wyndham Worldwide Corporation
Seven Sylvan Way
Parsippany, NJ 07054
Attention: Investor Relations
Phone: (973) 753-6000

**In order to obtain timely delivery of such materials, you must request information from us no later than five business days prior to the expiration of the exchange offer.**

**NON-GAAP FINANCIAL MEASURES**

The financial measure EBITDA, as presented in this prospectus, is a supplemental measure of our performance that is not a GAAP measure, except for the presentation of EBITDA on a segment basis. As presented in this prospectus, EBITDA is defined as net income before interest expense (excluding interest on securitized vacation ownership debt), income taxes, depreciation and amortization, minority interest and cumulative effect of accounting change, net of tax. A reconciliation of EBITDA to the most directly comparable GAAP measure, income before income taxes is presented under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We present EBITDA because we believe this measure provides investors with important additional information to evaluate our operating performance. We believe EBITDA is useful as a supplemental measure in evaluating performance of our operating businesses and provides greater transparency into our consolidated and combined results of operations. EBITDA is one of several measures used by our

management, including our chief operating decision maker, to perform such evaluation, and it is a factor in measuring compliance with debt covenants relating to certain of our borrowing arrangements. EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

## TRADEMARKS AND SERVICE MARKS

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this prospectus include "Wyndham Hotels and Resorts," "Ramada," "Days Inn," "Super 8," "TripRewards," "RCI," "Landal GreenParks," "English Country Cottages," "Novasol," "Wyndham Vacation Resorts" (formerly Fairfield Resorts) and "WorldMark by Wyndham" (formerly Trendwest Resorts), which may be registered in the United States and other jurisdictions. Each trademark, trade name or service mark of any other company appearing in this prospectus is owned by such company.

## INDUSTRY DATA

This prospectus includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys and other information available to us. Some data also are based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. The primary sources for third-party industry data and forecasts are Smith Travel Research, PricewaterhouseCoopers LLP, World Travel and Tourism Council, Travel Industry Association of America and American Resort Development Association and other industry reports and articles. These third-party publications and surveys generally state that the information included therein has been obtained from sources believed to be reliable and that the publications and surveys can give no assurance as to the accuracy or completeness of such information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions on which such data are based. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources.

## FORWARD-LOOKING STATEMENTS

Forward-looking statements in this prospectus are subject to known and unknown risks, uncertainties and other factors that 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 or other public statements. These forward-looking statements are based on various facts and have been derived utilizing numerous important assumptions and other important factors, and changes in such facts, assumptions or factors 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 "should," "would," "may" and "could" are generally forward looking in nature and not historical facts. You should understand that the following important factors 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, that may negatively affect the travel industry, result in a disruption in our business and adversely affect our financial results;
- adverse developments in general business, economic and political conditions or any outbreak or escalation of hostilities on a national, regional or international basis;

- competition in our existing and future lines of business, and the financial resources of competitors;
- our failure to comply with laws and regulations and any changes in laws and regulations, including hospitality, vacation rental and vacation ownership-related regulations, telemarketing regulations, privacy policy regulations and state, federal and international tax laws;
- seasonal fluctuation in the travel business;
- local and regional economic conditions that affect the travel and tourism industry;
- our failure to complete future acquisitions or to realize anticipated benefits from completed acquisitions;
- actions by our franchisees that could harm our business;
- our inability to access the capital and/or the asset-backed markets on a favorable basis;
- the loss of any of our senior management;
- risks inherent in operating in foreign countries, including exposure to local economic conditions, government regulation, currency restrictions and other restraints, changes in and application of tax laws, expropriation, political instability and diminished ability to legally enforce our contractual rights;
- our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster or other business interruption;
- the final resolutions or outcomes with respect to Cendant Corporation's (now known as Avis Budget Group, Inc., "Avis Budget" or "Cendant") contingent and other corporate liabilities and any related actions for indemnification made pursuant to the Separation and Distribution Agreement dated July 27, 2006 among us, Cendant, Realogy Corporation ("Realogy") and Travelport Inc. ("Travelport") regarding the principal transactions relating to our separation from Cendant (the "Separation and Distribution Agreement") and the other agreements that govern certain aspects of our relationship with Cendant, Realogy and Travelport; and
- the possibility that Cendant's actual tax liability resulting from the sale of Travelport exceeds the estimated amount of such taxes that were retained by Cendant from the proceeds of the sale of Travelport, or that there may be post-closing adjustments to the purchase price received by Cendant from the sale of Travelport, for which we may have responsibility under the Separation and Distribution Agreement.

Other factors not identified above, including the risk factors described in the "Risk Factors" section of this prospectus, may also cause actual results to differ materially from those projected by our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control.

You should consider the risks described above, as well as those set forth under the heading "Risk Factors," when considering 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 any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law. For any forward-looking statements contained in this prospectus, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

## SUMMARY

*The following is a summary of the more detailed information appearing elsewhere in this prospectus. It does not contain all of the information that may be important to you. You should read this prospectus in its entirety and the documents we have referred you to, especially the risks of participating in the exchange offer discussed under "Risk Factors," before participating in the exchange offer. Except as otherwise indicated or unless the context otherwise requires, "Wyndham Worldwide Corporation," "Wyndham Worldwide," "we," "us," "our" and "our company" refer to Wyndham Worldwide Corporation and its subsidiaries. Unless otherwise indicated, information is presented as of December 31, 2006.*

### Our Company

As one of the world's largest hospitality companies, we offer individual consumers and business-to-business customers a broad suite of hospitality products and services across various accommodation alternatives and price ranges through our premier portfolio of world-renowned brands. With more than 20 brands, which include Wyndham Hotels and Resorts, Ramada, Days Inn, Super 8, TripRewards, RCI, Landal GreenParks, English Country Cottages, Novasol, Wyndham Vacation Resorts (formerly Fairfield Resorts) and WorldMark by Wyndham (formerly Trendwest Resorts), we have built a significant presence in most major hospitality markets in the United States and throughout the rest of the world. For 2006, total spending by domestic and international travelers in the United States was expected to be $675 billion, an increase of approximately 5% from spending levels in 2005 and an increase of approximately 16% from spending levels in 2000, which witnessed the highest ever levels of travel spending for any year prior to the September 11, 2001 terrorist attacks. Globally, travel spending was expected to grow by 5% in 2006 to $4.5 trillion. Historically, we have pursued what we believe to be financially-attractive entrance points in the major global hospitality markets to strengthen our portfolio of products and services. Wyndham Worldwide is well positioned to compete in the major hospitality segments of this large and growing industry.

We operate primarily in the lodging, vacation exchange and rental, and vacation ownership segments of the hospitality industry:

- Through our lodging business, we franchise hotels in the upscale, middle and economy segments of the lodging industry and provide property management services to owners of upscale branded hotels;
- Through our vacation exchange and rentals business, we provide vacation exchange products and services to owners of intervals of vacation ownership interests, and we market vacation rental properties primarily on behalf of independent owners; and
- Through our vacation ownership business, we market and sell vacation ownership interests to individual consumers, provide consumer financing in connection with the sale of vacation ownership interests and provide property management services at resorts.

Each of our lodging, vacation exchange and rental and vacation ownership businesses has a long operating history. Our lodging business began operations in 1990 with the acquisition of the Howard Johnson and Ramada brands, each of which opened its first hotel in 1954. RCI, the best known brand in our vacation exchange and rentals business, was established more than 30 years ago, and our vacation ownership brands, Wyndham Vacation Resorts (formerly Fairfield Resorts) and WorldMark by Wyndham (formerly Trendwest Resorts), which began vacation ownership operations in 1980 and 1989, respectively.

We provide directly to individual consumers our high quality products and services, including the various accommodations we market, such as hotels, vacation resorts, villas and cottages, and products we offer, such as vacation ownership interests. We also provide valuable products and services to our business-to-business customers, such as franchisees, affiliated resort developers and prospective developers. These products and services include marketing and central reservation systems, back office services and loyalty programs. We strive to provide value-added products and services that are intended both to enhance the travel experience of the individual consumer and to drive revenue to our business-to-business customers. The depth and breadth of our businesses across different segments of the hospitality industry provide us

with the opportunity to expand our relationships with our existing individual consumers and business-to-business customers in one or more segments of our business by offering them additional or alternative products and services from our other segments.

The largest portion of our revenues comes from fees we receive in exchange for providing products and services. We receive fees, for example, as royalties for utilizing our brands and for providing property management and vacation exchange and rentals services. The remainder of our revenues comes from the proceeds of sales of products, such as vacation ownership interests, and related services. The fees we earn by providing products and services and proceeds from sales of our products and services provide us with strong and stable cash flows. For the year ended December 31, 2006, we generated revenues of $3,842 million and net income of $287 million, respectively.

As of December 31, 2006, our total debt outstanding, exclusive of debt outstanding under our vacation ownership securitization program, was approximately $1,437 million. At December 31, 2006, the weighted average interest rate on our outstanding debt, exclusive of debt outstanding under our vacation ownership securitization program, was approximately 6.0%.

**Our Business Segments**

We operate our business in three segments: Wyndham Hotel Group, our lodging business, RCI Global Vacation Network, our vacation exchange and rentals business, and Wyndham Vacation Ownership, our vacation ownership business. We believe that we are an industry leader in each of our business segments.

**Wyndham Hotel Group**

Wyndham Hotel Group, our lodging business, franchises hotels and provides property management services to owners of luxury and upscale branded hotels. Through steady organic growth and acquisitions of established lodging franchise systems over the past 16 years, our lodging business has become the world's largest lodging franchisor as measured by the number of franchised hotels. Our lodging business has almost 6,500 franchised hotels, which represents over 543,000 rooms on six continents. Our franchised hotels operate under one of our 10 lodging brands, which are Wyndham Hotels and Resorts, Wingate Inn, Ramada, Baymont, Days Inn, Super 8, Howard Johnson, AmeriHost Inn, Travelodge and Knights Inn. The breadth and diversity of our lodging brands provide potential franchisees with a range of options for affiliating their properties with one or more of our brands. Our lodging business has a strong presence across the middle and economy segments of the lodging industry and a developing presence in the upscale segment, thus providing individual consumers who are traveling for leisure or business with options for hospitality products and services across various price ranges.

In this prospectus, we use the term "hotels" to refer to hotels, motels and/or other accommodations, as applicable. In addition, the term "franchise system" refers to a system through which a franchisor licenses a brand and provides services to hotels whose independent owners pay to receive such license and services from the franchisor under the specific terms of a franchise agreement. The services provided through a franchise system typically include reservations, sales leads, marketing and advertising support, training, quality assurance inspections, operational support and information, pre-opening assistance, prototype construction plans, and national or regional conferences.

Our lodging business franchises under two models. In North America and the United Kingdom, we generally employ a direct franchise model whereby we contract with and provide services and assistance with reservations directly to owner-operators of hotels. In other parts of the world, we employ either a direct franchise model or a master franchise model whereby we contract with a qualified, experienced third party to build a franchise enterprise in such third party's country or region.

Under our direct franchise model, we principally market our lodging brands to independent hotel and motel owners and to hotel and motel owners who have the rights to terminate their franchise affiliations with other lodging brands. We also market franchises under our lodging brands to existing franchisees because many own, or may own in the future, other hotels that can be converted to one of our brands. Under our master franchise model, we principally market our lodging brands to third parties that assume the principal role of franchisor, which entails selling individual franchise agreements and providing quality assurance, marketing and reservations support to franchisees. As part of our franchise development strategy,

we employ national and international sales forces that we compensate in part through commissions. Because of the importance of existing franchised hotels to our sales strategy, a significant part of our franchise development efforts is to ensure that our franchisees provide quality services to maintain the satisfaction of customers.

Our standard franchise agreement grants a franchisee the right to non-exclusive use of the applicable franchise system in the operation of a single hotel at a specified location, typically for a period of 15 to 20 years, and gives the franchisor and franchisee certain rights to terminate the franchise agreement before the conclusion of the term of the agreement under certain circumstances, such as upon designated anniversaries of the franchised hotel's opening or the date of the agreement. Early termination options in franchise agreements give us flexibility to eliminate or re-brand franchised hotels if such properties become weak performers, even if there is no contractual failure by the franchisees. We also have the right to terminate a franchise agreement for failure by a franchisee to (i) bring its properties into compliance with contractual or quality standards within specified periods of time, (ii) pay required franchise fees or (iii) comply with other requirements of its franchise agreement.

Our franchised hotels represent approximately 10% of the U.S. hotel room inventory. In 2006, our franchised hotels sold 8.6%, or approximately 88.8 million, of the approximately one billion hotel room nights sold in the United States. In 2006, our franchised hotels sold approximately 19.4% of all hotel room nights sold in the United States in the economy and midscale segments. Our franchised hotels are dispersed throughout North America, which reduces our exposure to any one geographic region. Approximately 89% of the hotel rooms in our franchised hotels are located throughout North America, and approximately 11% of the hotel rooms are located outside of North America. In addition, our lodging franchises are dispersed among numerous franchisees, which reduces our exposure to any one lodging franchisee. Of our approximately 5,200 lodging franchisees, no single franchisee accounts for more than 2% of our franchised hotels.

Our lodging business provides our franchised hotels with a suite of operational and administrative services, including access to a central reservations system, advertising, promotional and co-marketing programs, referrals, technology, training and volume purchasing. We also provide our franchisees with the TripRewards loyalty program, which is the world's largest hotel rewards program as measured by the number of participating hotels.

Subsequent to our separation from Cendant, we acquired a 30% equity interest in CHI Limited, a joint venture that provides management services to luxury and upper upscale hotels in Europe, the Middle East and Africa. As of December 31, 2006, we were providing property management services to 32 hotels associated with either the Wyndham Hotels and Resorts brand or the CHI joint venture. Our property management business offers owners of hotels professional oversight and comprehensive operations support. We expect to expand our property management business by strategically entering into property management contracts with new and existing hotels.

Our lodging business derives the majority of its revenues from franchising hotels and derives additional revenues from providing property management services. The sources of revenues from franchising hotels are initial franchise fees, which relate to services provided to assist a franchised hotel to open for business under one of our brands, and ongoing franchise fees, which are comprised of royalty fees and other fees relating to marketing and reservations. The sources of revenues from property management are management fees, incentive fees, service fees and reimbursement revenues. Revenues from our lodging business represented approximately 17%, 15% and 15% of total company net revenues during 2006, 2005 and 2004, respectively.

**RCI Global Vacation Network**

RCI Global Vacation Network, our vacation exchange and rentals business, provides vacation exchange products and services to developers, managers and owners of intervals of vacation ownership interests, and markets vacation rental properties. We are the world's largest vacation exchange network and among the

world's largest global marketers of vacation rental properties. Our vacation exchange and rentals business has access for specified periods, in a majority of cases on an exclusive basis, to over 60,000 vacation properties, which are comprised of over 4,000 vacation ownership resorts around the world and over 56,000 vacation rental properties that are located principally in Europe, which we believe makes us one of the world's largest marketers of European vacation rental properties as measured by the number of properties we market for rental. Each year, our vacation exchange and rentals business provides more than four million leisure-bound families with vacation exchange and rentals products and services. The properties available to leisure travelers through our vacation exchange and rentals business include hotel rooms and suites, villas, cottages, bungalows, campgrounds, vacation ownership condominiums, city apartments, second homes, fractional private residences, luxury destination clubs and boats. We offer leisure travelers flexibility (subject to availability) as to time of travel and a choice of lodging options in regions to which such travelers may not typically have such ease of access, and we offer property owners marketing services, quality control services and property management services ranging from key-holding to full property maintenance for such properties. Our vacation exchange and rentals business has over 60 worldwide offices. We market our products and services using seven primary brands and other related brands. Revenues from our vacation exchange and rentals business represented approximately 29%, 31% and 31% of total company net revenues during 2006, 2005 and 2004, respectively.

In this prospectus, we use the term "inventory" in the context of our vacation exchange and rentals business to refer to intervals of vacation ownership interests and primarily independently owned properties, which include hotel rooms and suites, villas, cottages, bungalows, campgrounds, vacation ownership condominiums, city apartments, second homes, fractional private residences, luxury destination clubs and boats. In addition, in this prospectus, we refer to intervals of vacation ownership interests as "intervals" and individuals who purchase vacation rental products and services from us as "rental customers."

- **Vacation Exchange Business**

  Through our vacation exchange business, RCI, we have relationships with over 4,000 vacation ownership resorts in more than approximately 100 countries. Historically, our vacation exchange business consisted of the operation of worldwide exchange programs for owners of intervals. Today, our vacation exchange business also provides property management services and consulting services for the development of tourism-oriented real estate, loyalty programs, in-house and outsourced travel agency services, and third-party vacation club services. We operate our vacation exchange business through three worldwide exchange programs: RCI Weeks, an exchange network of traditional, week-long intervals that is the world's largest vacation ownership exchange network; RCI Points, a global points-based exchange network; and The Registry Collection, a global exchange network of luxury accommodations. Participants in these exchange programs pay annual membership dues. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with our vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related products and services. We refer to participants in these three exchange programs as "members."

Our vacation exchange business derives a majority of its revenues from annual membership dues and exchange fees for transactions. Our vacation exchange business also derives revenues from ancillary services, including travel agency services and loyalty programs.

- **Vacation Rentals Business**

  The rental properties we market are principally privately-owned villas, cottages and bungalows that generally belong to property owners unaffiliated with us. In addition, we market inventory from our vacation exchange business to developers of vacation ownership properties and other sources. We market rental properties under proprietary brands, such as Landal GreenParks, English Country Cottages, Novasol, Cuendet and Canvas Holidays, and through select private-label arrangements. Most of the rental activity under our brands takes place in Europe, the United States and Mexico, although we have the ability to source and rent inventory in approximately 100 countries. Our vacation rentals business currently has relationships with approximately 35,000 independent property

owners in 22 countries, including the United States, United Kingdom, Mexico, France, Ireland, the Netherlands, Belgium, Italy, Spain, Portugal, Denmark, Norway, Sweden, Germany, Greece, Austria, Croatia and certain countries in Eastern Europe and the Pacific Rim. We currently make over 1.3 million vacation rental bookings a year. Our vacation rentals business also has the opportunity to market and provide inventory to the over three million owners of intervals who participate in our vacation exchange business. Our vacation rentals business also has an ownership interest in, or capital leases for, approximately 13% of the properties in our rental portfolio.

Our vacation rentals business primarily derives its revenues from fees, which generally average approximately 40% to 60% of the gross bookings depending upon product mix or seasonality. Our vacation rentals business also derives revenues from trip protection sales in Europe, transportation fees, property management fees and on-site revenue from ancillary services, including travel agency services.

**Wyndham Vacation Ownership**

Wyndham Vacation Ownership, our vacation ownership business, includes marketing and sales of vacation ownership interests, consumer financing in connection with the purchase by individuals of vacation ownership interests, property management services to property owners' associations, and development and acquisition of vacation ownership resorts. We operate our vacation ownership business through our two primary brands, Wyndham Vacation Resorts and WorldMark by Wyndham. We have the largest vacation ownership business in the world as measured by the numbers of vacation ownership resorts, vacation ownership units and owners of vacation ownership interests. We have developed or acquired approximately 150 vacation ownership resorts in the United States, Canada, Mexico, the Caribbean and the South Pacific that represent more than 20,000 individual vacation ownership units and over 800,000 owners of vacation ownership interests.

We pride ourselves on the quality of the resorts in which we sell vacation ownership interests and on our customer service. We believe the quality of the resorts and our customer service result in a consistently high level of customer satisfaction as evidenced by the percentage of owners of vacation ownership interests who buy additional vacation ownership interests each year.

Our portfolio of resorts includes a mix of destination resorts and drive-to resorts. The majority of the resorts in which Wyndham Vacation Resorts markets and sells vacation ownership interests are destination resorts that are located at or near attractions, such as the Walt Disney World® Resort in Florida; the Las Vegas Strip in Nevada; Myrtle Beach in South Carolina; Colonial Williamsburg® in Virginia; and the Hawaiian Islands. Wyndham Vacation Resorts resort properties are located primarily in the United States and, as of December 31, 2006, consisted of 79 resorts that represented approximately 15,000 units. The resorts in which WorldMark by Wyndham markets and sells vacation credits are primarily drive-to resorts that are located in closer proximity to regions in which our owners and prospective owners reside. WorldMark by Wyndham resorts are located primarily in the Western United States, Canada, Mexico and the South Pacific and, as of December 31, 2006, consisted of 75 resorts that represented approximately 5,400 units.

Our primary vacation ownership brands, Wyndham Vacation Resorts and WorldMark by Wyndham, operate vacation ownership programs through which vacation ownership interests can be redeemed for vacations through points-based internal reservation systems that provide owners with flexibility (subject to availability) as to resort location, length of stay, unit type and time of year. The points-based reservation systems offer owners redemption opportunities for other travel and leisure products that may be offered from time to time, and the opportunity for owners to use our products for one or more vacations per year based on level of ownership. Our vacation ownership programs allow us to market and sell our vacation ownership products in variable quantities as opposed to the fixed quantity of the traditional, fixed-week vacation ownership, which is primarily sold on a weekly interval basis, and to offer to existing owners "upgrade" sales to supplement such owners' existing vacation ownership interests. FairShare Plus, formed in

1991, is Wyndham Vacation Resorts' points-based internal reservation system. Our WorldMark by Wyndham brand operates two points-based vacation ownership programs, WorldMark, the Club, formed in 1989, and WorldMark South Pacific Club, formed in 2000.

Our vacation ownership business also provides consumer finance and property management services. We offer financing to the purchasers of vacation ownership interests. Providing consumer financing reduces the initial cash required by customers to purchase vacation ownership interests, thereby enabling us to attract additional customers and generate substantial incremental profits. Similar to other companies that provide consumer financing, we securitize a majority of the receivables originated in connection with selling products, which in our case are vacation ownership interests. As of December 31, 2006, we serviced a portfolio of approximately 262,000 loans that totaled $2,658 million in aggregate principal amount outstanding. Our property management business generally provides day-to-day management for vacation ownership resorts, including oversight of housekeeping services, maintenance and refurbishment of the units, and provides certain accounting and administrative services to property owners' associations.

Our vacation ownership business derives a majority of its revenues from sales of vacation ownership interests and derives other revenues from consumer financing and property management. Revenues from our vacation ownership business represented approximately 54%, 54% and 55% of total company net revenues during 2006, 2005 and 2004, respectively.

## Industry Overview

The hospitality industry is a major component of the travel industry, which is the third-largest retail industry in the United States after the automotive and food stores industries. The general health of the hospitality industry is affected by the performance of the U.S. economy. From 1981 to 2006, the U.S. economy has performed solidly as evidenced by the growth of the U.S. real Gross Domestic Product, or real GDP, at a compound annual growth rate, or CAGR, of 3.2% over the period. In 2006, the U.S. economy continued to perform solidly and it is expected to continue to perform solidly in 2007 and 2008 with real GDP expected to grow by approximately 2.6% and 3.2%, respectively.

The hospitality industry includes the segments in which Wyndham Worldwide operates — lodging, vacation exchange and rentals, and vacation ownership. In spite of the recent series of unprecedented challenges faced by the hospitality industry, including terrorism, Severe Acute Respiratory Syndrome (SARS) and natural disasters, the industry is growing. In 2005, domestic and international travelers spent in the United States an estimated $646 billion, which represents nearly an 8% increase from the prior year. In 2006, it was expected that the total spending by such travelers in the United States would reach $675 billion, which would be an increase of nearly 5% over 2005's spending. This level of expected spending in 2006 was 16% higher than the spending in 2000, the year prior to the September 11, 2001 terrorist attacks.

### Lodging Industry

The $134 billion domestic lodging industry is a growing segment of the hospitality industry. Companies in the lodging industry generally operate in one or more of the various lodging segments, including luxury, upscale, middle and economy, and generally operate under one or more business models, including franchise, management and/or ownership. The lodging industry is an important component of the U.S. hospitality industry. In 2006, the U.S. lodging industry boasted approximately 49,000 properties, which represented approximately 4.5 million guest rooms, which are comprised of approximately 3.0 million rooms in franchised hotels and approximately 1.5 million rooms in independent hotels. According to PricewaterhouseCoopers' forecast, the U.S. lodging industry is expected to gross $25.1 billion in pre-tax profits in 2006, which represents an 11% increase from the prior year, followed by $27.2 billion in 2007 and $29.6 billion in 2008.

Growth in demand in the lodging industry is driven by two main factors: (i) the general health of the travel and tourism industry and (ii) the propensity for corporate spending on business travel. Demand for lodging grew by a 1.3% CAGR in the United States from 2000 through 2006. During this seven year period, the industry added approximately 639,000 rooms. Demand for lodging has grown even faster in the past four years from 2003 to 2006 at a 3.3% CAGR. Even with the recent increase in the number of hotel rooms, demand in the past few years has been outpacing supply, which creates a favorable business environment for lodging companies.

Performance in the lodging industry is measured by certain key metrics, such as average daily rate, or ADR, average occupancy rate and revenue per available room, or RevPAR, which is calculated by multiplying the ADR by the average occupancy rate. Over the past five years, the trends in these performance metrics have generally indicated that the lodging industry is growing. In 2006, the ADR in the United States was $97.24, which is 7.0% higher than the rate in the prior year, the average occupancy rate was 63.4%, which is 0.4% higher than the rate in the prior year and RevPAR was $61.62, which is 7.4% higher than RevPAR in the prior year. The following table demonstrates the trends in the key performance metrics:

**Trends in Performance Metrics in the United States since 2001**

| Year | Occupancy Rate | Change in Occupancy Rate | Average Daily Rate (ADR) | Change in ADR | RevPAR | Change in RevPAR |
|---|---|---|---|---|---|---|
| 2001 | 59.7% | (5.6)% | $ 83.96 | (1.5)% | $50.16 | (7.0)% |
| 2002 | 59.0% | (1.2)% | 82.71 | (1.5)% | 48.81 | (2.7)% |
| 2003 | 59.2% | 0.3% | 82.82 | 0.1% | 49.02 | 0.4% |
| 2004 | 61.3% | 3.6% | 86.25 | 4.1% | 52.89 | 7.9% |
| 2005 | 63.1% | 2.9% | 90.89 | 5.4% | 57.35 | 8.5% |
| 2006 | 63.4% | 0.4% | 97.24 | 7.0% | 61.62 | 7.4% |
| 2007E | 63.3% | (0.1)% | 102.91 | 5.8% | 65.18 | 5.8% |

*Sources:* Smith Travel Research; PricewaterhouseCoopers

Performance in the lodging industry is also measured by revenues earned by companies in the industry and by the number of new rooms added on a yearly basis. In 2006, the lodging industry earned revenues of $134 billion and added 118,800 new rooms. The following table demonstrates trends in revenues and new rooms:

**Trends in Revenues and New Rooms in the United States since 2001**

| Year | Revenues ($bn) | Change in Revenue | New Rooms (000s) | Change in New Rooms |
|---|---|---|---|---|
| 2001 | $ 103.5 | (7.7)% | 90.5 | (24.8)% |
| 2002 | 102.5 | (0.9)% | 68.4 | (24.4)% |
| 2003 | 105.1 | 2.5% | 76.6 | 12.0% |
| 2004 | 114.0 | 8.5% | 80.7 | 5.3% |
| 2005 | 123.9 | 8.7% | 83.6 | 3.6% |
| 2006 | 133.9 | 8.1% | 118.8 | 42.1% |
| 2007E | 144.0 | 7.5% | 124.7 | 5.0% |

*Sources:* Smith Travel Research; PricewaterhouseCoopers

**Vacation Exchange and Rentals Industry**

The estimated $39 billion global vacation exchange and rentals industry is a growing segment of the hospitality industry. Industry providers offer products and services to both leisure travelers and vacation

property owners, including owners of second homes and vacation ownership interests. The vacation exchange and rentals industry offers leisure travelers access to a range of fully-furnished vacation properties, which include privately-owned vacation homes, apartments and condominiums, vacation ownership resorts, inventory at hotels and resorts, villas, cottages, boats and yachts. Providers offer leisure travelers flexibility (subject to availability) as to time of travel and a choice of lodging options in regions to which such travelers may not typically have such ease of access. For vacation property owners, affiliations with vacation exchange companies or vacation rental companies allow such owners to transfer the ability to facilitate exchanges of interests in vacation properties or marketing and renting vacation properties, as applicable, and, with respect to vacation properties for rental, to transfer the responsibility of managing such properties.

The overall trend in the vacation exchange industry is growth in the number of members of vacation exchange companies. We believe that the vacation exchange industry will be favorably impacted by the growth in the premium and luxury segments of the vacation ownership industry through the increased sales of vacation ownership interests at high-end luxury resorts and the continued development of vacation ownership properties and products, including condominium hotels and destination clubs. The vacation exchange industry is expected to grow over the next few years with respect to members and with respect to exchanges by members. In 2005, there were more than five million members who completed over 3.5 million exchanges.

We believe that the overall demand for vacation rentals has been growing for the following reasons: (i) the continuing growth of low-cost airline operations; (ii) the increased use of the Internet as a tool for facilitating vacation rental transactions; and (iii) the emergence of attractive, low-cost destinations, such as Eastern Europe and the Middle East. The demand per year for vacation rentals in Europe, the United States, South Africa and Australia is approximately 49 million vacation weeks, 31 million of which are rented by leisure travelers from Europe. Demand for vacation rental properties is often regional in that leisure travelers who rent properties often live relatively close to such properties. Many leisure travelers, however, travel relatively long distances from their homes to vacation properties in domestic or international destinations.

We believe that the overall supply of vacation rental properties has been growing as a result of the growth in ownership of second homes. Growth in ownership of second homes, however, could adversely affect demand for vacation rental properties to the extent that owners of such homes no longer are as likely to rent vacation properties as such owners were before they bought second homes.

**Vacation Ownership Industry**

The $13 billion global vacation ownership industry, which is also referred to as the timeshare industry, is one of the fastest-developing segments of the domestic and international hospitality industry. The vacation ownership industry enables customers to share ownership of fully-furnished vacation accommodations. Typically, a vacation ownership purchaser acquires either a fee simple interest in a property, which gives the purchaser title to a fraction of a unit or group of units, or a right to use a property, which gives the participant the right to use a property for a specified period of time. Generally, a vacation ownership purchaser's fee simple interest in or right to use a property is referred to as a "vacation ownership interest." For many vacation ownership interest purchasers, vacation ownership is an attractive vacation alternative to traditional lodging accommodations at hotels or owning vacation properties. Owners of vacation ownership interests are not subject to the variance in room rates to which lodging customers are subject, and vacation ownership units are, on average, more than twice the size of traditional hotel rooms and typically have more amenities, such as kitchens, than do traditional hotel rooms.

The vacation ownership concept originated in Europe during the late 1960s and spread to the United States shortly thereafter. The vacation ownership industry expanded slowly in the United States until the mid-1980s; since then, the vacation ownership industry has grown at a double-digit CAGR. The American Resort Development Association, or ARDA, indicates that sales of domestic vacation ownership interests grew in excess of 16% CAGR from 1995 to 2005. Based on ARDA research, domestic sales of vacation ownership interests were approximately $8,610 million in 2005 compared to $4,200 million in 2000

and $1,900 million in 1995. ARDA estimated that on January 1, 2006, there were approximately 4.1 million households that owned one or more vacation ownership interests in the United States.

Based on published industry data, we believe that the following factors have contributed to the substantial growth, particularly in North America, of the vacation ownership industry over the past two decades:

- increased consumer confidence in the industry based on enhanced consumer protection regulation of the industry;
- entry of lodging and entertainment companies into the industry, including Marriott International Inc., The Walt Disney Company, Hilton Hotels Corporation, Hyatt Corporation, and Starwood Hotels and Resorts Worldwide, Inc.;
- increased flexibility for owners of vacation ownership interests made possible through owners' affiliations with vacation ownership exchange companies and vacation ownership companies' internal exchange programs;
- improvement in quality of resorts and resort management and servicing; and
- improved financing availability for purchasers of vacation ownership interests.

Demographic factors explain, in part, the growth of the industry. A 2006 study of vacation ownership purchasers revealed that the average owner was 52 years of age and had a median household income of $81,000. The average purchaser in the United States, therefore, is a baby boomer who has disposable income and interest in purchasing vacation products. We expect that baby boomers will continue to have a positive influence on the future growth of the vacation ownership industry.

**Our Strengths**

We believe that the following competitive strengths differentiate us in the hospitality industry:

- ***Stable revenues and earnings from diverse sources, and strong and stable cash flows***

  Our fee-for-service based businesses, lodging and vacation exchange and rentals, and our vacation ownership business (which has a fee-for-service component) provide us with stable revenues and earnings from diverse sources, and strong and stable cash flows. Our lodging business derives revenues from franchise fees, including royalty fees, and property management fees. Our vacation exchange and rentals business derives revenues from annual membership dues and exchange fees for transactions and from commissions and rental fees in connection with vacation rentals. Our vacation ownership business derives fee-based revenues from property management fees. The stable revenues and earnings we derive from these fee-based models provide us with strong and stable cash flows. In addition, the sales of vacation ownership interests by our vacation ownership business and the consumer financings of such sales augment our revenues, earnings and cash flows from fees.

- ***Strong portfolio of global, well-recognized brands***

  We believe that our brands, which are some of the world's most well-recognized brands in the hospitality industry, serve as the foundation for our industry-leading businesses. We believe that the strong market presence and familiarity of our brands attract customers to the products and services offered by our businesses. For our lodging business, our brands include Wyndham Hotels and Resorts, Ramada, Days Inn, Super 8 and TripRewards. Hotels associated with our lodging brands operate in the upscale, middle and economy segments of the lodging industry and therefore provide leisure and business customers with options for hospitality products and services across various price ranges. For our vacation exchange and rentals business, our brands include RCI, which is a vacation exchange brand, and Landal GreenParks, English Country Cottages and Novasol, which are some of Europe's best known vacation rental brands. For our vacation ownership business, our brands include Wyndham Vacation Resorts and WorldMark by Wyndham, which benefit from high levels of

customer satisfaction as evidenced by the volume of annual revenues resulting from upgrade sales to our existing owners of vacation ownership interests.

- ***Industry-leading positions across our business segments***

  We believe that our industry-leading positions across our business segments help us to attract customers and position us for continued growth. We are the world's largest lodging franchise business as measured by the number of franchised hotels, vacation exchange company as measured by the numbers of exchanges per year and members, and vacation ownership business as measured by the numbers of vacation ownership resorts, vacation ownership units and owners of vacation ownership interests, and we are among the world's largest global marketers of vacation rental properties.

- ***Diversity of inventory and customer base***

  We market a breadth of accommodations, including hotel rooms and suites, vacation ownership interests, villas, cottages, bungalows, campgrounds, vacation ownership condominiums, city apartments, second homes, fractional private residences, luxury destination clubs and boats. The diversity of our inventory provides individual consumers options with respect to accommodations, and our experience with such inventory has enabled us to build extensive expertise across a variety of accommodation categories. Individual consumers value having options with respect to accommodations, and our business-to-business customers value our expertise with respect to our accommodations. In addition to having a breadth of hospitality accommodations, we have a diverse customer base across our business segments. Our customers include our franchisees, members, rental customers and owners of vacation ownership interests, many of whom are potential purchasers of additional products and services from our businesses. Our loyalty programs encourage repeat business, which generally results in enhanced margins, as compared to the margins associated with new customer acquisitions. In addition, our franchisees and members, by the nature of our business models, provide a level of annuity-like revenue and earning streams.

- ***Diversity and breadth help mitigate effects of economic downturns, political unrest and natural disasters***

  We believe that our breadth of lodging inventory helps to insulate us during periods of weakness in the overall travel sector because our lodging inventory has a significant presence in the economy and middle segments of the domestic lodging market, which tend to display relative strength at times when the broader travel sector experiences weakness and concurrent decreases in airline travel. This relative strength can be attributed in part to the drive-to nature of many of the properties that operate in the economy and the middle segments of the lodging industry. In addition, we believe that the geographic diversity of our businesses mitigates the risk that exogenous events, such as regional economic slowdowns, political unrest or natural disasters, will have a material adverse effect on our financial results.

- ***Innovation***

  We develop unique products and services to meet the needs of our franchisees, members, rental customers and owners of vacation ownership interests. We were one of the first vacation exchange companies to introduce a points-based vacation exchange system and one of the first vacation ownership companies to offer a points-based vacation ownership system. Our loyalty programs, including TripRewards and RCI Elite Rewards, are innovative in both their breadth of benefits and their development of ways participants can earn and use points. We believe that our innovation enables us to respond more effectively to changes in members' and rental customers' preferences for accommodation and vacation experiences, and our responses to these changing preferences help us to maintain and increase revenues and earnings.

- ***Significant scale***

  We believe that our size and general scale allow us to: (i) provide individual consumers choice of destinations and accommodation types across various price ranges on six continents; (ii) offer our

business-to-business customers, including our franchisees, value-added global business solutions with respect to operations, services and technology; (iii) reduce our operational risk; and (iv) generate operating efficiencies, including purchasing efficiencies, that enable us to provide products and services in a cost-effective manner and to acquire new individual consumers and business-to-business customers at a relatively low cost. The benefits of our size and scale provide us with increased profit margins and access to capital to execute our strategies to grow our business.

- ***Strong management team***

  We believe that our strong management team will effectively execute our growth strategies. Collectively, our chief executive officer and the chief executive officers of our lodging, vacation exchange and rental, and vacation ownership businesses have 60 years of combined experience in the hospitality industry, and our chief financial officer, general counsel and chief human resources officer have 30, 16 and 18 years of experience, respectively, in their respective fields. We believe that having a strong management team with extensive experience enables us to respond to changing market conditions and evolving preferences of our customers and is essential to our overall success and our future growth as a stand-alone hospitality company.

**Our Strategy**

Our company-wide business strategy includes generating new customers and selling additional products and services to our current customers by utilizing our unique range of inventory and offering improved products and services that enhance the value we provide to customers. We seek to generate new customers for our products and services by, for example, attracting additional leisure and business travelers in the upscale segment of the lodging industry to new and existing hotels franchised under the Wyndham Hotels and Resorts brand. We seek to sell to our current customers in one or more segments of the hospitality industry additional products and services from other segments by, for example, providing customers of our vacation exchange and rentals business with access to inventory from our lodging business and by improving our products and services, including loyalty programs and property management services, to enhance the value we provide to customers. In addition, we seek to expand our international presence in the lodging and vacation ownership segments.

We expect to increase profits and cash flows in each of our three segments by successfully executing the following strategies:

- ***Wyndham Hotel Group.*** We intend to continue to accelerate growth of our lodging business by (i) expanding our strong presence in the domestic economy segment to maintain our leadership position through room growth and RevPAR growth; (ii) expanding the number of properties in the domestic middle and upscale segments; and (iii) expanding our international presence through increasing the number of properties in our core brands.
- ***RCI Global Vacation Network.*** We intend to continue to grow the numbers of members and rental customers of and transactions facilitated through our vacation exchange and rentals business by (i) continually enhancing our core vacation networks; (ii) developing new business models; and (iii) expanding into new markets.
- ***Wyndham Vacation Ownership.*** We intend to grow our vacation ownership business by increasing sales of vacation ownership interests to new owners and sales of upgrades to existing owners by expanding our marketing and sales efforts, strengthening our product offerings and further developing our consumer financing activities. We plan to leverage the Wyndham brand in our marketing efforts, add new resorts, expand our marketing alliances and increase our on-site sales activities to existing owners.

**Our Risks**

We face a number of risks and uncertainties relating to our business and our recent separation from Cendant. Examples of the risks and uncertainties that we face include:

- The hospitality industry is highly competitive, and our continued success depends, in large part, upon our ability to compete effectively in markets that contain numerous competitors, some of which may have significantly greater financial, marketing and other resources than we have.
- We may not be successful in achieving our objectives for increasing the number of franchised and managed properties in our lodging business, the number of vacation exchange members acquired by our vacation exchange business, the number of rental weeks sold by our vacation rentals business and the number of tours generated and vacation ownership interests sold by our vacation ownership business.
- Our revenues and profits, and in turn our financial condition, may be significantly adversely affected by exogenous events that generally adversely affect the travel industry. Such events include terrorist incidents and threats, acts of God, war, bird flu and other pandemics, the financial instability of many of the air carriers, airline job actions and strikes, and increases in gas and other fuel prices. In addition, our businesses may be adversely affected by a deterioration in general economic conditions or a weakening of one or more of the industries in which we operate.
- Pursuant to the Separation and Distribution Agreement, upon the distribution of our common stock to Cendant stockholders, we agreed to be responsible for 37.5% of certain Cendant contingent and other corporate liabilities, including those related to tax matters, litigation matters, other liabilities and guarantees issued at the date of separation related to certain unresolved contingent matters and certain others that could arise during the guarantee period.

For further discussion of these risks and other risks and uncertainties that we face, see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**Our Separation from Cendant**

In October 2005 the Board of Directors of Cendant preliminarily approved a plan to separate Cendant into four separate companies — one for each of Cendant’s hospitality services (including timeshare resorts), real estate services, travel distribution services and vehicle rental businesses. In furtherance of this plan, Cendant transferred all of the assets and liabilities of its hospitality services (including timeshare resorts) businesses to Wyndham Worldwide, and on July 31, 2006, Cendant distributed all of the shares of our common stock held by it to the holders of record of Cendant common stock as of the close of business on July 21, 2006, the record date for the distribution. Pursuant to the separation plan, Cendant also (i) distributed all of the shares of common stock of Realogy, the Cendant subsidiary that directly or indirectly holds the assets and liabilities associated with Cendant’s real estate services businesses, on July 31, 2006 and (ii) sold all of the common stock of Travelport, the Cendant subsidiary that directly or indirectly holds the assets and liabilities associated with Cendant’s travel distribution services businesses, on August 23, 2006. Wyndham Worldwide common stock commenced “regular way” trading on the New York Stock Exchange under the symbol “WYN” on August 1, 2006.

Before our separation from Cendant, we entered into a Separation and Distribution Agreement and several other agreements with Cendant and Cendant’s other businesses to effect the separation and distribution and provide a framework for our relationships with Cendant and Cendant’s other businesses after the separation. These agreements govern the relationships among us, Cendant, Realogy and Travelport subsequent to the completion of the separation plan and provide for the allocation among us, Cendant, Realogy and Travelport of Cendant’s assets, liabilities and obligations attributable to periods prior to our separation from Cendant. Under the Separation and Distribution Agreement, in particular, we were assigned 37.5% of certain contingent and other corporate assets, and assumed 37.5% of certain contingent and other corporate liabilities, of Cendant or its subsidiaries which are not primarily related to our business or the

businesses of Realogy, Travelport or Cendant's vehicle rental business, and Realogy was assigned 62.5% of such contingent and other corporate assets and assumed 62.5% of such contingent and other corporate liabilities. The contingent assets of Cendant or its subsidiaries include assets relating to (i) certain minority investments of Cendant which do not primarily relate to us, Realogy, Travelport or Cendant, (ii) rights to receive payments under certain tax-related agreements with former businesses of Cendant and (iii) rights under a certain litigation claim. The contingent and other corporate liabilities of Cendant or its subsidiaries include liabilities relating to (i) Cendant's terminated or divested businesses, (ii) liabilities relating to the Travelport sale, including (subject to certain exceptions) liabilities for taxes of Travelport for taxable periods through the date of the Travelport sale, (iii) certain litigation matters, (iv) generally any actions with respect to the separation plan and (v) payments under certain identified contracts (or portions thereof) that were not allocated to any specific party in connection with the separation. Although our balance sheet at separation included accruals for liabilities and guarantees of approximately $520 million relating to the contingent and other corporate liabilities of Cendant that we assumed, we have not quantified the value of the contingent and other corporate assets as these assets are subject to contingency in their realization and GAAP does not allow us to record any of the Cendant contingent assets on our balance sheet. Realogy (and not us) will generally act as the managing party and will manage and assume control of most legal matters related to the contingent and other corporate liabilities of Cendant. For a more detailed description of the Separation and Distribution Agreement and treatment of certain historical Cendant contingent and other corporate liabilities, see the Information Statement we filed as an exhibit to the Current Report on Form 8-K we filed with the SEC on July 19, 2006 (the "Information Statement"), a copy of which is available from us upon request. See "Where You Can Find More Information."

We hold directly or indirectly the assets and liabilities of Cendant's former hospitality services (including timeshare resorts) businesses as a result of the separation. Our headquarters are located at Seven Sylvan Way, Parsippany, New Jersey 07054 and our general telephone number is (973) 753-6000. We maintain an Internet site at http://www.wyndhamworldwide.com. Our website and the information contained on that site, or connected to that site, are not incorporated into and are not part of this prospectus.

## Recent Developments

**Preferred Stock Sale**

On January 31, 2007, Affinion Group Holdings, Inc. ("Affinion") redeemed a portion of the preferred stock investment owned by Avis Budget Group, of which the Company owned a 37.5% interest pursuant to the Separation agreement. The redemption resulted in approximately $40 million in proceeds for the Company and a gain on sale of approximately $12 million. As of December 31, 2006, the Company had a $37 million receivable in non-current due from former Parent and subsidiaries on the Consolidated Balance Sheet, which represented the Company's right to receive proceeds from the ultimate sale of Cendant's preferred stock investment in and warrants of Affinion. Subsequent to Affinion's redemption, such receivable was reduced to $10 million.

**Repayment of Debt and Cancellation of EURO Revolver**

On January 31, 2007, the Company repaid the outstanding borrowings of $73 million related to the its Landal GreenParks business and cancelled a related undrawn EUR 15 million revolving credit facility. The borrowings were paid off utilizing a portion of the proceeds from the Company's $800 million 6.00% senior unsecured bond issuance. These facilities will not be refinanced and cash flow and/or corporate debt will be utilized for the additional funding needs of Landal GreenParks in the future.

**Premium Yield Facility**

On February 12, 2007, the Company closed a securitization facility, Premium Yield Facility 2007-A, in the amount of $155 million, which bears interest at LIBOR plus 43 basis points and an additional bond

insurance fee and matures in February 2020. Proceeds from this facility were used to pay down borrowings and for general corporate purposes.

**Share Repurchase Program**

On February 13, 2007, the Company's Board of Directors authorized a new stock repurchase program that enables the Company to purchase up to $400 million of its common stock. The Board of Directors' authorization included increased repurchase capacity for proceeds received from stock option exercises. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. Repurchases may be conducted in the open market or in privately negotiated transactions.

**Acquisition of Realogy by Apollo**

On April 10, 2007, Realogy was acquired by an affiliate of Apollo Management VI, L.P. and no longer trades as an independent public company. The acquisition does not negate Realogy's obligation to satisfy 62.5% of the contingent and other corporate liabilities of Cendant or its subsidiaries pursuant to the terms of the separation agreement. As a result of the acquisition, Realogy has greater debt obligations and its ability to satisfy its portion of the liabilities may be adversely impacted. In accordance with the terms of the separation agreement, Realogy is expected to post a letter of credit to cover its share of certain liabilities relating to the Cendant Corporation plan of separation.

**Summary of the Exchange Offer**

*On December 5, 2006, we completed the private placement of $800,000,000 aggregate principal amount of 6.00% senior notes due 2016. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the original notes, dated as of December 5, 2006, in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the original notes. Below is a summary of the exchange offer.*

| | |
|---|---|
| Securities offered | Up to $800,000,000 aggregate principal amount of new 6.00% senior notes due 2016, that have been registered under the Securities Act. The form and terms of these exchange notes are identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes. |
| The exchange offer | We are offering to exchange up to $800,000,000 principal amount of our 6.00% senior notes due 2016 that have been registered under the Securities Act for a like principal amount of the original notes outstanding. You may tender original notes only in integral multiples of $1,000 principal amount. We will issue exchange notes as soon as practicable after the expiration of the exchange offer. In order to be exchanged, an original note must be properly tendered and accepted. All original notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there is $800,000,000 aggregate principal amount of original notes outstanding. The $800,000,000 aggregate principal amount of our original 6.00% senior notes due 2016 were offered under an indenture dated December 5, 2006. |
| Expiration date; Tenders | The exchange offer will expire at 5:00 p.m., New York City time, on , 2007, unless we extend the exchange offer in our sole and absolute discretion. By tendering your original notes, you represent that:<br>• you are neither our "affiliate" (as defined in Rule 405 under the Securities Act) nor a broker-dealer tendering notes acquired directly from us for our own account;<br>• any exchange notes you receive in the exchange offer are being acquired by you in the ordinary course of business;<br>• at the time of commencement of the exchange offer, neither you nor, to your knowledge, anyone receiving exchange notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the original notes or the exchange notes in violation of the Securities Act;<br>• if you are not a participating broker-dealer, you are not engaged in, and do not intend to engage in, the distribution, as defined in the Securities Act, of the original notes or the exchange notes; and<br>• if you are a broker-dealer, you will receive the exchange notes for your own account in exchange for the original notes that you acquired as a result of your market-making or other trading activities and you will deliver a prospectus in connection with |

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| | any resale of the exchange notes that you receive. For further information regarding resales of the exchange notes by participating broker-dealers, see the discussion under the caption "Plan of Distribution." |
| Accrued interest on the exchange notes and original notes | The exchange notes will bear interest from the most recent date to which interest has been paid on the original notes or, if no such interest has been paid, from November 30, 2006. If your original notes are accepted for exchange, you will receive interest on the exchange notes and not on the original notes. Any original notes not tendered will remain outstanding and continue to accrue interest according to their terms. |
| Conditions to the exchange offer | The exchange offer is subject to customary conditions. We may assert or waive these conditions in our sole discretion. If we materially change the terms of the exchange offer, we will resolicit tenders of the original notes. See "The Exchange Offer — Conditions to the Exchange Offer" for more information regarding conditions to the exchange offer. |
| Procedures for tendering original notes | Except as described in the section titled "The Exchange Offer — Guaranteed Delivery Procedures," a tendering holder must, on or prior to the expiration date:<br>• transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the exchange agent at the address listed in this prospectus; or<br>• if original notes are tendered in accordance with the book-entry procedures described in this prospectus, the tendering holder must transmit an agent's message to the exchange agent at the address listed in this prospectus. See "The Exchange Offer — Procedures for Tendering." |
| Special procedures for beneficial holders | If you are a beneficial holder of original notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the exchange offer, you should promptly contact the person in whose name your original notes are registered and instruct that person to tender on your behalf. See "The Exchange Offer — Procedures for Tendering." |
| Guaranteed delivery procedures | If you wish to tender your original notes and you cannot deliver your original notes, the letter of transmittal or any other required documents to the exchange agent before the expiration date, you may tender your original notes by following the guaranteed delivery procedures under the heading "The Exchange Offer — Guaranteed Delivery Procedures." |
| Withdrawal rights | Tenders may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date. |
| Acceptance of original notes and delivery of exchange notes | Subject to the conditions stated in the section "The Exchange Offer — Conditions to the Exchange Offer" of this prospectus, we |

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| | will accept for exchange any and all original notes which are properly tendered in the exchange offer before 5:00 p.m., New York City time, on the expiration date. The exchange notes will be delivered as soon as practicable after the expiration date. See "The Exchange Offer — Terms of the Exchange Offer." |
| Material U.S. federal tax consequences | Your exchange of original notes for exchange notes pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. |
| Regulatory requirements | Following the effectiveness of the registration statement covering the exchange offer with the SEC, no other material federal regulatory requirement must be complied with in connection with this exchange offer. |
| Exchange agent | U.S. Bank National Association is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are listed under the heading "The Exchange Offer — Exchange Agent." |
| Use of proceeds | We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and certain transfer taxes and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act. |
| Resales | Based on interpretations by the staff of the SEC as detailed in a series of no-action letters issued to third parties, we believe that the exchange notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:<br>• you are acquiring the exchange notes in the ordinary course of your business;<br>• you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in a distribution of the exchange notes; and<br>• you are neither an affiliate of ours nor a broker-dealer tendering notes acquired directly from us for your own account.<br>If you are an affiliate of ours, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the exchange notes:<br>• you cannot rely on the applicable interpretations of the staff of the SEC; and<br>• you must comply with the registration requirements of the Securities Act in connection with any resale transaction.<br>Each broker or dealer that receives exchange notes for its own account in exchange for original notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with |

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| | any offer to resell, resale, or other transfer of the exchange notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the exchange notes.<br>Furthermore, any broker-dealer that acquired any of its original notes directly from us:<br>• may not rely on the applicable interpretation of the staff of the SEC's position contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (April 13, 1988), *Morgan, Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991), and *Shearman & Sterling*, SEC no-action letter (July 2, 1993); and<br>• must also be named as a selling holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.<br>As a condition to participation in the exchange offer, each holder will be required to represent that it is not our affiliate or a broker-dealer that acquired the original notes directly from us. |
| Consequences of not exchanging original notes | If you do not exchange your original notes in the exchange offer, you will continue to be subject to the restrictions on transfer described in the legend on your original notes. In general, you may offer or sell your original notes only:<br>• if they are registered under the Securities Act and applicable state securities laws;<br>• if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or<br>• if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.<br>Although your original notes will continue to accrue interest, they will retain no rights under the registration rights agreement.<br>We currently do not intend to register the original notes under the Securities Act. Under some circumstances, holders of the original notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell exchange notes received in the exchange offer, however, may require us to file, and to cause to become effective, a shelf registration statement covering resales of the original notes by these holders. For more information regarding the consequences of not tendering your original notes and our obligations to file a shelf registration statement, see "The Exchange Offer — Consequences of Exchanging or Failing to Exchange the Original Notes" and "The Exchange Offer — Registration Rights Agreement." |
| Risk factors | See "Risk Factors" and the other information in this prospectus for a discussion of factors you should consider carefully before deciding to participate in the exchange offer. |

**Summary of the Terms of the Exchange Notes**

*The following is a summary of the terms of the exchange notes. The form and terms of the exchange notes are identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes. The exchange notes will evidence the same debt as the original notes and will be governed by the same indenture. When we refer to the terms of "note" or "notes" in this prospectus, we are referring to the original notes and the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the exchange notes, see the section of this prospectus entitled "Description of Notes."*

| | |
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| Issuer | Wyndham Worldwide Corporation, a Delaware corporation. |
| Securities Offered | $800,000,000 aggregate principal amount of 6.00% notes due 2016. |
| Maturity | The notes will mature on December 1, 2016. |
| Interest Rate | The notes will bear interest at the rate of 6.00% per year. Interest on the notes will be payable semi-annually in arrears on June 1 and December 1 of each year commencing June 1, 2007. |
| Ranking | The notes will be senior unsecured obligations of ours and will rank equally with all of our existing and future senior unsecured obligations. As of December 31, 2006, we had approximately $300 million of unsecured indebtedness outstanding under our credit facilities.<br><br>The notes will be structurally subordinated to all obligations of our subsidiaries including claims with respect to trade payables. As of December 31, 2006, our direct and indirect subsidiaries had approximately $330 million of outstanding debt, exclusive of debt outstanding under our vacation ownership securitization program. |
| Further Issues | We may create and issue further notes ranking equally and ratably in all respects with the notes being offered hereby, so that such further notes will be consolidated and form a single series with the notes being offered hereby and will have the same terms as to status, CUSIP number or otherwise. See "Description of Notes — Further Issues." |
| Optional Redemption | We may redeem some or all of the notes at any time and from time to time at their principal amount, plus the applicable premium, if any, and accrued interest. See "Description of Notes — Optional Redemption." |
| Certain Covenants | The original notes were, and the exchange notes will be, issued under an indenture that, among other things, limits our ability to:<br><br>● consolidate, merge or sell all or substantially all of our assets;<br><br>● create liens, except for those created in our securitization facilities; and<br><br>● enter into sale and leaseback transactions.<br><br>All of these limitations are subject to a number of important qualifications and exceptions. See "Description of Notes." |

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| Mandatory Offer to Repurchase | If we experience specific kinds of changes in control and the ratings on the notes are below investment grade ratings on any date within a specified period of time following the public notice of an arrangement that could result in a change of control, we will be required to offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. See "Description of Notes — Change of Control." |
| Governing Law | The notes and the indenture are governed by New York law. |
| Listing | The notes will not be listed on any securities exchange, quotation system or PORTAL. |

**Summary Historical Condensed Consolidated and Combined Financial Data**

The following table presents our summary historical condensed consolidated and combined financial data. The condensed consolidated and combined statement of income data for each of the years in the three-year period ended December 31, 2006 and the condensed consolidated and combined balance sheet data as of December 31, 2006 and 2005 have been derived from our audited consolidated and combined financial statements included herein.

| | As of or For the Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | (In millions) | |
| **Statement of Income Data:** | | | |
| Net revenues | $ 3,842 | $ 3,471 | $ 3,014 |
| Total expenses[a][b] | 3,265 | 2,851 | 2,414 |
| Operating income | 577 | 620 | 600 |
| Interest expense | 67 | 29 | 34 |
| Interest income | (32) | (35) | (21) |
| Income before income taxes, minority interest and cumulative effect of accounting change | $ 542 | $ 626 | $ 587 |
| Net income | $ 287 | $ 431 | $ 349 |
| **Balance Sheet Data:** | | | |
| Secured assets[c] | $ 2,234 | $ 3,169 | $ 2,811 |
| Total assets | 9,520 | 9,167 | 8,343 |
| Secured debt | 1,787 | 2,005 | 1,721 |
| Other debt | 1,113 | 37 | 47 |
| Total stockholders' / invested equity[d] | 3,559 | 5,033 | 4,679 |

(a) Does not include incremental stand-alone costs that we would have incurred had we been a separate stand-alone company since the beginning of each period. Such estimated costs would have been $33 million during the seven months prior to our separation date from Cendant (July 31, 2006) in 2006 and $56 million during each of the years ended December 31, 2005 and 2004.

(b) The year ended December 31, 2006 includes $99 million of separation and related costs associated with our spin-off from Cendant.

(c) Represents the portion of vacation ownership contract receivables, other vacation ownership related assets, and other vacation exchange and rental assets that collateralize our debt.

(d) Represents Cendant's net investment (capital contributions and earnings from operations less dividends) in Wyndham Worldwide and accumulated other comprehensive income in 2004 and 2005 and Wyndham Worldwide's stand-alone stockholders' equity in 2006.

## RISK FACTORS

*You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus before making any investment decision. The risk factors generally have been separated into four groups: (i) risks relating to our business; (ii) risks relating to our separation from Cendant; (iii) risks relating to the notes; and (iv) risks relating to the exchange offer. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company and the exchange offer. However, the risks and uncertainties are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be less significant than the following risk factors may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. You should carefully consider the following risk factors and all other information contained in this prospectus before deciding to participating in the exchange offer.*

### Risks Relating to Our Business

***The hospitality industry is highly competitive, and we are subject to risks relating to competition that may adversely affect our performance.***

We may lose business, which would adversely affect our performance, if we cannot compete effectively in the highly competitive hospitality industry. Our continued success depends, in large part, upon our ability to compete effectively in markets that contain numerous competitors, some of which may have significantly greater financial, marketing and other resources than we have.

Our businesses face the following competitive risks, and if such risks materialize, the performance of our businesses may be adversely affected:

- ***Competition in the hospitality industry may put pressure on our fees or prices and on our business model.*** Competition may reduce fee structures, potentially causing us to lower our fees or prices, which may adversely impact our profits. New competition or existing competition that uses a business model that is different from our business model may put pressure on us to change our model so that we can remain competitive.
- ***Our competitors may offer contract terms that may result in our having to agree to contract terms that are less favorable to us than the terms under our current contracts.*** If our competitors offer more favorable terms than the terms that we currently offer under our existing contracts (for example, with our franchisees, with property owners for property management, with affiliates of our vacation exchange business, with owners of intervals that are exchanged through our vacation exchange business and with owners of accommodations for our vacation rentals business), we cannot assure you that new contracts entered into, renewed or renegotiated in the future will be on terms that are as favorable to us as the terms of our current contracts. The terms of our new, renewed or renegotiated contracts will be influenced by the terms that our competitors are offering at the time we enter into such contracts.

***The weakening or unavailability of our intellectual property rights could adversely affect our business.***

The weakening or unavailability of our trademarks, trade dress and other intellectual property rights could adversely affect our business. Our intellectual property rights are fundamental to the brands that we use in all of our businesses, and we believe the strength of these brands gives us a competitive advantage. We generate, maintain, utilize and enforce a substantial portfolio of trademarks, trade dress and other intellectual property rights. We use our intellectual property rights to protect the goodwill of our brands, promote our brand name recognition, protect our proprietary technology and development activities, enhance our competitiveness and otherwise support our business goals and objectives. However, there can be no assurance that the steps we take to obtain, maintain and protect our intellectual property rights will

be adequate. Our intellectual property rights may fail to provide us with significant competitive advantages, particularly in foreign jurisdictions that do not have, or do not enforce, strong intellectual property rights.

***We are subject to operating or other risks common to the hospitality industry.***

In addition to the other risks relating to our business identified in this "Risk Factors" section of this prospectus, our business is subject to the following operating or other risks common to the hospitality industry:

- changes in operating costs, including energy, labor costs (including minimum wage increases and unionization), workers' compensation and health-care related costs and insurance;
- changes in desirability of geographic regions of the hotels or resorts in our business;
- seasonality in our businesses may cause fluctuations in our operating results;
- geographic concentrations of our operations and customers;
- increases in costs due to inflation that may not be fully offset by price and fee increases in our business;
- the quality of the services provided by franchisees, our vacation exchange and rentals business, resorts with units that are exchanged through our vacation exchange business and/or resorts in which we sell vacation ownership interests may adversely affect our image and reputation;
- our ability to generate sufficient cash to buy from third-party suppliers the products that we need to provide to the participants in our points programs who want to redeem points for such products;
- overbuilding in one or more segments of the hospitality industry and/or in one or more geographic regions;
- changes in the number and occupancy rates of hotels operating under franchise and management agreements;
- changes in the relative mix of franchised hotels in the various lodging industry price categories;
- our ability to develop and maintain positive relations with current and potential franchisees, hotel owners, resorts with units that are exchanged through our vacation exchange business and/or owners of vacation properties that our vacation rentals business markets for rental;
- competition for desirable sites for the development of vacation ownership properties and liability under state and local laws with respect to any construction defects in the vacation ownership properties we develop;
- private resale of vacation ownership interests could adversely affect our vacation ownership resorts and vacation exchange businesses;
- revenues from our lodging business are indirectly affected by our franchisees' pricing decisions;
- taxation of guest loyalty program benefits that adversely affects the cost or consumer acceptance of loyalty programs; and
- disruptions in relationships with third parties, including marketing alliances and affiliations with e-commerce channels.

***We may not be able to achieve our objectives for growth in the number of franchised and/or managed properties, vacation exchange members acquired, rental weeks sold and vacation ownership interests sold.***

There can be no assurance that we will be successful in achieving our objectives for increasing the number of franchised and/or managed properties in our lodging business, the number of vacation exchange members acquired by our vacation exchange business, the number of rental weeks sold by our vacation rentals business and the number of tours generated and vacation ownership interests sold by our vacation ownership business.

We may be unable to identify acquisition targets that complement our businesses, and if we are able to identify suitable acquisition targets, we may not be able to complete acquisitions of such targets on

commercially reasonable terms. Our ability to complete acquisitions depends on a variety of factors, including our ability to obtain financing on acceptable terms and requisite government approvals. If we are able to complete acquisitions, there is no assurance that we will be able to achieve the revenue and cost benefits that we expected in connection with such acquisitions or to successfully integrate the acquired businesses into our existing operations.

***Disruptions and other impairment of our information technologies and systems could adversely affect our business.***

Any disruption or other impairment in our technology capabilities could harm our business. Our businesses depend upon the use of sophisticated information technologies and systems, including technologies and systems utilized for reservation systems, vacation exchange systems, property management, communications, procurement, member record databases, call centers, operation of our loyalty programs and administrative systems. The operation of these technologies and systems is dependent upon third-party technologies, systems and services for which there is no assurance of continued or uninterrupted availability and operational and maintenance support by the applicable third-party vendors on commercially reasonable terms. We cannot assure you that we will be able to continue to operate effectively and maintain our information technologies and systems.

In addition, our information technologies and systems are expected to require refinements and enhancements on an ongoing basis, and we expect that advanced new technologies and systems will continue to be introduced. There can be no assurance that we will be able to replace existing technologies and systems or obtain or introduce new technologies and systems as quickly as our competitors or in a cost-effective manner. Also, there can be no assurance that we will achieve the benefits anticipated or required from any new technology or system that we may seek to implement or that we will be able to devote financial resources to new technologies and systems in the future. In addition, our information technologies and systems are vulnerable to damage or interruption from various causes, including: (i) acts of God and other natural disasters, war and acts of terrorism; (ii) power losses, computer systems failures, Internet and telecommunications or data network failures, operator error, losses of and corruption of data and similar events; and (iii) computer viruses, penetration by individuals seeking to disrupt operations or misappropriate information and other physical or electronic breaches of security. We maintain certain disaster recovery capabilities for critical functions in most of our businesses. However, there can be no assurance that these capabilities will successfully prevent a disruption to or material adverse effect on our businesses or operations in the event of a disaster or other business interruption. Any extended interruption in our technologies or systems could significantly curtail our ability to conduct our business and generate revenue. Additionally, our business interruption insurance may be insufficient to compensate us for losses that may occur.

***Our international operations are subject to risks not generally experienced by our U.S. operations.***

Our international operations are subject to risks not generally experienced by our U.S. operations, and if such risks materialize, our profitability may be adversely affected. Such risks include, but are not limited to:

- exposure to local economic conditions;
- potential adverse changes in the diplomatic relations of foreign countries with the United States;
- hostility from local populations;
- restrictions on the withdrawal of foreign investment and earnings;
- government policies against businesses owned by foreigners;
- investment restrictions or requirements;
- diminished ability to legally enforce our contractual rights in foreign countries;
- greater regulation of the activities of our businesses;
- foreign exchange restrictions;
- fluctuations in foreign currency exchange rates;
- withholding and other taxes on remittances and other payments by subsidiaries; and

- changes in foreign taxation structures.

We are subject to risks from laws of various international jurisdictions that limit the right and ability of non-U.S. entities to pay dividends and remit earnings to affiliated companies, unless specified conditions have been met. In addition, we may incur substantial tax liabilities, which would adversely affect our profitability, if we repatriate any of the cash generated by our international operations back to the United States.

***We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business.***

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, employment and labor law, personal injury, death, property damage or other harm resulting from acts or omissions by individuals or entities outside of our control, including franchisees, property owners, resorts with units that are exchanged through our vacation exchange business and resorts in which we sell vacation ownership interests. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third-party patents or other third-party intellectual property rights.

We generally are not liable for the actions of our franchisees, property owners, resorts with units that are exchanged through our vacation exchange business and resorts in which we sell vacation ownership interests; however, there is no assurance that we would be insulated from liability in all cases.

***We are subject to certain risks related to our indebtedness, our securitization of assets, the extension of credit by us and the cost and availability of capital.***

We are a borrower of funds under our credit facilities, credit lines, senior notes and securitization financings. We are a lender of funds when we finance purchases of vacation ownership interests. In connection with our debt obligations, the securitization of certain of our assets and the extension of credit by us, we are subject to numerous risks including:

- our cash flows from operations or available lines of credit will be insufficient to meet required payments of principal and interest;
- our leverage may adversely affect our ability to obtain additional financing;
- our leverage requires the dedication of a significant portion of our cash flows to the payment of principal and interest thus reducing the availability of cash flows to fund working capital, capital expenditures or other operating needs;
- increases in interest rates;
- rating agency downgrades for our debt that could increase our borrowing costs;
- we may not be able to securitize our vacation ownership contract receivables because of, among other factors, the performance of the vacation ownership contract receivables, the market for vacation ownership loan-backed notes and asset-backed notes in general, the ability to insure the securitized vacation ownership contract receivables, and the risk that the actual amount of uncollectible accounts on our securitized vacation ownership contract receivables and other credit we extend is greater than our allowances for doubtful accounts;
- prohibitive cost and inadequate availability of capital could restrict the development or acquisition of vacation ownership resorts by us, the financing of purchases of vacation ownership interests and the renovation and maintenance of properties by vacation ownership resorts;
- if interest rates increase significantly, we may not be able to increase the interest rate offered to finance purchases of vacation ownership interests by the same amount of the increase; and

- purchasers of vacation ownership interests who finance a portion of the purchase price may default on their loan and the value we recover in a default is not, in all instances, sufficient to cover the outstanding debt.

The financial results of our vacation ownership business may be affected by the cost and availability of capital for the development or acquisition of vacation ownership resorts by us, for the financing of purchases of vacation ownership interests and for the renovation and maintenance of properties by vacation ownership resorts. The cost of capital affects the costs of developing or acquiring new properties because we generally have to borrow funds to develop or acquire new properties and the cost of capital affects the costs of renovation because we or property owners' associations generally have to borrow funds to renovate properties.

***The profitability of our vacation ownership business from our financing of customers' purchases of vacation ownership interests may be adversely affected by interest rate risk and risks associated with customer default.***

In connection with our vacation ownership business, we generally provide financing at a fixed interest rate for significant portions of the aggregate purchase prices of vacation ownership interests we sell to customers. If interest rates were to increase significantly, we may not increase the interest rate offered to finance purchases of vacation ownership interests by the same amount of the interest rate increase. As a result, the spread between our rate of borrowing and the interest rate we charge our customers would decrease, and such decrease would adversely affect our profitability from financing activities. Conversely, if interest rates were to decrease and remain at historically low levels for extended periods, the likelihood of early prepayments would increase as customers may seek alternative financing sources. If customers prepaid their loans and refinanced at lower interest rates, our profitability from financing activities would decrease.

Our principal source of funding cash requirements for the vacation ownership business is borrowing against and selling the vacation ownership contract receivables that arise from our financing of customers' purchases of vacation ownership interests. When we finance the sale of a vacation ownership interest, we receive contract receivables at a fixed interest rate. We have revolving credit facilities under which we borrow against the vacation ownership contract receivables until the receivables qualify to be securitized. Once the vacation ownership contract receivables qualify to be securitized, we sell them to a wholly owned special purpose entity of Wyndham Worldwide and use the proceeds of the sales to repay our revolving credit facilities and, as a result of such repayment, replenish our ability to borrow under the revolving credit facilities to finance new vacation ownership contract receivables.

Our revolving credit facilities are, and are expected to continue to be, at variable interest rates. Any significant increase in interest rates on our borrowing against vacation ownership contract receivables or significant increase in prepayment rates on the current vacation ownership contract receivables could have a material adverse effect on the cost of borrowing under our credit facilities. Any adverse change in the securitization markets or significant declines in the credit qualities of our vacation ownership contract receivables could result in our having insufficient borrowing availability under our credit facilities to maintain our operations at current levels.

In addition, we face certain credit risks related to our consumer financing of vacation ownership interests. Purchasers of vacation ownership interests who finance a portion of the purchase price present a risk of default.

The average expected cumulative gross default rate of our portfolio of vacation ownership contract receivables was approximately 16.5% as of December 31, 2006. The actual rate of such defaults may exceed our average expected cumulative gross default rate as a result of various factors, some of which are beyond our control, including general economic conditions. Consequently, the profitability of our vacation ownership business may be adversely affected. Despite the risk of default for purchasers of vacation ownership interests, we do not verify all potential purchasers' credit histories prior to offering each potential purchaser the opportunity to finance a portion of the purchase price of the vacation ownership interests, but, in some instances, we obtain credits scores from potential purchasers who wish to obtain financing on more favorable terms. To reduce the potential adverse effect on Wyndham Worldwide caused by purchasers of vacation ownership interests who finance a portion of their purchases but subsequently default, we obtain security

interests in the vacation ownership interests purchased by our customers, but the value we recover from the secured vacation ownership interests is not, in all instances, sufficient to cover the outstanding debt.

***Our debt rating may suffer a downgrade, which may restrict our access to capital markets.***

Our senior unsecured debt ratings are BBB and Baa2 by Standard & Poor's and Moody's, respectively. As a result of global economic and political events or natural disasters, it is possible that the rating agencies may downgrade the rating and/or outlook for many of the companies in the hospitality industry, including our company, and a downgrade could increase our borrowing costs and therefore could adversely affect our financial results. In addition, it is possible that rating agencies may downgrade our rating and the outlook for the company based on our results of operations and financial condition. A downgrade in our credit rating could, in particular, increase our costs of capital under our credit facilities and the amounts of collateral required by our letters of credit. Pricing of any amounts drawn under our syndicated bank credit facilities, for example, includes a spread to LIBOR that increases as our ratings from Standard & Poor's and Moody's decrease. 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.

***We are subject to foreign currency exchange rate risk.***

Changes in foreign currency exchange rates and in international monetary and tax policies could have a materially adverse effect on our business, results of operations and financial condition. We are subject to foreign currency exchange rate risk and risks associated with changes in international monetary and tax policies in connection with doing business abroad, principally in the United Kingdom, Western Continental Europe, South Africa, Mexico, Venezuela and Singapore. We may seek to mitigate our foreign exchange rate risk through strategic structuring of international business entities, swap agreements and borrowings denominated in foreign currencies, but we cannot assure that these strategies will be successful.

***Several of our businesses are subject to extensive regulation, and the cost of compliance or failure to comply with such regulations may adversely affect our profitability.***

The cost of compliance or failure to comply with the extensive regulations to which several of our businesses are subject may adversely affect our profitability. Our businesses are regulated by the states or provinces (including local governments) and countries in which our operations are conducted and in which our franchised and managed properties, resorts with units that are exchanged through our vacation exchange business, accommodations for our vacation rentals business and resorts in which we sell vacation ownership interests are, in each case, located, marketed or sold. If we are not in substantial compliance with applicable laws and regulations, we may be subject to regulatory actions, fines, penalties and potential criminal prosecution. In addition, a significant number of purchasers of vacation ownership interests could have rescission rights, which could require us to return all funds received from rescinding purchasers in exchange for the return of their vacation ownership interests to us.

Our businesses are subject, for example, to privacy laws and regulations enacted in the United States and other jurisdictions around the world that govern the collection and use of personal data of our customers and our ability to contact our customers and prospective customers, including through telephone or facsimile. Our vacation ownership business, for example, is subject to U.S. federal privacy regulation, including the federal Telemarketing Sales Rule with its "do not call" and "do not fax" provisions, and state privacy regulations. Many states have laws and regulations regarding the sale of vacation ownership properties, such as real estate licensing laws, travel sale licensing laws, anti-fraud laws, telemarketing laws, telephone solicitation laws, including "do not call" and "do not fax" regulations and restrictions on the use of predictive dialers, prize, gift and sweepstakes laws, and labor laws. Violations of certain provisions of these laws may limit the ability of our vacation ownership business to market, sell and finance vacation ownership interests. In addition, our vacation ownership business could be subject to damages and administrative enforcement actions. Any of these results could adversely affect

the profitability of our vacation ownership business. The United States and other jurisdictions are in the process of considering passing additional laws and regulations to protect the privacy of customers and prospective customers. In addition, our vacation ownership business is subject to risks arising from the requirement under Australian law that all persons conducting vacation ownership sales and marketing and vacation ownership club activities hold an Australian Financial Services License, which subjects holders to several rules and regulations. In light of these and any future laws and regulations, there can be no assurance that we will be able to continue to market our services efficiently and maintain our rate of sales growth.

Liability arising under environmental laws, ordinances and regulations may adversely affect the results of our vacation ownership business, and non-compliance with such laws, ordinances and regulations may subject us to penalties for environmental violations, and we would have to take steps necessary to achieve compliance. We may incur costs in connection with environmental clean-up if hazardous or toxic substances are found at resorts we own or manage or resorts we previously owned or managed or may acquire in the future. Under various federal, state and local laws, ordinances and regulations, the current or previous owner, manager or operator of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances, including asbestos, located on or in, or emanating from, such property, for related costs of investigation and property damage or for the cost of removal of underground storage tanks. Environmental laws, ordinances and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances.

Certain of our operations are subject to regulations with respect to the licensing of casino operations. Gaming regulators in the applicable jurisdictions may revoke, suspend, condition or limit our gaming licenses, impose substantial fines and take other actions.

For a more detailed description of the regulations to which we are subject, see the section of this prospectus entitled “Regulation.”

***The cost of compliance or failure to comply with the Sarbanes-Oxley Act may adversely affect our business.***

As a reporting company under the Exchange Act, we are subject to certain provisions of the Sarbanes-Oxley Act, which requires compliance costs and may adversely affect our financial results and our ability to attract and retain qualified members of our Board of Directors or qualified executive officers. The Sarbanes-Oxley Act affects corporate governance, securities disclosure, compliance practices, internal audits, disclosure controls and procedures and financial reporting and accounting systems. Section 404 of the Sarbanes-Oxley Act, for example, requires companies subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of their and their consolidated subsidiaries’ internal control over financial reporting. The failure to comply with Section 404, when we are required to comply, may result in investors’ losing confidence in the reliability of our financial statements, which may result in a decrease in the market value of our common stock, prevent us from providing the required financial information in a timely manner, which could materially and adversely impact our business, our financial condition and the market value of our common stock, prevent us from otherwise complying with the standards applicable to us as a public company and subject us to adverse regulatory consequences.

***Seasonality of our businesses may cause fluctuations in our gross revenues and net earnings.***

We experience seasonal fluctuations in our gross revenues and net earnings from our franchise and management fees, exchange fees for transactions, commission income earned from renting vacation properties and sales of vacation ownership interests. Revenues from franchise and management fees are generally higher in the second and third quarters than in the first or fourth quarters because of increased leisure travel during the summer months. Vacation exchange transaction revenues are normally highest in the first quarter, which is generally when members of RCI plan and book their vacations for the year. Rental transaction revenues earned from booking vacation rentals to non-member customers is usually highest in the third quarter, when vacation rentals are highest. Revenues from sales of vacation ownership interests are generally higher in the second and third quarters than in other quarters. The seasonality of our business may cause fluctuations in our quarterly operating results. As we expand into new markets and

geographical locations, we may experience increased or different seasonality dynamics that create fluctuations in operating results different from the fluctuations we have experienced in the past.

***Our revenues are highly dependent on the travel industry and declines in or disruptions to the travel industry, such as those caused by terrorism, acts of God or war, may adversely affect our financial condition and results of operation.***

Declines in or disruptions to the travel industry may adversely affect our financial condition and results of operations. Our revenues and profits, and in turn our financial condition, may be significantly adversely affected by exogenous events that generally adversely affect the travel industry. Such events include terrorist incidents and threats (and heightened travel security measures instituted in response to such incidents and threats), acts of God (such as earthquakes, hurricanes, fires, floods and other natural disasters), war, bird flu and other pandemics, the financial instability of many of the air carriers, airline job actions and strikes, and increases in gas and other fuel prices. The occurrence or worsening of any of these types of events could result in a decrease in overall travel and consequently in a decrease in travel by non-local visitors to locations in which franchised and managed properties, resorts with units that are exchanged through our vacation exchange business, properties that are rented through our vacation rentals businesses and resorts in which we sell vacation ownership interests have a presence. These types of events may also result in a general economic downturn, which may reduce the amount of discretionary spending that our customers have available for travel and vacations. In addition, from time to time, hurricanes or other adverse weather events may reduce the number of rooms available in our lodging business or the number of units available in resorts in which we exchange and sell intervals or interests, as applicable.

***Our businesses may be adversely affected by a deterioration in general economic conditions or a weakening of one or more of the industries in which we operate.***

A prolonged economic slowdown, significant price increases, adverse events relating to the travel and leisure industry and local, regional and national economic conditions and factors, such as unemployment, fuel prices, recession and macroeconomic factors, could hurt our operations and therefore adversely affect our results. The risks associated with our businesses are more acute during periods of economic slowdown or recession because such periods may be accompanied by decreased discretionary consumer and corporate spending. A weakening of one or more of the lodging, vacation exchange and rentals, and vacation ownership industries could also hurt our operations and therefore adversely affect our results.

***We are dependent on our senior management, and a loss of any of our senior managers may adversely affect our business and results of operations.***

We believe that our future growth depends, in part, on the continued services of our senior management team. Losing the services of any member of our senior management team could adversely affect our strategic and customer relationships and impede our ability to execute our growth strategies. We do not currently maintain key person life insurance policies for our executive officers.

***There may be risks associated with completing future acquisitions that we may decide to do.***

If we pursue strategic acquisitions, there may be risks associated with them. We may be unable to identify acquisition targets that complement our businesses, and if we are able to identify suitable acquisition targets, we may not be able to complete acquisitions of such targets on commercially reasonable terms. Our ability to complete acquisitions depends on a variety of factors, including our ability to obtain financing on acceptable terms and requisite government approvals. If we are able to complete acquisitions, there is no assurance that we will be able to achieve the revenue and cost benefits that we expected in connection with such acquisitions or to successfully integrate the acquired businesses into our existing operations.

***We are subject to risks relating to the concentration of a significant portion of the resorts in which we sell vacation ownership interests, our sales offices and the customers of our vacation ownership business in certain vacation areas and areas where our customers live, as applicable.***

The concentration of a significant portion of the resorts in which we sell vacation ownership interests and of our sales offices in certain vacation areas and the concentration of a significant number of the customers of our vacation ownership business in certain geographic regions, in each case, may result in our results of operations being more sensitive to local and regional economic conditions and other factors, including competition, natural disasters such as hurricanes, and economic downturns, than our results of operations would be absent such geographic concentrations. Many sales offices and resorts in which we sell vacation ownership interests, for example, are concentrated in the Southeastern United States, a region that is prone to hurricanes. Local and regional economic conditions and other factors may differ materially from prevailing conditions in other parts of the world.

Florida, Nevada and California are examples of areas with concentrations of sales offices. For the twelve months ending December 31, 2005, approximately 14%, 14% and 12% of our vacation ownership interest sales revenue was generated in sales offices located in Florida, Nevada and California, respectively. In addition, as of December 31, 2006, approximately 25% of our outstanding vacation ownership contract receivables portfolio related to customers who reside in California.

***The private resale of vacation ownership interests could adversely affect our vacation ownership resorts and vacation exchange businesses.***

The private resale of vacation ownership interests could adversely affect the sales and operations of our vacation ownership business and new member acquisition by our vacation exchange business. We sell vacation ownership interests to buyers for purposes of leisure and not for investment. We believe that the number of private resales of vacation ownership interests by buyers is presently limited and that any sales of vacation ownership interests are typically at prices substantially below the original purchase price. The availability of vacation ownership interests for resale may make the purchase of vacation ownership interests from us less attractive to prospective buyers.

Moreover, as the vacation ownership industry grows, the number of private resales of vacation ownership interests may increase. An increase in the supply of vacation ownership interests available for resale may divert demand for or depress the market price of vacation ownership interests we sell. In addition, private resales of vacation ownership interests may adversely impact our vacation exchange business' new member acquisition because purchases made through resales may not result in enrollment in our vacation exchange programs.

***Revenues from our lodging business are indirectly affected by our franchisees' pricing decisions.***

Revenues from our lodging business are dependent upon the revenues of our franchisees and therefore on our franchisees' pricing decisions, which affect our franchisees' revenues. Pricing decisions on individual room rates are made by each individual franchisee. Although we can assist franchisees in understanding how best to take advantage of opportunities in their respective markets, we have no power to compel or command pricing decisions on the part of franchisees. The ability of an individual franchisee to maintain and increase room rates is a function of the franchisee's ability to market the hotel property locally and maintain the property in a manner necessary for the franchised hotel to compete for guests effectively.

**Risks Relating to Our Separation from Cendant**

***We will be responsible for certain of Cendant's contingent and other corporate liabilities.***

Under the Separation and Distribution Agreement and other agreements, subject to certain exceptions contained in the Tax Sharing Agreement, we and Realogy have each assumed and are responsible for 37.5% and 62.5%, respectively, of certain of Cendant's contingent and other corporate liabilities including those

relating to unresolved tax and legal matters and associated costs and expenses. More specifically, we generally have assumed and are responsible for the payment of our share of (i) all taxes imposed on Cendant and certain other subsidiaries and (ii) certain contingent and other corporate liabilities of Cendant and/or its subsidiaries to the extent incurred on or prior to August 23, 2006, the date of the separation of Travelport from Cendant. These contingent and other corporate liabilities include liabilities relating to (i) certain of Cendant's terminated or divested businesses, including, among others, Cendant's former PHH and Marketing Services (Affinion) businesses, (ii) the Travelport sale, including, in general (but subject to certain exceptions), liabilities for taxes of Travelport for taxable periods through the date of the Travelport sale, (iii) the Securities Action, the PRIDES Action, the ABI Actions and the pending audit by the Internal Revenue Service, or IRS, (for a further description of these matters, see the Information Statement and our Annual Report on Form 10-K for the year ended December 31, 2006, copies of which are available from us upon request), (iv) generally any actions with respect to the separation plan or the distributions brought by any third party and (v) payments under certain identified contracts (or portions thereof) that were not allocated to any specific party in connection with the separation. However, in almost all cases, contingent and other corporate liabilities do not include liabilities that are specifically related to one of the four separated companies which will be allocated 100% to the relevant company, including any liabilities related to a separated company's Form 10 filing or similar disclosure documents distributed or filed in connection with the separation plan. At the time of our separation, we recorded liabilities of $520 million relating to our assumption of Cendant's contingent and other corporate liabilities, which amount is an estimate based on currently available information and is subject to change.

If any party responsible for such liabilities were to default in its payment, when due, of any such assumed obligations related to any such contingent and other corporate liabilities, each non-defaulting party (including Cendant) would be required to pay an equal portion of the amounts in default. Accordingly, we may, under certain circumstances, be obligated to pay amounts in excess of our share of the assumed obligations related to such contingent and other corporate liabilities including associated costs and expenses. On April 10, 2007, Realogy was acquired by an affiliate of Apollo Management VI, L.P. and no longer trades as an independent public company. The acquisition does not negate Realogy's obligation to satisfy 62.5% of such contingent and other corporate liabilities of Cendant or its subsidiaries pursuant to the terms of the separation agreement. As a result of the acquisition, Realogy has greater debt obligations and its ability to satisfy its portion of these liabilities may be adversely impacted. In accordance with the terms of the separation agreement, Realogy is expected to post a letter of credit to cover its share of certain liabilities relating to the Cendant Corporation plan of separation.

Many lawsuits are currently outstanding against Cendant, some of which relate to accounting irregularities arising from some of the CUC International, Inc. business units acquired when HFS Incorporated merged with CUC to form Cendant. While Cendant has settled many of the principal lawsuits relating to the accounting irregularities, these settlements do not encompass all litigation associated with the accounting irregularities. We do not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. Although we will share any costs and expenses arising out of this litigation with Realogy, an adverse outcome from such unresolved proceedings or liabilities or other proceedings for which we have assumed partial liability under the Separation and Distribution Agreement could be material with respect to our earnings in any given reporting period.

For a more detailed description of the Separation and Distribution Agreement and treatment of certain historical Cendant contingent and other corporate liabilities, see the Information Statement, a copy of which is available from us upon request. See "Where You Can Find More Information."

***If the distribution, together with certain related transactions, were to fail to qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the "Code"), then our stockholders and/or we and Cendant might be required to pay U.S. federal income taxes.***

The distribution of our common stock to Cendant stockholders on July 31, 2006 was conditioned upon Cendant's receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect

that the distribution, together with certain related transactions, should qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code. The opinion of Skadden Arps was based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we and Cendant made to Skadden Arps. In rendering its opinion, Skadden Arps also relied on certain covenants that we and Cendant entered into, including the adherence by Cendant and us to certain restrictions on our future actions. If any of the representations or statements that we or Cendant made were, or become, inaccurate or incomplete, or if we or Cendant breach any of our covenants, the distribution and such related transactions might not qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code. You should note that Cendant did not and does not intend to seek a ruling from the IRS as to the U.S. federal income tax treatment of the distribution and such related transactions. The opinion of Skadden Arps is not binding on the IRS or a court, and there can be no assurance that the IRS will not challenge the validity of the distribution and such related transactions as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code or that any such challenge ultimately will not prevail.

If the distribution together with certain related transactions were to fail to qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code, then Cendant would recognize gain in an amount equal to the excess of (i) the fair market value of our common stock distributed to the Cendant stockholders over (ii) Cendant's tax basis in such common stock. Under the terms of the Tax Sharing Agreement, in the event the distribution of the stock of Wyndham Worldwide or Realogy were to fail to qualify as a reorganization and (i) such failure was not the result of actions taken after the distribution by Cendant, us or Realogy, we and Realogy would be responsible for 37.5% and 62.5%, respectively, of any taxes imposed on Cendant as a result thereof and (ii) such failure was the result of actions taken after the distribution by us, Cendant or Realogy, the party responsible for such failure would be responsible for all taxes imposed on Cendant as a result thereof.

**Risks Related to the Notes**

***Our level of indebtedness could limit cash flow available for our operations and could adversely affect our ability to service our debt or obtain additional financing, if necessary.***

As of December 31, 2006, our total debt outstanding, exclusive of debt outstanding under our vacation ownership securitization program, was approximately $1,437 million. Our level of indebtedness could restrict our operations and make it more difficult for us to satisfy our obligations under the notes. For example, our level of indebtedness could, among other things:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes or make such financing more costly;
- require us to dedicate all or a substantial portion of our cash flow to service our debt, which will reduce funds available for other business purposes, such as capital expenditures, dividends or acquisitions;
- limit our flexibility in planning for or reacting to changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- make it more difficult for us to satisfy our financial obligations, including those relating to the notes.

In addition, the indenture governing the notes, our existing credit facilities and the terms of the agreements governing our other outstanding indebtedness contain or will contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt, including the notes.

***Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our leverage.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture governing the notes and our existing indebtedness do not prohibit us or our subsidiaries from doing so. Our credit facilities will permit additional borrowing under such facility and all of those borrowings would rank equally with the notes. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify. See "Description of Material Indebtedness."

***The notes are unsecured and rank behind any future secured creditors to the extent of the value of the collateral securing their claims.***

Holders of any future secured indebtedness will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of our secured indebtedness will have prior claim to our assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes. In that event, because the notes are not secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

***The notes are structurally junior to the indebtedness and other liabilities of our subsidiaries.***

You will not have any claim as a creditor against our subsidiaries and, therefore, all existing and future indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will be "structurally" senior to the notes. In the event of any bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of the notes will have no direct claim to participate in the assets of such subsidiary but may only recover by virtue of our equity interest in our subsidiaries (except to the extent we have a claim as a creditor of such subsidiary). As a result, all existing and future liabilities of our subsidiaries, including trade payables and claims of lessors under leases, have the right to be satisfied in full prior to our receipt of any payment as an equity owner of our subsidiaries. As of December 31, 2006, our subsidiaries had approximately $330 million of outstanding indebtedness, excluding debt outstanding under our vacation ownership securitization program. For a more detailed description of our subsidiaries' indebtedness, see "Description of Material Indebtedness — Other Indebtedness."

In addition, the indenture permits these subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

***Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.***

Although there can be no assurances, we believe that the level of borrowings available to us, combined with cash provided by our operations, will be sufficient to provide for our cash requirements for the foreseeable future. However, our ability to satisfy our obligations will depend on our future operating performance and financial results, which will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt, including the exchange notes;
- obtain additional financing;
- sell some of our assets or operations;
- reduce or delay capital expenditures and/or acquisitions; or
- revise or delay our strategic plans.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments, including our credit facilities and the indenture.

***Our failure to meet the terms of covenants in our existing credit facilities may result in an event of default.***

Our existing credit facilities contain covenants customary for credit facilities of this nature, including requiring us to meet specified financial ratios and financial tests. Our ability to borrow under our credit facilities will depend upon satisfaction of these covenants. Events beyond our control can affect our ability to meet those covenants.

These financial covenants consist of a minimum interest coverage ratio of at least 3.0 times as of the measurement date and a maximum leverage ratio not to exceed 3.5 times on the measurement date. For definitions of these ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations." Negative covenants in the credit facility include limitations on indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations, dissolutions and sales of substantially all assets; and sale and leasebacks. Events of default in the credit facility include nonpayment of principal when due; nonpayment of interest, fees or other amounts; violation of covenants; cross payment default and cross acceleration (in each case, with respect to indebtedness (excluding securitization indebtedness) in excess of $50 million); and a change of control.

If we are unable to meet the terms of our financial covenants, or if we break any of these covenants, a default could occur under one or more of these agreements. A default, if not waived by our lenders, could result in the acceleration of our outstanding indebtedness and cause our debt to become immediately due and payable. If acceleration occurs, we would not be able to repay our debt and it is unlikely that we would be able to borrow sufficient funds to refinance our debt. Even if new financing is offered to us, it may not be on terms acceptable to us.

***Some of our debt, including a portion of our borrowings under our credit facilities and securitization program, is based on variable rates of interest, which could result in higher interest expenses in the event of an increase in interest rates.***

As of December 31, 2006, $800 million, or 28% of our total debt, was exposed to fluctuations in market interest rates. In connection with this offering, we expect to issue fixed-rate notes, which are not included in the amount listed in the preceding sentence. The interest rates on future revolver borrowings may vary depending on LIBOR. If LIBOR rises, the interest rate on this debt may also increase. Therefore, an increase in LIBOR may increase our interest payment obligations and have a negative effect on our cash flow and financial position.

***We are a holding company and are dependent on dividends and other distributions from our subsidiaries.***

Wyndham Worldwide Corporation is a holding company with limited direct operations. Our principal assets are the equity interests that we hold in our operating subsidiaries. As a result, we are dependent on dividends and other distributions from our subsidiaries to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on our outstanding debt. Our subsidiaries are legally distinct from us and have no obligation to pay amounts due on our debt or to make funds available to us for such payment.

***There is currently no market for the notes, and an active trading market may not develop for the notes.***

The exchange notes are a new issue of securities for which there is no established public market. We do not intend to have the exchange notes listed on a national securities exchange or to arrange for quotation on any automated dealer quotation systems. The initial purchasers have advised us that they intend to make a market in the exchange notes; however, the initial purchasers are not obligated to make a market in the

notes or the exchange notes and they may discontinue their market-making activities at any time without notice. An active trading market for the notes or any notes issued in the exchange offer may not develop or be sustained.

The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of the notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

**Risks Relating to the Exchange Offer**

***You may have difficulty selling the original notes that you do not exchange.***

If you do not exchange your original notes for exchange notes pursuant to the exchange offer, the original notes you hold will continue to be subject to the existing transfer restrictions. The original notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with applicable state securities laws. We do not anticipate that we will register the original notes under the Securities Act. After the exchange offer is consummated, the trading market for the remaining untendered original notes may be small and inactive. Consequently, you may find it difficult to sell any original notes you continue to hold because there will be fewer original notes of such series outstanding.

***Some noteholders may be required to comply with the registration and prospectus delivery requirements of the Securities Act.***

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

In addition, a broker-dealer that purchased original notes for its own account as part of market-making or trading activities must deliver a prospectus when it sells the exchange notes it received in the exchange offer. Our obligation to make this prospectus available to broker-dealers is limited. We cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their exchange notes.

***Late deliveries of original notes or any other failure to comply with the exchange offer procedures could prevent a holder from exchanging its old notes.***

Noteholders are responsible for complying with all exchange offer procedures. The issuance of exchange notes in exchange for original notes will only occur upon completion of the procedures described in this prospectus under “The Exchange Offer.” Therefore, holders of original notes who wish to exchange them for exchange notes should allow sufficient time for timely completion of the exchange procedure. Neither we nor the exchange agent are obligated to extend the offer or notify you of any failure to follow the proper procedure.

## THE EXCHANGE OFFER

**Purpose of the Exchange Offer**

When we completed the sale of the original notes on December 5, 2006, we entered into a registration rights agreement with the initial purchasers of the original notes. Under the registration rights agreement, we agreed to file a registration statement with the SEC relating to the exchange offer. We also agreed to use our reasonable best efforts to cause the registration statement to become effective with the SEC and this exchange offer after the registration statement is declared effective. The registration rights agreement provides that we will be required to pay additional interest to the holders of the original notes if the exchange offer has not been consummated within 360 days of the issue date of the original notes. See " — Registration Rights Agreement" below for more information on the additional interest we will owe if we do not complete the exchange offer within a specified timeline.

The exchange offer is not being made to holders of original notes in any jurisdiction where the exchange would not comply with the securities or blue sky laws of such jurisdiction. A copy of the registration rights agreement has been filed as an exhibit to the Current Report on Form 8-K we filed with the SEC on February 1, 2007 and is available from us upon request. See "Where You Can Find More Information."

**Terms of the Exchange Offer**

Upon the terms and conditions described in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange original notes that are properly tendered on or before the expiration date and not withdrawn as permitted below. As used in this prospectus, the term "expiration date" means 5:00 p.m., New York City time, on , 2007. However, if we, in our sole discretion, have extended the period of time for which the exchange offer is open, the term "expiration date" means the latest time and date to which we extend the exchange offer.

As of the date of this prospectus, $800,000,000 aggregate principal amount of the original notes is outstanding. The original notes were offered under an indenture dated December 5, 2006. This prospectus, together with the letter of transmittal, is first being sent on or about , 2007 to all holders of original notes known to us. Our obligation to accept original notes for exchange in the exchange offer is subject to the conditions described below under " — Conditions to the Exchange Offer." We reserve the right to extend the period of time during which the exchange offer is open. We would then delay acceptance for exchange of any original notes by giving oral or written notice of an extension to the holders of original notes as described below. During any extension period, all original notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any original notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the exchange offer.

Original notes tendered in the exchange offer must be in denominations of principal amount of $1,000 and any integral multiple of $1,000.

We reserve the right to amend or terminate the exchange offer, and not to accept for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under " — Conditions to the Exchange Offer." We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the original notes as promptly as practicable. Such notice, in the case of any extension, will be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

Our acceptance of the tender of original notes by a tendering holder will form a binding agreement upon the terms and subject to the conditions provided in this prospectus and the accompanying letter of transmittal.

**Procedures for Tendering**

Except as described below, a tendering holder must, on or prior to the expiration date:

- transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to U.S. Bank National Association, as the exchange agent, at the address listed below under the heading " — Exchange Agent;" or
- if original notes are tendered in accordance with the book-entry procedures listed below, the tendering holder must transmit an agent's message to the exchange agent at the address listed below under the heading " — Exchange Agent."

In addition:

- the exchange agent must receive, on or before the expiration date, certificates for the original notes, if any;
- a timely confirmation of book-entry transfer of the original notes into the exchange agent's account at the Depository Trust Company, the book-entry transfer facility, along with the letter of transmittal or an agent's message; or
- the holder must comply with the guaranteed delivery procedures described below.

The term "agent's message" means a message, transmitted to The Depository Trust Company ("DTC") and received by the exchange agent and forming a part of a book-entry transfer, that states that DTC has received an express acknowledgment that the tendering holder agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this holder.

The method of delivery of original notes, letters of transmittal and all other required documents is at your election and risk. If the delivery is by mail, we recommend that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. You should not send letters of transmittal or original notes to us.

If you are a beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and wish to tender, you should promptly instruct the registered holder to tender on your behalf. Any registered holder that is a participant in DTC's book-entry transfer facility system may make book-entry delivery of the original notes by causing DTC to transfer the original notes into the exchange agent's account.

Signatures on a letter of transmittal or a notice of withdrawal must be guaranteed unless the original notes surrendered for exchange are tendered:

- by a registered holder of the original notes who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal, or
- for the account of an "eligible institution."

If signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantees must be by an "eligible institution." An "eligible institution" is a financial institution, including most banks, savings and loan associations and brokerage houses, that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program.

We will determine in our sole discretion all questions as to the validity, form and eligibility of original notes tendered for exchange. This discretion extends to the determination of all questions concerning the timing of receipts and acceptance of tenders. These determinations will be final and binding.

We reserve the right to reject any particular original note not properly tendered, or any acceptance that might, in our judgment or our counsel's judgment, be unlawful. We also reserve the right to waive any conditions of the exchange offer as applicable to all original notes prior to the expiration date. We also reserve the right to waive any defects or irregularities or conditions of the exchange offer as to any particular

original note prior to the expiration date. Our interpretation of the terms and conditions of the exchange offer as to any particular original note either before or after the expiration date, including the letter of transmittal and the instructions to the letter of transmittal, shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within a reasonable period of time. Neither we, the exchange agent nor any other person will be under any duty to give notification of any defect or irregularity in any tender of original notes. Nor will we, the exchange agent or any other person incur any liability for failing to give notification of any defect or irregularity.

If the letter of transmittal is signed by a person other than the registered holder of original notes, the letter of transmittal must be accompanied by a written instrument of transfer or exchange in satisfactory form duly executed by the registered holder with the signature guaranteed by an eligible institution. The original notes must be endorsed or accompanied by appropriate powers of attorney. In either case, the original notes must be signed exactly as the name of any registered holder appears on the original notes.

If the letter of transmittal or any original notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing. Unless waived by us, proper evidence satisfactory to us of their authority to so act must be submitted.

By tendering, each holder will represent to us that, among other things:

- the holder is not an affiliate of ours (as defined in Rule 405 under the Securities Act) or a broker-dealer tendering notes acquired directly from us for its own account;
- the exchange notes are being acquired in the ordinary course of business of the person receiving the exchange notes, whether or not that person is the holder; and
- neither the holder nor the other person has any arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes.

In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes.

However, any purchaser of original notes who is our "affiliate" (within the meaning of the Securities Act) who intends to participate in the exchange offer for the purpose of distributing the exchange notes or a broker-dealer (within the meaning of the Securities Act) that acquired original notes in a transaction other than as part of its trading or market-making activities and who has arranged or has an understanding with any person to participate in the distribution of the exchange notes: (1) will not be able to rely on the interpretation by the staff of the SEC set forth in the applicable no-action letters; (2) will not be able to tender its original notes in the exchange offer; and (3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Each broker or dealer that receives exchange notes for its own account in exchange for original notes, where the original notes were acquired by it as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. However, a broker-dealer may be a statutory underwriter. See "Plan of Distribution."

**Acceptance of Original Notes for Exchange; Delivery of Exchange Notes**

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all original notes properly tendered, unless we terminate the exchange offer because of the non-satisfaction of conditions. We will issue the exchange notes as soon as practicable after acceptance of the original notes. See " — Conditions to the Exchange Offer" below. For purposes of the exchange offer,

we will be deemed to have accepted properly tendered original notes for exchange when, as and if we have given oral or written notice to the exchange agent, with prompt written confirmation of any oral notice.

For each original note accepted for exchange, the holder of the original note will receive an exchange note having a principal amount equal to that of the surrendered original note. The exchange notes will bear interest from the most recent date to which interest has been paid on the original notes. Accordingly, registered holders of exchange notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date to which interest has been paid. Original notes accepted for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Holders of original notes whose original notes are accepted for exchange will not receive any payment for accrued interest on the original notes otherwise payable on any interest payment date, the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the original notes.

In all cases, issuance of exchange notes for original notes will be made only after timely receipt by the exchange agent of:

- certificates for the original notes, or a timely book-entry confirmation of the original notes into the exchange agent's account at the book-entry transfer facility;
- a properly completed and duly executed letter of transmittal; and
- all other required documents.

Unaccepted or non-exchanged original notes will be returned without expense to the tendering holder of the original notes. In the case of original notes tendered by book-entry transfer in accordance with the book-entry procedures described below, the non-exchanged original notes will be returned or recredited promptly.

**Book-Entry Transfer**

The exchange agent will make a request to establish an account for the original notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC's systems must make book-entry delivery of original notes by causing DTC to transfer those original notes into the exchange agent's account at DTC in accordance with DTC's procedure for transfer. This participant should transmit its acceptance to DTC on or prior to the expiration date or comply with the guaranteed delivery procedures described below. DTC will verify this acceptance, execute a book-entry transfer of the tendered original notes into the exchange agent's account at DTC and then send to the exchange agent confirmation of this book-entry transfer. The confirmation of this book-entry transfer will include an agent's message confirming that DTC has received an express acknowledgment from this participant that this participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this participant. Delivery of exchange notes issued in the exchange offer may be effected through book-entry transfer at DTC. However, the letter of transmittal or facsimile of it or an agent's message, with any required signature guarantees and any other required documents, must:

- be transmitted to and received by the exchange agent at the address listed below under " — Exchange Agent" on or prior to the expiration date; or
- comply with the guaranteed delivery procedures described below.

**Exchanging Book-Entry Notes**

The exchange agent and the book-entry transfer facility have confirmed that any financial institution that is a participant in the book-entry transfer facility may utilize the book-entry transfer facility Automated Tender Offer Program, or ATOP, procedures to tender original notes. Any participant in the book-entry transfer facility may make book-entry delivery of original notes by causing the book-entry transfer facility to transfer such original notes into the exchange agent's account in accordance with the book-entry transfer

facility's ATOP procedures for transfer. However, the exchange for the original notes so tendered will only be made after a book-entry confirmation of the book-entry transfer of original notes into the exchange agent's account, and timely receipt by the exchange agent of an agent's message and any other documents required by the letter of transmittal. The term "agent's message" means a message, transmitted by the book-entry transfer facility and received by the exchange agent and forming part of a book-entry confirmation, which states that the book-entry transfer facility has received an express acknowledgment from a participant tendering original notes that are the subject of such book-entry confirmation that such participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant.

**Guaranteed Delivery Procedures**

If a registered holder of original notes desires to tender the original notes, and the original notes are not immediately available, or time will not permit the holder's original notes or other required documents to reach the exchange agent before the expiration date, or the procedure for book-entry transfer described above cannot be completed on a timely basis, a tender may nonetheless be made if:

- the tender is made through an eligible institution;
- prior to the expiration date, the exchange agent received from an eligible institution a properly completed and duly executed letter of transmittal, or a facsimile of the letter of transmittal, and notice of guaranteed delivery, substantially in the form provided by us, by facsimile transmission, mail or hand delivery;
  - (1) stating the name and address of the holder of original notes and the amount of original notes tendered;
  - (2) stating that the tender is being made; and
  - (3) guaranteeing that within three New York Stock Exchange trading days after the expiration date, the certificates for all physically tendered original notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- the certificates for all physically tendered original notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and all other documents required by the letter of transmittal, are received by the exchange agent within three New York Stock Exchange trading days after the expiration date.

**Withdrawal Rights**

Tenders of original notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective, the exchange agent must receive a written notice of withdrawal at the address or, in the case of eligible institutions, at the facsimile number, indicated below under " — Exchange Agent" before 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must:

- specify the name of the person, referred to as the depositor, having tendered the original notes to be withdrawn;
- identify the original notes to be withdrawn, including the certificate number or numbers and principal amount of the original notes;
- in the case of original notes tendered by book-entry transfer, specify the number of the account at the book-entry transfer facility from which the original notes were tendered and specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn original notes and otherwise comply with the procedures of such facility;

- contain a statement that the holder is withdrawing his election to have the original notes exchanged;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the original notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the trustee with respect to the original notes register the transfer of the original notes in the name of the person withdrawing the tender; and
- specify the name in which the original notes are registered, if different from that of the depositor.

If certificates for original notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of these certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and signed notice of withdrawal with signatures guaranteed by an eligible institution unless this holder is an eligible institution. We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal. Any original notes so withdrawn will be deemed not to have been validly tendered for exchange. No exchange notes will be issued unless the original notes so withdrawn are validly re-tendered. Any original notes that have been tendered for exchange, but which are not exchanged for any reason, will be returned to the tendering holder without cost to the holder. In the case of original notes tendered by book-entry transfer, the original notes will be credited to an account maintained with the book-entry transfer facility for the original notes. Properly withdrawn original notes may be re-tendered by following the procedures described under " — Procedures for Tendering" above at any time on or before 5:00 p.m., New York City time, on the expiration date.

**Conditions to the Exchange Offer**

Notwithstanding any other provision of the exchange offer, we shall not be required to accept for exchange, or to issue exchange notes in exchange for, any original notes, and may terminate or amend the exchange offer, if at any time prior to the expiration date any of the following events occurs:

- there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission;
- a change in applicable law prohibits the consummation of such exchange offer; or
- any change, or any development involving a prospective change, has occurred or been threatened in our business, financial condition, operations or prospects and those of our subsidiaries taken as a whole that is or may be adverse to us, or we have become aware of facts that have or may have an adverse impact on the value of the original notes or the exchange notes, which in our reasonable judgment in any case makes it inadvisable to proceed with the exchange offer and about which change or development we make a public announcement.

All conditions will be deemed satisfied or waived prior to the expiration date, unless we assert them prior to the expiration date. The foregoing conditions to the exchange offer are for our sole benefit and we may prior to the expiration date assert them regardless of the circumstances giving rise to any of these conditions, or we may prior to the expiration date waive them in whole or in part in our reasonable discretion. If we do so, the exchange offer will remain open for at least 5 business days following any waiver of the preceding conditions. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right.

In addition, we will not accept for exchange any original notes tendered, and no exchange notes will be issued in exchange for any original notes, if at this time any stop order is threatened or in effect relating to the registration statement of which this prospectus constitutes a part. We are required to make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment.

**Exchange Agent**

We have appointed U.S. Bank National Association as the exchange agent for the exchange offer. You should direct all executed letters of transmittal to the exchange agent at the address indicated below. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery to the exchange agent addressed as follows:

*Delivery To:*

U.S. Bank National Association

*By Hand, Registered or Certified Mail, or Overnight Courier:*

U.S. Bank National Association
Corporate Trust Services
EP-MN-WS-2N
60 Livingston Avenue
St. Paul, MN 55107
Attn: Specialized Finance

*For Information Call:*
(800) 934-6802

*By Facsimile Transmission*
*(for eligible Institutions only):*

Attn: Specialized Finance
(651) 495-8158

*Confirm by Telephone:*
(800) 934-6802

All other questions should be addressed to Wyndham Worldwide Corporation, Seven Sylvan Way, Parsippany, NJ 07054, Attention: Investor Relations. If you deliver the letter of transmittal to an address other than any address indicated above or transmit instructions via facsimile other than to any facsimile number indicated above, then your delivery or transmission will not constitute a valid delivery of the letter of transmittal.

**Fees and Expenses**

We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act. The estimated cash expenses to be incurred in connection with the exchange offer will be paid by us. We estimate these expenses in the aggregate to be approximately $5,000 and out of pocket expenses for the exchange agent.

**Transfer Taxes**

Holders who tender their original notes for exchange shall pay transfer taxes, if any, relating to the sale or disposition of such holder’s securities, including pursuant to a shelf registration statement.

**Consequences of Exchanging or Failing to Exchange the Original Notes**

Holders of original notes who do not exchange their original notes for exchange notes in the exchange offer will continue to be subject to the provisions in the indenture regarding transfer and exchange of the original notes and the restrictions on transfer of the original notes as described in the legend on the original notes as a consequence of the issuance of the original notes under exemptions from, or in transactions not

subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the original notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Original note holders that do not exchange original notes for exchange notes in the exchange offer will no longer have any registration rights with respect to such notes.

Under existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the exchange notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act, subject to certain representations required to be made by each holder of exchange notes, as set forth below. However, any purchaser of exchange notes who is one of our "affiliates" (as defined in Rule 405 under the Securities Act) or who intends to participate in the exchange offer for the purpose of distributing the exchange notes:

- will not be able to rely on the interpretation of the SEC's staff;
- will not be able to tender its original notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements. See "Plan of Distribution."

We do not intend to seek our own interpretation regarding the exchange offer and there can be no assurance that the SEC's staff would make a similar determination with respect to the exchange notes as it has in other interpretations to other parties, although we have no reason to believe otherwise.

**Registration Rights Agreement**

On December 5, 2006, we entered into a registration rights agreement with the initial purchasers of the original notes, in which we agreed, among other things, to deliver this prospectus to you and to complete this exchange offer. If applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer, we agreed to use our reasonable best efforts to cause to become effective a shelf registration statement relating to resales of the original notes and to keep that shelf registration statement (i) effective for two years or such shorter period that will terminate when all original notes covered by the shelf registration statement have been sold pursuant to the shelf registration statement, (ii) cease to be outstanding or (iii) become eligible for resale under Rule 144 under the Securities Act without volume restrictions.

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before the date that is 360 days after the original issue date of original notes, the annual interest rate borne by the original notes will be increased by 0.25% per annum for the first 90-day period immediately following such date and by an additional 0.25% per annum for each subsequent 90-day period, up to a maximum additional rate of 1.00% per annum, until the exchange offer is completed or the shelf registration statement is declared effective. The increased interest described above is the sole and exclusive remedy available to noteholders due to a registration default so long as we are acting in good faith under the registration rights agreement, including with respect to satisfying our obligations thereunder.

This summary of the provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement. A copy of the registration rights agreement has been filed as an exhibit to the Current Report on Form 8-K we filed with the SEC on February 1, 2007 and is available from us upon request. See "Where You Can Find More Information."

## USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing exchange notes, we will receive in exchange original notes of like principal amount. The original notes surrendered in exchange for exchange notes will be retired and canceled.

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The table below sets forth our ratio of earnings to fixed charges on a consolidated basis for each of the time periods indicated. This ratio shows the extent to which our business generates enough earnings after the payment of all expenses other than interest to make required interest payments on our debt.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| | | | (In millions) | | |
| **Earnings available to cover fixed charges:** | | | | | |
| Income before income taxes, minority interest and cumulative effect of accounting change | $ 542 | $ 626 | $ 587 | $ 500 | $ 510 |
| Plus: Fixed charges | 159 | 93 | 86 | 30 | 13 |
| Amortization of capitalized interest | 8 | 5 | 6 | 4 | — |
| Less: Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges[a] | — | — | — | 25 | 20 |
| Capitalized interest | 16 | 7 | 5 | 7 | — |
| Earnings available to cover fixed charges | $ 693 | $ 717 | $ 674 | $ 502 | $ 503 |
| **Fixed charges:[b]** | | | | | |
| Interest, including amortization of deferred financing costs | $ 137 | $ 75 | $ 70 | $ 16 | $ 1 |
| Interest portion of rental payments | 22 | 18 | 16 | 14 | 12 |
| Total fixed charges | $ 159 | $ 93 | $ 86 | $ 30 | $ 13 |
| Ratio of earnings to fixed charges | 4.36x | 7.71x | 7.84x | 16.73x | 38.69x |

(a) Includes minority interest, net of tax related to the Company's venture with Marriott International, Inc.

(b) Consists of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor.

## SELECTED HISTORICAL CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

The following table presents our selected historical condensed consolidated and combined financial data. The condensed consolidated and combined statement of income data for each of the years in the three-year period ended December 31, 2006 and the condensed consolidated and combined balance sheet data as of December 31, 2006 and 2005 have been derived from our audited consolidated and combined financial statements included herein. The combined statement of income data for the years ended December 31, 2003 and 2002 and the combined balance sheet data as of December 31, 2004, 2003 and 2002 have been derived from the unaudited combined financial statements not included elsewhere herein. The unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein.

The selected historical condensed consolidated and combined financial data presented below should be read in conjunction with our audited consolidated and combined financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. Amounts presented below are in millions, except for Operating Statistics and Earnings per Share data. Our audited consolidated and combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented, including changes that will occur in our operations and capitalization as a result of the separation from Cendant.

| | As of or For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| **Statement of Income Data:** | | | | | |
| Net revenues | $ 3,842 | $ 3,471 | $ 3,014 | $ 2,652 | $ 2,241 |
| Expenses[a] | 3,265 | 2,851 | 2,414 | 2,157 | 1,753 |
| Operating income | 577 | 620 | 600 | 495 | 488 |
| Interest expense | 67 | 29 | 34 | 6 | 1 |
| Interest income | (32) | (35) | (21) | (11) | (23) |
| Income before income taxes and minority interest | 542 | 626 | 587 | 500 | 510 |
| Provision for income taxes | 190 | 195 | 234 | 186 | 189 |
| Minority interest, net of tax | — | — | 4 | 15 | 13 |
| Income before cumulative effect of accounting change | 352 | 431 | 349 | 299 | 308 |
| Cumulative effect of accounting change, net of tax | (65) | — | — | — | — |
| Net income | $ 287 | $ 431 | $ 349 | $ 299 | $ 308 |
| **Earnings per Share[b]** | | | | | |
| ***Basic*** | | | | | |
| Income before cumulative effect of accounting change | $ 1.78 | $ 2.15 | $ 1.74 | $ 1.49 | $ 1.54 |
| Cumulative effect of accounting change, net of tax | (0.33) | — | — | — | — |
| Net income | $ 1.45 | $ 2.15 | $ 1.74 | $ 1.49 | $ 1.54 |
| ***Diluted*** | | | | | |
| Income before cumulative effect of accounting change | $ 1.77 | $ 2.15 | $ 1.74 | $ 1.49 | $ 1.54 |
| Cumulative effect of accounting change, net of tax | (0.33) | — | — | — | — |
| Net income | $ 1.44 | $ 2.15 | $ 1.74 | $ 1.49 | $ 1.54 |
| **Balance Sheet Data:** | | | | | |
| Secured assets[c] | $ 2,234 | $ 3,169 | $ 2,811 | $ 1,865 | $ 142 |
| Total assets | 9,520 | 9,167 | 8,343 | 7,041 | 5,509 |
| Secured debt | 1,787 | 2,005 | 1,721 | 1,109 | 145 |
| Other debt | 1,113 | 37 | 47 | 23 | 23 |
| Total stockholders'/invested equity[d] | 3,559 | 5,033 | 4,679 | 4,283 | 3,860 |
| **Operating Statistics:** | | | | | |
| ***Lodging*[e]** | | | | | |
| Weighted average rooms[f] | 527,700 | 519,000 | 508,200 | 524,700 | 543,300 |
| Number of properties[g] | 6,470 | 6,350 | 6,400 | 6,400 | 6,500 |
| RevPAR[h] | $ 34.95 | $ 31.00 | $ 27.55 | $ 25.92 | $ 25.33 |
| Royalty, marketing and reservation revenue (in 000s)[i] | $471,039 | $408,620 | $371,058 | $357,432 | $365,787 |

| | As of or For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| ***Vacation Exchange and Rentals*** | | | | | |
| Average number of members (in 000s)(j) | 3,356 | 3,209 | 3,054 | 2,948 | 2,885 |
| Annual dues and exchange revenue per member(k) | $ 135.62 | $ 135.76 | $ 134.82 | $ 131.13 | $ 124.82 |
| Vacation rental transactions (in 000s)(l) | 1,344 | 1,300 | 1,104 | 882 | 691 |
| Average net price per vacation rental(m) | $ 370.93 | $ 359.27 | $ 328.77 | $ 248.65 | $ 205.82 |
| ***Vacation Ownership(n)*** | | | | | |
| Gross vacation ownership interest sales (in 000s)(o) | $ 1,743,000 | $ 1,396,000 | $ 1,254,000 | $ 1,146,000 | $ 932,000 |
| Tours(p) | 1,046,000 | 934,000 | 859,000 | 925,000 | 759,000 |
| Volume Per Guest ("VPG")(q) | $ 1,486 | $ 1,368 | $ 1,287 | $ 1,138 | $ 1,158 |

(a) Includes $99 million of separation and related costs ($69 million, after-tax) and $32 million of a net benefit from the resolution of certain contingent liabilities ($30 million, after-tax).

(b) For all periods prior to our separation date (July 31, 2006), weighted average shares were calculated as one share of Wyndham common stock outstanding for every five shares of Cendant common stock outstanding as of July 21, 2006, the record date for the distribution of Wyndham common stock. As such, during 2006, this calculation is based on basic and diluted weighted average shares of 198 and 199, respectively. During 2002 through 2005, this calculation is based on basic and diluted weighted average shares of 200.

(c) Represents the portion of vacation ownership contract receivables, other vacation ownership related assets and other vacation exchange and rentals assets that collateralize our debt. Refer to Note 13 to the Consolidated and Combined Financial Statements for further information.

(d) Represents Wyndham Worldwide's stand-alone stockholders' equity since August 1, 2006 and Cendant's net investment (capital contributions and earnings from operations less dividends) in Wyndham Worldwide and accumulated other comprehensive income for 2002 through July 31, 2006, our date of separation.

(e) Ramada International was acquired on December 10, 2004, Wyndham Hotels and Resorts was acquired on October 11, 2005 and Baymont Inn & Suites was acquired on April 7, 2006. The results of operations of these businesses have been included from their acquisition dates forward.

(f) Represents the weighted average number of hotels rooms available for rental for the year. The amount in 2006 includes managed, non-proprietary hotels.

(g) Represents the number of lodging properties operated under franchise and/or management agreements at the end of the year. The amount in 2006 includes managed, non-proprietary hotels.

(h) Represents revenue per available room and is calculated by multiplying the percentage of available rooms occupied for the year by the average rate charged for renting a lodging room for one day.

(i) Royalty, marketing and reservation revenue are typically based on a percentage of the gross room revenues of each franchised hotel. Royalty revenue is generally a fee charged to each franchised hotel for the use of one of our trade names, while marketing and reservation revenue are fees that we collect and are contractually obligated to spend to support marketing and reservation activities.

(j) Represents members of our vacation exchange programs who pay annual membership dues. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with our vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related products and services.

(k) Represents total revenues from annual membership dues and exchange fees generated for the year divided by the average number of vacation exchange members during the year.

(l) Represents the gross number of transactions that are generated in connection with customers booking their vacation rental stays through us. In our European vacation rentals businesses, one rental transaction is recorded each time a standard one-week rental is booked; however, in the United States one rental transaction is recorded each time a vacation rental stay is booked, regardless of whether it is less than or more than one week.

(m) Represents the net rental price generated from renting vacation properties to customers divided by the number of rental transactions.

(n) Trendwest Resorts, Inc. was acquired on April 30, 2002. The results of operations have been included from the acquisition date forward.

(o) Represents gross sales of vacation ownership interests (including tele-sales upgrades, which are a component of upgrade sales) before deferred sales and loan loss provisions.

(p) Represents the number of tours taken by guests in our efforts to sell vacation ownership interests.

(q) Represents revenue per guest and is calculated by dividing the gross vacation ownership interest sales, excluding tele-sales upgrades, which are a component of upgrade sales, by the number of tours.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### BUSINESS AND OVERVIEW

We are a global provider of hospitality products and services and operate our business in the following three segments:

- ***Lodging*** — franchises hotels in the upscale, middle and economy segments of the lodging industry and provides property management services to owners of luxury and upscale hotels.
- ***Vacation Exchange and Rentals*** — provides vacation exchange products and services to owners of intervals of vacation ownership interests, or VOIs, and markets vacation rental properties primarily on behalf of independent owners.
- ***Vacation Ownership*** — markets and sells VOIs to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts.

***Separation from Cendant***

On October 23, 2005, the Board of Directors of Cendant Corporation (or "former Parent") preliminarily approved a plan to separate Cendant into four independent, publicly traded companies — one for each of Cendant's hospitality services (including timeshare resorts) (now known as Wyndham Worldwide), real estate services (now known as Realogy), travel distribution services (now known as Travelport) and vehicle rental businesses (now known as Avis Budget). On April 24, 2006, Cendant announced that as an alternative to distributing shares of Travelport to Cendant stockholders, Cendant was exploring the sale of Travelport. On June 30, 2006, Cendant entered into a definitive agreement to sell Travelport to an affiliate of the Blackstone Group for $4,300 million in cash and on August 22, 2006, the sale of Travelport closed. On July 13, 2006, the Board of Directors of Cendant approved the distributions of all of the shares of common stock of Wyndham and Realogy. In connection with the distribution, we filed the Information Statement with the SEC, which describes for stockholders the details of the distribution and provides information on the business and management of Wyndham. We mailed the Information Statement to Cendant stockholders shortly after the July 21, 2006 record date for the distribution. On July 31, 2006, Cendant distributed all of the shares of our common stock to the holders of Cendant common stock issued and outstanding on July 21, 2006, the record date for the distribution. On August 1, 2006, we commenced "regular way" trading on the New York Stock Exchange under the symbol "WYN."

Before our separation from Cendant, we entered into separation, transition services and several other agreements with Cendant, Realogy and Travelport to effect the separation and distribution, govern the relationships among the parties after the separation and allocate among the parties Cendant's assets, liabilities and obligations attributable to periods prior to the separation. Under the Separation and Distribution Agreement, we assumed 37.5% of certain contingent and other corporate liabilities of Cendant or its subsidiaries which were not primarily related to our business or the businesses of Realogy, Travelport or Avis Budget, and Realogy assumed 62.5% of these contingent and other corporate liabilities. These include liabilities relating to Cendant's terminated or divested businesses, the Travelport sale, taxes of Travelport for taxable periods through the date of the Travelport sale, certain litigation matters, generally any actions relating to the separation plan and payments under certain contracts that were not allocated to any specific party in connection with the separation.

On December 15, 2006, Realogy entered into an agreement and plan of merger with an affiliate of Apollo Management VI, L.P. pursuant to which Realogy will be acquired by Apollo and no longer trade as an independent public company. The proposed merger does not negate Realogy's obligation to satisfy 62.5% of certain contingent and other corporate liabilities of Cendant or its subsidiaries pursuant to the terms of the separation agreement.

Because we now conduct our business as a separate, stand-alone public company, our historical financial information does not reflect what our results of operations, financial position or cash flows would have been had we been a separate, stand-alone public company during the periods presented. Therefore, the historical financial information for such periods may not necessarily be indicative of what our results of operations, financial position or cash flows will be in the future and may not be comparable to periods ending after July 31, 2006.

**RESULTS OF OPERATIONS**

***Lodging***

We enter into agreements to franchise our lodging franchise systems to independent hotel owners. Our standard franchise agreement typically has a term of 15 to 20 years and provides a franchisee with certain rights to terminate the franchise agreement before the term of the agreement under certain circumstances. The principal source of revenues from franchising hotels is ongoing franchise fees, which are comprised of royalty fees and other fees relating to marketing and reservation services. Ongoing franchise fees typically are based on a percentage of gross room revenues of each franchised hotel and are accrued as earned and upon becoming due from the franchisee. An estimate of uncollectible ongoing franchise fees is charged to bad debt expense and included in operating expenses on the Consolidated and Combined Statements of Income. Lodging revenue also includes initial franchise fees, which are recognized as revenue when all material services or conditions have been substantially performed, which is either when a franchised hotel opens for business or when a franchise agreement is terminated as it has been determined that the franchised hotel will not open.

Our franchise agreements require the payment of fees for certain services, including marketing and reservations. With such fees, we provide our franchised properties with a suite of operational and administrative services, including access to (i) an international, centralized, brand-specific reservation system, (ii) advertising, (iii) promotional and co-marketing programs, (iv) referrals, (v) technology, (vi) training and (vii) volume purchasing. We are contractually obligated to expend the marketing and reservation fees we collect from franchisees in accordance with the franchise agreements; as such, revenues earned in excess of costs incurred are accrued as a liability for future marketing or reservation costs. Costs incurred in excess of revenues are expensed. In accordance with our franchise agreements, we include an allocation of certain overhead costs required to carry out marketing and reservation activities within marketing and reservation expenses.

We also provide property management services for hotels under management contracts. Our management fees are comprised of base fees, which are typically calculated based upon a specified percentage of gross revenues from hotel operations, and incentive management fees, which are typically calculated based upon a specified percentage of a hotel's gross operating profit. Management fee revenue is recognized when earned in accordance with the terms of the contract. We incur certain reimbursable costs on behalf of managed hotel properties and report reimbursements received from managed properties as revenue and the costs incurred on their behalf as expenses. Management fee and reimbursable revenues are recorded as a component of service fees and membership revenue on the Consolidated and Combined Statements of Income. The costs, which principally relate to payroll costs for operational employees who work at the managed hotels, are reflected as a component of operating expenses on the Consolidated and Combined Statements of Income. The reimbursements from hotel owners are based upon the costs incurred with no added margin; as a result, these reimbursable costs have little to no effect on our operating income. Management fee revenue and revenue related to payroll reimbursements was $4 million and $69 million, respectively, during 2006 and $1 million and $17 million, respectively, during the period October 11, 2005 (date of Wyndham Hotels and Resorts brand acquisition, which includes management contracts) through December 31, 2005.

Within our Lodging segment, we measure operating performance using the following key operating statistics: (i) weighted average rooms, which represents the weighted average number of hotel rooms

available for rental for the year (ii) number of properties, which represents the number of lodging properties operated under franchise and/or management agreements at the end of the year and (iii) RevPAR, which is calculated by multiplying the percentage of available rooms occupied for the year by the average rate charged for renting a lodging room for one day.

***Vacation Exchange and Rentals***

As a provider of vacation exchange services, we enter into affiliation agreements with developers of vacation ownership properties to allow owners of intervals to trade their intervals for certain other intervals within our vacation exchange business and, for some members, for other leisure-related products and services. Additionally, as a marketer of vacation rental properties, generally we enter into contracts for exclusive periods of time with property owners to market the rental of such properties to rental customers. Our vacation exchange business derives a majority of its revenues from annual membership dues and exchange fees from members trading their intervals. Annual dues revenue represents the annual membership fees from members who participate in our vacation exchange business and, for additional fees, have the right to exchange their intervals for certain other intervals within our vacation exchange business and, for certain members, for other leisure-related products and services. We record revenue from annual membership dues as deferred income on the Consolidated and Combined Balance Sheets and recognize it on a straight-line basis over the membership period during which delivery of publications, if applicable, and other services are provided to the members. Exchange fees are generated when members exchange their intervals for equivalent values of rights and services, which may include intervals at other properties within our vacation exchange business or other leisure-related products and services. Exchange fees are recognized as revenue when the exchange requests have been confirmed to the member. Our vacation rentals business derives its revenue principally from fees, which generally range from approximately 40% to 60% of the gross rent charged to rental customers. The majority of the time, we act on behalf of the owners of the rental properties to generate our fees. We provide reservation services to the independent property owners and receive the agreed-upon fee for the service provided. We remit the gross rental fee received from the renter to the independent property owner, net of our agreed-upon fee. Revenue from such fees is recognized in the period that the rental reservation is made, net of expected cancellations. Upon confirmation of the rental reservation, the rental customer and property owner generally have a direct relationship for additional services to be performed. Cancellations for 2006 and 2005 each totaled less than 5% of rental transactions booked. Our revenue is earned when evidence of an arrangement exists, delivery has occurred or the services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. We also earn rental fees in connection with properties we own or lease under capital leases and such fees are recognized when the rental customer's stay occurs, as this is the point at which the service is rendered.

Within our Vacation Exchange and Rentals segment, we measure operating performance using the following key operating statistics: (i) average number of vacation exchange members, which represents participants in our vacation exchange programs who pay annual membership dues and are entitled, for additional fees, to exchange their intervals for other intervals within our vacation exchange business and, for certain members, for other leisure-related products and services, (ii) annual membership dues and exchange revenue per member, which represents the total annual dues and exchange fees generated for the year divided by the average number of vacation exchange members during the year, (iii) vacation rental transactions, which represents the gross number of transactions that are generated in connection with customers booking their vacation rental stays through us and (iv) average net price per vacation rental, which represents the net rental price generated from renting vacation properties to customers divided by the number of rental transactions.

***Vacation Ownership***

We market and sell VOIs to individual consumers, provide property management services at resorts and provide consumer financing in connection with the sale of VOIs. Our vacation ownership business

derives the majority of its revenues from sales of VOIs and derives other revenues from consumer financing and property management. Our sales of VOIs are either cash sales or seller-financed sales. In order for us to recognize revenues of VOI sales under the full accrual method of accounting described in SFAS No. 66, "Accounting of Sales of Real Estate" for fully constructed inventory, a binding sales contract must have been executed, the statutory rescission period must have expired (after which time the purchasers are not entitled to a refund except for nondelivery by us), receivables must have been deemed collectible and the remainder of our obligations must have been substantially completed. In addition, before we recognize any revenues on VOI sales, the purchaser of the VOI must have met the initial investment criteria and, as applicable, the continuing investment criteria, by executing a legally binding financing contract. A purchaser has met the initial investment criteria when a minimum down payment of 10% is received by us. As a result of the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, we must also take into consideration the fair value of certain incentives provided to the purchaser when assessing the adequacy of the purchaser's initial investment. In those cases where financing is provided to the purchaser by us, the purchaser is obligated to remit monthly payments under financing contracts that represent the purchaser's continuing investment. The contractual terms of seller-provided financing agreements require that the contractual level of annual principal payments be sufficient to amortize the loan over a customary period for the VOI being financed, which is generally seven to ten years, and payments under the financing contracts begin within 45 days of the sale and receipt of the minimum down payment of 10%. If all of the criteria for a VOI sale to qualify under the full accrual method of accounting have been met, as discussed above, except that construction of the VOI purchased is not complete, we recognize revenues using the percentage-of-completion method of accounting provided that the preliminary construction phase is complete and that a minimum sales level has been met (to assure that the property will not revert to a rental property). The preliminary stage of development is deemed to be complete when the engineering and design work is complete, the construction contracts have been executed, the site has been cleared, prepared and excavated, and the building foundation is complete. The completion percentage is determined by the proportion of real estate inventory costs incurred to total estimated costs. These estimated costs are based upon historical experience and the related contractual terms. The remaining revenue and related costs of sales, including commissions and direct expenses, are deferred and recognized as the remaining costs are incurred. Until a contract for sale qualifies for revenue recognition, all payments received are accounted for as restricted cash and deposits within other current assets and deferred income, respectively, on the Consolidated and Combined Balance Sheets. Commissions and other direct costs related to the sale are deferred until the sale is recorded. If a contract is cancelled before qualifying as a sale, non-recoverable expenses are charged to operating expense in the current period on the Consolidated and Combined Statements of Income.

We also offer consumer financing as an option to customers purchasing VOIs, which are typically collateralized by the underlying VOI. Generally, the financing terms are for seven to ten years. An estimate of uncollectible amounts is recorded at the time of the sale with a charge to the provision for loan losses on the Consolidated and Combined Statements of Income. Upon the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, the provision for loan losses is classified as a reduction of vacation ownership interest sales on the Consolidated and Combined Statements of Income. The interest income earned from the financing arrangements is earned on the principal balance outstanding over the life of the arrangement.

We also provide day-to-day-management services, including oversight of housekeeping services, maintenance and certain accounting and administrative services for property owners' associations and clubs. In some cases, our employees serve as officers and/or directors of these associations and clubs in accordance with their by-laws and associated regulations. Management fee revenue is recognized when earned in accordance with the terms of the contract and is recorded as a component of service fees and membership on the Consolidated and Combined Statements of Income. The costs, which principally relate to the payroll costs for management of the associations, clubs and the resort properties where we are the employer, are reflected as a component of operating expenses on the Consolidated and Combined Statements of Income. Reimbursements are based upon the costs incurred with no added margin and thus presentation of these reimbursable costs has little to no effect on our operating income. Management fee revenue and revenue related to reimbursements was $112 million and $141 million during 2006, respectively, $91 million and $124 million during 2005, respectively, and $95 million and $103 million during 2004, respectively. During

2006, 2005, and 2004, one of the associations that we manage paid RCI Global Vacation Network $13 million, $11 million and $9 million, respectively, for exchange services.

Within our Vacation Ownership segment, we measure operating performance using the following key metrics: (i) gross VOI sales (including tele-sales upgrades, which are a component of upgrade sales) before deferred sales and loan loss provisions, (ii) tours, which represents the number of tours taken by guests in our efforts to sell VOIs and (iii) volume per guest, or VPG, which represents revenue per guest and is calculated by dividing the gross VOI sales, excluding tele-sales upgrades, by the number of tours.

***Other Items***

We record lodging-related marketing and reservation revenues, as well as property management services revenues for both our Lodging and Vacation Ownership segments, in accordance with Emerging Issues Task Force Issue 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," which requires that these revenues be recorded on a gross basis.

Discussed below are our consolidated and combined results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and "EBITDA," which is defined as net income before depreciation and amortization, interest (excluding interest on securitized vacation ownership debt), income taxes, minority interest and cumulative effect of accounting change, net of tax, each of which is presented on the Consolidated and Combined Statements of Income. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

EBITDA for periods prior to July 31, 2006 includes cost allocations from Cendant representing our portion of general corporate overhead. For the period January 1, 2006 to July 31, 2006 and the years ended December 31, 2005 and 2004, Cendant allocated $20 million, $36 million and $30 million, respectively, of general corporate overhead. Cendant allocated such costs to us based on a percentage of our forecasted revenues. General corporate expense allocations include costs related to Cendant's executive management, tax, accounting, legal, treasury and cash management, certain employee benefits and real estate usage for common space. The allocations were not necessarily indicative of the actual expenses that would have been incurred had we been operating as a separate, stand-alone public company for the periods presented.

## OPERATING STATISTICS

The following table presents our operating statistics for the years ended December 31, 2006 and 2005. See Results of Operations section for a discussion as to how these operating statistics affected our business for the periods presented.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | % Change |
| **Lodging**[a] | | | |
| Weighted average rooms available[b] | 527,700 | 519,000 | 2 |
| Number of properties[c] | 6,470 | 6,350 | 2 |
| RevPAR[d] | $ 34.95 | $ 31.00 | 13 |
| Royalty, marketing and reservation revenue (in 000s)[e] | $ 471,039 | $ 408,620 | 15 |
| **Vacation Exchange and Rentals** | | | |
| Average number of members (in 000s)[f] | 3,356 | 3,209 | 5 |
| Annual dues and exchange revenue per member[g] | $ 135.62 | $ 135.76 | — |
| Vacation rental transactions (in 000s)[h] | 1,344 | 1,300 | 3 |
| Average net price per vacation rental[i] | $ 370.93 | $ 359.27 | 3 |
| **Vacation Ownership** | | | |
| Gross vacation ownership interest sales (in 000s)[j] | $1,743,000 | $1,396,000 | 25 |
| Tours[k] | 1,046,000 | 934,000 | 12 |
| Volume Per Guest ("VPG")[l] | $ 1,486 | $ 1,368 | 9 |

(a) Includes Wyndham Hotels and Resorts brand and Baymont Inn & Suites brand, which were acquired on October 11, 2005 and April 7, 2006, respectively. Therefore, the operating statistics for 2006 are not presented on a comparable basis to the 2005 operating statistics. On a comparable basis (excluding the Wyndham Hotels and Resorts brand from both the 2006 and 2005 amounts and the Baymont brand from the 2006 amounts), RevPAR would have increased 8%, weighted average rooms available would have decreased 3% and the number of properties would have remained relatively flat.

(b) Represents the weighted average number of hotel rooms available for rental during the period. The amount in 2006 includes managed, non-proprietary hotels.

(c) Represents the number of lodging properties under franchise and/or management agreements at the end of the period. The amount in 2006 includes managed, non-proprietary hotels.

(d) Represents revenue per available room and is calculated by multiplying the percentage of available rooms occupied during the period by the average rate charged for renting a lodging room for one day.

(e) Royalty, marketing and reservation revenue are typically based on a percentage of the gross room revenues of each franchised hotel. Royalty revenue is generally a fee charged to each franchised hotel for the use of one of our trade names, while marketing and reservation revenue are fees that we collect and are contractually obligated to spend to support marketing and reservation activities.

(f) Represents members in our vacation exchange programs who pay annual membership dues. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with our vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related products and services.

(g) Represents total revenues from annual membership dues and exchange fees generated for the period divided by the average number of vacation exchange members during the year.

(h) Represents the gross number of transactions that are generated in connection with customers booking their vacation rental stays through us. In our European vacation rentals businesses, one rental transaction is recorded each time a standard one-week rental is booked; however, in the United States, one rental transaction is recorded each time a vacation rental stay is booked, regardless of whether it is less than or more than one week.

(i) Represents the net rental price generated from renting vacation properties to customers divided by the number of rental transactions.

(j) Represents gross sales of vacation ownership interests (including tele-sales upgrades, which are a component of upgrade sales) before deferred sales and loan loss provisions.

(k) Represents the number of tours taken by guests in our efforts to sell vacation ownership interests.

(l) Represents revenue per guest and is calculated by dividing the gross vacation ownership interest sales, excluding tele-sales upgrades, which are a component of upgrade sales, by the number of tours.

**Year Ended December 31, 2006 vs. Year Ended December 31, 2005**

Our consolidated and combined results comprised the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | Change |
| Net revenues | $3,842 | $3,471 | $ 371 |
| Expenses | 3,265 | 2,851 | 414 |
| Operating income | 577 | 620 | (43) |
| Interest expense | 67 | 29 | 38 |
| Interest income | (32) | (35) | 3 |
| Income before income taxes | 542 | 626 | (84) |
| Provision for income taxes | 190 | 195 | (5) |
| Income before cumulative effect of accounting change | 352 | 431 | (79) |
| Cumulative effect of accounting change | (65) | — | (65) |
| Net income | $ 287 | $ 431 | $(144) |

During 2006, our net revenues increased $371 million (11%) principally due to (i) a $341 million increase in net sales of VOIs at our vacation ownership businesses primarily reflecting higher tour flow and an increase in VPG; (ii) $109 million of incremental revenue generated by the acquisitions of the Wyndham Hotels and Resorts and Baymont Inn & Suites brands; (iii) a $57 million increase in net consumer financing revenues earned on vacation ownership contract receivables due primarily to growth in the portfolio; (iv) $41 million of incremental property management fees primarily as a result of growth in the number of units under management within our vacation ownership business; (v) a $31 million increase in net revenues from rental transactions primarily due to growth in rental transaction volume, an increase in the average net price per rental and the translation effects of foreign exchange movements, which favorably impacted rental revenues by $5 million; (vi) a $19 million increase in organic revenues in our lodging business, primarily due to RevPAR growth, partially offset by a decline in weighted average rooms; and (vii) a $19 million increase in annual dues and exchange revenues due to growth in the average number of members. These increases were partially offset by a decrease in revenues of $259 million as a result of the classification of the provision for loan losses as a reduction of revenues during the year ended December 31, 2006 in connection with the adoption of SFAS No. 152.

Total expenses increased $414 million (15%) principally reflecting (i) a $203 million increase in organic operating and administrative expenses primarily related to additional commission expense resulting from increased VOI sales, increased volume-related expenses and staffing costs due to growth in our vacation exchange and rentals call centers and vacation ownership business, increased costs related to the property management services that we provide at our vacation ownership business and increased interest expense on our securitized debt, which is included in operating expenses; (ii) $103 million of incremental expenses generated by the acquisitions of the Wyndham Hotels and Resorts and Baymont Inn & Suites brands; (iii) $99 million of costs related to our separation from Cendant; (iv) a $79 million increase in organic marketing and reservation expenses primarily resulting from increased marketing initiatives across all our businesses; (v) a $21 million charge recorded in the second quarter of 2006 related to local taxes payable to certain foreign jurisdictions within our European vacation rentals business; and (vi) the unfavorable impact of foreign currency translation on expenses of $6 million. These increases were partially offset by a decrease of (i) $128 million in provision for loan losses as a result of the reclassification of the provision for loan losses from expenses to net revenues required by the adoption of SFAS No. 152, which includes $12 million in 2005 to account for the impact of the hurricanes experienced in the Gulf Coast region of the U.S., and (ii) $24 million in cost of vacation ownership interests which was comprised of $115 million reduction of cost of sales of inventory as a result of our adoption of SFAS No. 152, partially offset by $91 million of increased cost of sales primarily associated with increased VOI sales.

The increase in depreciation and amortization of $17 million primarily resulted from an increase in information technology capital investments made in 2005, a trend that continued in 2006. Interest expense, net increased $41 million in 2006 primarily as a result of interest paid on our new borrowing arrangements resulting from our separation from Cendant and interest on local taxes payable to certain foreign jurisdictions, partially offset by increased capitalized interest at our vacation ownership business due to increased development of vacation ownership inventory. Our effective tax rate increased to 35.1% in 2006 from 31.2% in 2005 primarily due to the absence of an increase in the tax basis of certain foreign assets during 2005, partially offset by a $15 million benefit recognized in 2006 resulting from a change in our 2005 state effective tax rates.

We recorded an after tax charge of $65 million during the first quarter of 2006 as a cumulative effect of an accounting change related to the adoption of SFAS No. 152. Such charge consisted of (i) a pre-tax charge of $105 million representing the deferral of revenue, costs associated with sales of vacation ownership interests that were recognized prior to January 1, 2006 and the recognition of certain expenses that were previously deferred and (ii) an associated tax benefit of $40 million.

As a result of these items, our net income decreased $144 million (33%) during 2006 compared to 2005.

Following is a discussion of the results of each of our segments and interest expense (income), net:

| | Net Revenues | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Lodging | $ 661 | $ 533 | 24 | $208 | $197 | 6 |
| Vacation Exchange and Rentals | 1,119 | 1,068 | 5 | 265 | 284 | (7) |
| Vacation Ownership | 2,068 | 1,874 | 10 | 325 | 283 | 15 |
| Total Reportable Segments | 3,848 | 3,475 | 11 | 798 | 764 | 4 |
| Corporate and Other[a] | (6) | (4) | * | (73) | (13) | * |
| Total Company | $3,842 | $3,471 | 11 | 725 | 751 | (3) |
| Less: Depreciation and amortization | | | | 148 | 131 | |
| Interest expense | | | | 67 | 29 | |
| Interest income | | | | (32) | (35) | |
| Income before income taxes | | | | $542 | $626 | |

* Not meaningful.

(a) Includes the elimination of transactions between segments.

***Lodging***

Net revenues and EBITDA increased $128 million (24%) and $11 million (6%), respectively, in 2006 compared with 2005 primarily reflecting the October 2005 acquisition of the franchise and property management businesses of the Wyndham Hotels and Resorts brand and strong RevPAR gains across our legacy brands, which were partially offset by the absence of a $7 million gain on the sale of an investment recognized in 2005. EBITDA comparisons also reflect our strategic decision to intensify marketing campaigns, particularly for our Wyndham brand.

The operating results of the Wyndham Hotels and Resorts brand have been included in our results from October 11, 2005 forward and, therefore, were incremental to our results during the period January 1, 2006 through October 10, 2006. During this period, the Wyndham Hotels and Resorts brand contributed incremental net revenues of $99 million, of which $38 million was generated from the franchise business and $61 million was generated from the property management business. Included within the $61 million of revenue generated from the property management business is $55 million of revenue related to reimbursable

payroll costs that we incur and pay on behalf of property owners. As the reimbursements are made based upon cost with no added margin, the recorded revenue is offset by the associated expense and there is little to no resultant impact on EBITDA. Additionally, there was little to no EBITDA contribution from the franchise business as substantially all of the fees received were utilized to execute a key strategy of promoting the Wyndham brand name and driving brand bookings through enhanced marketing efforts.

The operating results of our lodging business also reflect the acquisition of the Baymont Inn & Suites brand, which was acquired in April 2006, and contributed incremental net revenues and EBITDA of $10 million and $6 million, respectively.

Excluding the impact of the acquisitions discussed above, net revenues in our lodging business increased $19 million (4%) in 2006. Such increase was primarily due to RevPAR growth of 8%, partially offset by a 3% decline in weighted average rooms available and a $7 million gain recognized in the first quarter of 2005 on the sale of an investment no longer deemed strategic. The RevPAR growth reflects increases in price and occupancy principally attributable to the beneficial impact of management initiatives implemented in prior periods, such as the strategic assignment of personnel to field locations designed to assist franchisees in improving their operating performance and an overall improvement in the economy lodging segment. The decline in rooms reflects (i) our termination of underperforming properties primarily throughout 2005 that did not meet our required quality standards or their financial obligations to us and (ii) the expiration of franchise agreements and certain franchisees exercising their right to terminate their agreements. As of December 31, 2006, our hotel development pipeline included approximately 845 hotels and approximately 92,000 rooms, of which approximately 15% are international and approximately 45% are new construction.

As previously discussed, a strategic growth initiative of our lodging business is to increase brand awareness and drive brand bookings. To this end, during 2006, we increased our marketing spend by $13 million (6%), which is incremental to the marketing spend for the Wyndham Hotels and Resorts and Baymont brands. The $13 million of incremental marketing spend is reflective of (i) additional fees received from our franchisees (where we are contractually obligated to expend these fees for marketing purposes), (ii) additional campaigns in international regions that we have targeted for growth and (iii) incremental investments in our TripRewards loyalty program. In addition, expenses also increased $2 million as a result of our separation from Cendant.

***Vacation Exchange and Rentals***

Net revenues increased $51 million (5%) and EBITDA decreased $19 million (7%) in 2006 compared with 2005, primarily reflecting a $31 million increase in net revenues from rental transactions and a $19 million increase in annual dues and exchange revenues, more than offset in EBITDA by a $70 million increase in expenses, as discussed below. Revenue and expense increases include $5 million and $6 million, respectively, from a stronger U.S. dollar compared to other foreign currencies and the related currency translation impact.

Net revenues generated from rental transactions and related services increased $31 million (7%) during 2006 driven by a 3% increase in rental transaction volume and a 3% increase in the average net price per rental. The growth in rental transaction volume was primarily due to an increase of approximately 36,000 rental transactions (12%) in arrivals at our Landal GreenParks camping vacation site and increased booking volumes of approximately 15,600 rental transactions (7%) at our Novasol brand. The increase in net revenues from rental transactions and the average net price per rental includes the translation effects of foreign exchange movements, which favorably impacted net rental revenues by $5 million and accounted for 1% of the increase in the average net price per rental.

Annual dues and exchange revenues increased $19 million (4%) during 2006 as compared with 2005 due to a 5% increase in the average number of members. Points-based transactions represented 19% of the total exchange transactions during 2006 as compared with 17% during 2005. Exchange transactions per member remained relatively constant year-over-year; however, there has been a shift to a greater amount of

points-based members and related points-based transactions from the standard one-week for one-week exchange members and transactions in our legacy RCI Weeks exchange program. This shift resulted in an increase in our overall member base and exchange transaction volume. Since points are exchangeable for various travel-related products and services, as well as for vacation stays for various lengths of time, points-based exchange activity will generally result in higher transaction volumes with lower average fees as compared with the RCI Weeks exchange program. Ancillary revenues from various sources collectively increased $1 million during 2006 compared to 2005. Ancillary revenue sources primarily included $14 million of additional consulting fees, club servicing fees and fees from our credit card loyalty program. Such increases were offset by a $9 million reduction in travel fee revenues primarily due to lower commission rates realized in 2006 relating to an outsourcing agreement to provide services to third-party travel club members and the absence of a $4 million recovery of local taxes paid to a foreign jurisdiction realized during the fourth quarter of 2005.

EBITDA further reflects an increase in expenses of $70 million (9%) primarily driven by (i) a $27 million increase in volume-related expenses, which was substantially comprised of higher reservation call center staffing costs to support member growth and increased call volumes, (ii) a $21 million charge in the second quarter of 2006 related to local taxes payable to certain foreign jurisdictions, (iii) $16 million of incremental expenses incurred for product and geographic expansion, including increased marketing campaigns, timing of certain other marketing expenses, expansion of property recruitment efforts and investment in our consulting and international activities, (iv) $10 million of higher cost of sales on rentals of vacation stay intervals, (v) the unfavorable impact of foreign currency translation on expenses of $6 million, (vi) $4 million of costs primarily related to higher corporate overhead allocations and (vii) $3 million of costs related to our separation from Cendant. These increases were partially offset by (i) the absence of $14 million of costs incurred in 2005 to combine the operational infrastructures of our vacation exchange and rentals business and (ii) $8 million of cost savings due to efficiencies realized in 2006.

***Vacation Ownership***

Net revenues and EBITDA increased $194 million (10%) and $42 million (15%), respectively, in 2006 as compared with 2005. The operating results reflect growth in vacation ownership sales and consumer finance income, as well as the impact of the adoption of SFAS No. 152. The impact of SFAS No. 152 on our results for 2006 was a reduction to net revenues of $208 million and an increase to EBITDA of $10 million, respectively.

We made operational changes during 2006 that resulted in the recognition of revenues that would have otherwise been deferred under the provisions of SFAS No. 152. As a result, included within the impact of SFAS No. 152, are benefits to net revenues and EBITDA of $67 million and $34 million, respectively. These benefits would have otherwise been offset by 2006 deferrals had the operational changes not been made. Excluding such benefits, the impact of SFAS No. 152 would have been a reduction to net revenues and EBITDA of $275 million and $24 million, respectively, during 2006.

Exclusive of the impact of SFAS No. 152, gross sales of VOIs at our vacation ownership business increased $311 million (22%) in 2006 principally driven by a 12% increase in tour flow and a 9% increase in VPG. Tour flow was positively impacted by the continued development of our in-house sales programs. VPG benefited from a favorable tour flow mix and higher pricing.

In addition, net revenues and EBITDA increased $57 million and $33 million, respectively, in 2006 due to incremental net interest income earned on contract receivables primarily resulting from growth in the portfolio. Such growth was partially offset in EBITDA by higher interest costs in 2006. During 2006, we paid interest expense on our securitized debt of $70 million at a weighted average rate of 5.1% compared to $46 million at a weighted average rate of 4.1% in 2005. Revenue and EBITDA comparisons were also negatively impacted by the absence of $11 million of income recorded in the second quarter of 2005 in connection with the disposal of a parcel of land that was no longer consistent with our development plans.

During 2006, property management fees increased $41 million primarily as a result of growth in the number of units under management.

EBITDA further reflects an increase of approximately $349 million (22%) in operating, marketing and administrative expenses, exclusive of the impact of SFAS No. 152 and the percentage-of-completion method of accounting, primarily resulting from (i) $85 million of increased cost of sales primarily associated with increased VOI sales, (ii) $67 million of additional commission expense associated with increased VOI sales, (iii) $50 million of incremental marketing expenses to support sales efforts, (iv) $48 million of incremental costs primarily incurred to fund additional staffing needs to support continued growth in the business, (v) $37 million of increased costs related to the property management services discussed above, (vi) $25 million of additional contract receivable provisions primarily associated with increased VOI sales, (vii) $18 million of costs related to our separation from Cendant, $11 million of which related to an impairment charge due to a rebranding initiative for our Fairfield and Trendwest trademarks (see Note 2 of our Consolidated and Combined Financial Statements) and (viii) $4 million of increased costs associated with the repair of a completed VOI resort. Such increases were partially offset by the absence of $13 million of expenses during 2005 associated with the impact of the hurricanes experienced in the Gulf Coast during September 2005, which continued to affect us in 2006 due to sales offices damaged by the hurricanes which have yet to reopen.

Our active development pipeline consists of approximately 3,900 units in 15 U.S. states, the Virgin Islands and three foreign countries. We expect the pipeline to support both new purchases of vacation ownership and upgrade sales to existing owners.

***Corporate and Other***

Corporate and Other expenses increased $58 million in 2006 compared with 2005. Such increase includes (i) $76 million of costs incurred as a result of the execution of our separation from Cendant on July 31, 2006 primarily related to the acceleration of vesting of Cendant equity awards and related equitable adjustments of such awards and (ii) $20 million of incremental stand-alone, corporate costs incurred from the date of separation to December 31, 2006. Such amounts were partially offset by a $32 million net benefit from the resolution of certain contingent liabilities.

***Interest Expense (Income), Net***

Interest expense (income), net increased $41 million during 2006 compared to 2005 primarily as a result of (i) $36 million of increased interest expense on borrowings primarily due to increased average borrowings on existing debt and interest paid on new debt arrangements entered into in July 2006, (ii) $11 million of interest on local taxes payable to certain foreign jurisdictions and (iii) a $9 million decrease in net interest income earned on advances between us and our former Parent due to twelve months of activity during 2005 compared to seven months of activity during 2006. Such amounts were partially offset by (i) a $9 million increase in capitalized interest at our vacation ownership business due to the increased development of vacation ownership inventory and (ii) a $2 million increase in interest income earned on invested cash balances as a result of a decrease in average cash available for investment. All such amounts are recorded within interest expense (income), net on the Consolidated and Combined Statements of Income.

**Year Ended December 31, 2005 vs. Year Ended December 31, 2004**

Our combined results comprised the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2005 | 2004 | Change |
| Net revenues | $3,471 | $3,014 | $ 457 |
| Expenses | 2,851 | 2,414 | 437 |
| Operating income | 620 | 600 | 20 |
| Interest expense | 29 | 34 | (5) |
| Interest income | (35) | (21) | (14) |
| Income before income taxes and minority interest | 626 | 587 | 39 |
| Provision for income taxes | 195 | 234 | (39) |
| Minority interest, net of tax | — | 4 | (4) |
| Net income | $ 431 | $ 349 | $ 82 |

During 2005, our net revenues increased $457 million (15%) principally due to (i) a $134 million increase in net sales of VOIs at our vacation ownership businesses due to higher tour flow and an increase in VPG; (ii) $114 million of incremental revenue generated by the acquisitions of the Wyndham Hotels and Resorts brand, Ramada International, Landal GreenParks and Canvas Holidays Limited, the results of which are included from their respective acquisition dates forward; (iii) $76 million of incremental organic revenue earned by our vacation exchange and rentals business principally reflecting increased rental and exchange transaction volume and a higher average number of members; (iv) a $58 million increase in net consumer financing revenues earned on vacation ownership contract receivables; (v) a $47 million increase in organic revenues at our lodging business, reflecting a favorable increase in RevPAR; and (vi) $17 million of incremental resort management fees as a result of increased rental revenues on unoccupied units, as well as growth in the number of units under management.

Total expenses increased $437 million (18%) principally reflecting (i) a $160 million increase in organic operating expenses primarily related to additional commission expense resulting from increased VOI sales and commission rates, increased costs related to the property management services that we provide at our vacation ownership business and increased fulfillment costs incurred in connection with our RCI Elite Rewards program and increased staffing costs in our contact centers; (ii) $110 million of expenses generated by the acquisitions discussed above; (iii) a $32 million increase in organic marketing and reservation expenses primarily resulting from increased marketing initiatives across all our businesses; (iv) a $30 million increase in provision for loan losses principally related to growth in vacation ownership contract receivables at our vacation ownership business; (v) a $30 million increase in organic general and administrative expense principally due to growth in our vacation exchange and rentals and vacation ownership businesses; (vi) $25 million of increased cost of sales primarily associated with increased VOI sales; (vii) the absence of a favorable $15 million settlement recorded by our lodging business in 2004 related to a franchisee receivable; (viii) $14 million of costs incurred to combine the operations of our vacation exchange and rentals business; (ix) $13 million of expenses associated with the 2005 Gulf Coast hurricanes, which primarily reflects a provision for estimated vacation ownership contract receivable losses; and (x) $12 million of marketing and related expenses incurred in connection with our TripRewards loyalty program.

The increase in depreciation and amortization of $12 million primarily resulted from an increase in information technology capital investments made in 2005. Interest expense (income), net decreased $19 million in 2005 primarily as a result of (i) the absence of interest expense incurred in 2004 related to the Two Flags Joint Venture LLC, (ii) favorable interest rate hedge activity year over year, and (iii) a reduction in financing cost amortization. Our effective tax rate decreased to 31.2% in 2005 from 39.9% in 2004 primarily due to a one-time tax benefit related to changes in tax basis differences in assets of foreign subsidiaries. As a result of these items, our net income increased $82 million (23%).

Following is a discussion of the results of each of our reportable segments and interest expense (income), net:

| | Net Revenues | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | % Change | 2005 | 2004 | % Change |
| Lodging | $ 533 | $ 443 | 20 | $197 | $189 | 4 |
| Vacation Exchange and Rentals | 1,068 | 921 | 16 | 284 | 286 | (1) |
| Vacation Ownership | 1,874 | 1,661 | 13 | 283 | 265 | 7 |
| Total Reportable Segments | 3,475 | 3,025 | 15 | 764 | 740 | 3 |
| Corporate and Other[a] | (4) | (11) | * | (13) | (21) | * |
| Total Company | $3,471 | $3,014 | 15 | 751 | 719 | 4 |
| Less: Depreciation and amortization | | | | 131 | 119 | |
| Interest expense | | | | 29 | 34 | |
| Interest income | | | | (35) | (21) | |
| Income before income taxes and minority interest | | | | $626 | $587 | |

* Not meaningful.

(a) Includes the elimination of transactions between segments.

***Lodging***

Net revenues and EBITDA increased $90 million (20%) and $8 million (4%), respectively, in 2005 compared with 2004 reflecting revenue growth from acquisitions and increased RevPAR; however, the EBITDA comparison was negatively impacted by a favorable settlement recorded in second quarter 2004 related to a lodging franchisee receivable and increased marketing-related expenses associated with our TripRewards loyalty program and initiatives to promote our brands (all of which are discussed in greater detail below).

The operating results of our lodging business reflect the acquisitions of the franchise and property management businesses of the Wyndham Hotels and Resorts brand in October 2005 and Ramada International in December 2004. The operating results of Wyndham Hotels and Resorts have been included in our results for three of the twelve months of 2005, but none of 2004. The operating results of Ramada International have been included in our results for the entire twelve months of 2005, but only for one month of 2004. Accordingly, Wyndham Hotels and Resorts and Ramada International contributed incremental net revenues of $29 million and $14 million, respectively, and EBITDA of $2 million each to 2005 results. Included within the $29 million of revenue generated by Wyndham Hotels and Resorts is approximately $25 million related to reimbursable expenses, which has no impact on EBITDA. These acquisitions also added approximately 32,000 rooms, which is approximately 6% of the total weighted average rooms available within our lodging franchise system during 2005.

Apart from these acquisitions, net revenues in our lodging business increased $47 million (11%). Such increase principally represents (i) $16 million (4%) of higher royalty, marketing and reservation fund revenues, (ii) $16 million of incremental net revenues generated by our TripRewards loyalty program during 2005, (iii) an $8 million increase in ancillary revenues and (iv) a $7 million gain recognized on the sale of a lodging-related investment during 2005. The $16 million increase in royalty, marketing and reservation fund revenues primarily resulted from an 8% increase in RevPAR, partially offset by a 4% decrease in weighted average rooms available. The RevPAR increase reflects (i) increases in both price and occupancy rates principally attributable to an overall improvement in the economy lodging segment in which our hotel brands primarily operate, (ii) the termination of underperforming properties throughout 2004 that did not meet our required quality standards or their financial obligations to us and (iii) the strategic assignment of personnel to field locations designed to assist franchisees in improving their hotel operating performance.

The decrease in weighted average rooms available reflects our termination of underperforming properties, as discussed above, the expiration of franchise agreements and certain franchisees exercising their right to terminate their agreements. During 2005, there were terminations of 509 properties, as compared to terminations of 517 properties during 2004.

EBITDA further reflects an increase of $43 million (17%) in operating, marketing and administrative expenses (excluding the impact of the acquisitions discussed above) principally resulting from (i) $20 million of higher bad debt expense, primarily due to the absence of a favorable $15 million settlement recorded in 2004 related to a lodging franchisee receivable; (ii) $12 million of marketing and related expenses incurred in connection with our TripRewards loyalty program; and (iii) $9 million of marketing-related expenses primarily related to marketing initiatives to promote our brands.

***Vacation Exchange and Rentals***

Net revenues increased $147 million (16%), while EBITDA declined $2 million (1%) in 2005 compared to 2004, reflecting incremental revenues and expenses from vacation rental acquisitions during 2004 and the negative impact on EBITDA from $14 million of costs incurred during 2005 to combine the operational infrastructures of our vacation exchange and rentals business (discussed in greater detail below).

We acquired Landal GreenParks and Canvas Holidays Limited, which are both European vacation rentals businesses, in May 2004 and October 2004, respectively. The operating results of Landal GreenParks and Canvas Holidays have been included in our results for the entire twelve months in 2005 but for only eight months in 2004 for Landal GreenParks and only three months in 2004 for Canvas Holidays. Accordingly, Landal GreenParks contributed incremental net revenues and EBITDA of $41 million and $2 million, respectively, and Canvas Holidays contributed incremental net revenues and EBITDA of $30 million and $10 million, respectively, during 2005. The incremental results of Landal GreenParks in 2005 are reflective of the first four months of the year, which is when their operations are seasonally weakest.

Apart from these acquisitions, net revenues increased $76 million (8%), which includes (i) a $34 million (9%) increase in rental transaction revenues, (ii) a $24 million (6%) increase in annual dues and exchange revenues and (iii) a $22 million increase in revenues generated from our RCI Elite Rewards program, a credit card marketing program that we implemented in fourth quarter 2004. Our RCI Elite Rewards program generates revenues based on the volumes of cardholders and credit card spending and incurs related fulfillment costs.

The $34 million increase in rental transaction revenues primarily resulted from a 7% increase in total rental transactions and a $12 million increase due to the conversion of a franchised park to a managed park in January 2005. Prior to the conversion, we received only a franchise fee, whereas subsequent to the conversion, we recognized all of the revenues generated by this park.

The $24 million increase in annual dues and exchange revenues was driven by a 5% increase in the average number of members. Transactions related to our points-based exchange program, RCI Points, represented 17% of the total exchange transactions in 2005 compared with 14% in 2004, representing a continued shift in 2005 to more points-based exchanges. Since points are exchangeable for various other travel-related products and services in addition to vacation stays, points-based exchange activity will generally result in higher transaction volumes with lower average fees as compared to the standard one-week for one-week exchange activity in our RCI Weeks exchange program. Vacation exchange volume and price are derived from (i) a mix of domestic and international exchanges and (ii) a mix of standard one-week for one-week exchanges and exchanges through our RCI Points exchange program, which includes transactions for various lengths of stay and other leisure-related products.

Apart from the aforementioned EBITDA impact of the acquisitions of Landal GreenParks and Canvas Holidays, EBITDA further reflects a year-over-year increase in expenses of $90 million (14%) primarily driven by (i) $20 million of incremental fulfillment costs in connection with our RCI Elite Rewards program as discussed above; (ii) $14 million of costs incurred to combine the operational infrastructures of

our vacation exchange and rentals business principally in Europe; (iii) higher cost of sales in 2005 of $13 million on the rentals of vacation properties; (iv) $11 million of incremental expenses associated with the conversion of a franchised park to a managed park, as discussed above; (v) $8 million of higher marketing expenses, principally related to increased campaigns and publications; and (vi) $5 million of restructuring costs incurred as a result of the consolidation of certain call centers and back-office functions within our vacation exchange business. The remaining $19 million increase in expenses primarily relates to higher staffing costs and other volume driven expense increases in our call centers and certain infrastructure enhancements.

***Vacation Ownership***

Net revenues and EBITDA increased $213 million (13%) and $18 million (7%), respectively, in 2005 compared with 2004. The EBITDA comparison was negatively impacted by $13 million of expenses incurred during 2005 related to the estimated impact of the hurricanes experienced along the Gulf Coast. Net revenues and EBITDA, exclusive of the impact of the Gulf Coast hurricanes, reflect organic growth in vacation ownership sales, a gain on the sale of land and increased consumer finance income.

Net sales of VOIs increased $134 million (11%) in 2005 despite the Gulf Coast hurricanes. Such increase was driven principally by a 9% increase in tour flow and a 6% increase in VPG. This revenue increase includes a $27 million decrease in higher margin upgrade sales at our WorldMark by Wyndham resort properties due to special upgrade promotions conducted during 2004 undertaken to mitigate the negative impact on tour flow from the “do not call” and “do not fax” regulations. Tour flow, as well as volume per transaction, benefited in 2005 from our expanded presence in premium destinations such as Hawaii, Las Vegas and Orlando. Tour flow was also positively impacted by the opening of new sales offices, our strategic focus on new marketing alliances and increased local marketing efforts.

Revenues and related expenses increased $57 million and $8 million, respectively, in 2005 as a result of incremental net interest income earned on our vacation ownership contract receivables primarily due to growth in the consolidated portfolio.

Additionally, we receive management fees for property management services that we provide at certain resorts pursuant to contractual arrangements with property owners’ associations. During 2005, we recognized $17 million of incremental resort management fees as a result of increased rental revenues on units, as well as growth in the number of units under management.

Net revenue and EBITDA comparisons also benefited from an $11 million gain recorded in 2005 in connection with the disposal of a parcel of land that was no longer consistent with our development plans, partially offset by the absence of a $4 million gain recognized in first quarter 2004 in connection with the sale of a provider of third-party vacation ownership financing and $3 million of revenue generated by such operations in 2004 prior to the sale date.

EBITDA further reflects an increase of $187 million (14%) in operating, marketing and administrative expenses primarily resulting from (i) $43 million of additional commission expense associated with increased VOI sales and increased commission rates; (ii) $31 million of additional vacation ownership contract receivable provisions recorded in 2005; (iii) $29 million of increased costs related to the resort management services discussed above; (iv) $25 million of increased cost of sales primarily associated with increased VOI sales; (v) $18 million of incremental costs incurred primarily to fund additional staffing needs to support continued growth in the business, improve existing properties and integrate the Worldmark by Wyndham and Fairfield contract servicing operations; (vi) $14 million of incremental marketing spent to support sales efforts; and (vii) $13 million of expenses associated with the 2005 Gulf Coast hurricanes, which primarily reflects a provision for estimated vacation ownership contract receivable losses.

***Interest Expense (Income), Net***

Interest expense (income), net decreased $19 million during 2005 compared to 2004 principally as a result of (i) a $13 million decrease in interest expense at our vacation ownership business primarily due to

refinanced borrowings with more favorable financing terms and (ii) a $9 million decrease in interest expense at our lodging business due to the repayment of a note payable in September 2004. Such decreases were partially offset by a $3 million increase at our vacation exchange and rentals business primarily due to increased average borrowings. All such amounts are recorded within interest expense (income), net on the Consolidated and Combined Statements of Income.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

**Financial Condition**

| | December 31, 2006 | December 31, 2005 | Change |
|---|---|---|---|
| Total assets | $ 9,520 | $ 9,167 | $ 353 |
| Total liabilities | 5,961 | 4,134 | 1,827 |
| Total stockholders'/invested equity | 3,559 | 5,033 | (1,474) |

Total assets increased $353 million from December 31, 2005 to December 31, 2006 primarily due to (i) a $318 million increase in inventory primarily related to vacation ownership inventories associated with increased property development activity, as well as an increase of $171 million associated with our adoption of SFAS No. 152, a new accounting pronouncement related to vacation ownership interest transactions, (ii) a $306 million increase in vacation ownership contract receivables, net due to increased VOI sales, partially offset by the reclassification in accordance with SFAS No. 152, as discussed above, (iii) a $198 million increase in property and equipment principally within our vacation ownership business associated with building and reclassifications as a result of our adoption of SFAS No. 152 and within our vacation exchange and rentals businesses increased development at Landal GreenParks, (iv) a $170 million increase in cash and cash equivalents which is discussed in further detail in "Liquidity and Capital Resources-Cash Flows," (v) a $130 million increase in other current assets primarily due to the adoption of SFAS No. 152, which resulted in the deferral of direct selling costs at December 31, 2006 compared to December 31, 2005 and increased restricted cash within our vacation ownership business relating to proceeds held for a new VOI resort still in development, (vi) a $73 million increase in prepaid expenses at our vacation ownership business primarily related to increased revenue deferrals as a result of the adoption of SFAS No. 152 and increased prepaid marketing fees in our vacation exchange and rentals business primarily due to increased prepaid directory fees as a result of timing, (vii) a $65 million increase in due from former Parent and subsidiaries relating to a refund of excess funding paid to our former Parent resulting from the Separation and income tax refunds, (viii) increased trade receivables of $58 million at our vacation exchange and rentals and vacation ownership businesses primarily due to favorable performance in the fourth quarter of 2006, (ix) a $54 million increase in goodwill primarily related to the acquisition of a vacation ownership marketing and development business and foreign exchange translation adjustments within our vacation and exchange and rentals business, partially offset by the settlement of the ultimate tax basis of acquired assets with the tax authority within our vacation ownership business, (x) a $41 million increase in trademarks primarily related to the acquisition of Baymont Inn & Suites in April 2006, partially offset by an $11 million non-cash impairment charge recorded within our vacation ownership business during the fourth quarter of 2006 relating to rebranding initiatives carried out as a result of our separation from Cendant and (xi) a $37 million receivable in non-current due from former Parent and subsidiaries, which represents our right to receive proceeds from the ultimate sale of Cendant's preferred stock investment in and warrants of Affinion Group Holdings, Inc. Such increases were partially offset by a $1,125 million decrease in the net intercompany funding to former Parent, which reflects the elimination of amounts due from Cendant upon our separation from them.

Total liabilities increased $1,827 million primarily due to (i) $858 million of additional net borrowings primarily due to approximately $796 million of 6.00% senior unsecured notes issued in December 2006, $328 million of greater securitization of vacation ownership contract receivables and a $300 million term loan entered into in July 2006 as part of our overall debt structure, partially offset by the elimination by our former Parent of $600 million of borrowings outstanding under our former Parent's asset-linked facility

relating to certain of our assets (which balance was $550 million at December 31, 2005 and was previously reflected as long-term debt on our Consolidated and Combined Balance Sheet), (ii) a $421 million increase in due to former Parent and subsidiaries as a result of the assumption of certain contingent and other corporate liabilities of our former Parent or its subsidiaries upon our separation (see "Separation Adjustments and Transactions with Former Parent and Subsidiaries"), (iii) a $281 million increase in deferred income primarily due to increased activity within our vacation ownership business, the adoption of SFAS No. 152, as discussed above, and increased deferred revenue within our vacation exchange and rentals business and (iv) a $145 million increase in accrued expenses and other current liabilities primarily due to increased marketing expenses to promote growth in our businesses and local taxes payable to certain foreign jurisdictions and the related interest payable on such accrual within our vacation exchange and rentals business.

Total stockholders' equity decreased $1,474 million principally due to (i) the elimination of net intercompany funding to former Parent of $1,125 million, (ii) the transfer of proceeds from our new borrowing arrangements to our former Parent of $1,360 million, (iii) the assumption of $434 million of contingent liabilities as a result of our separation and (iv) $349 million of treasury stock purchased through our stock repurchase program. Such decreases were partially offset by (i) $760 million of proceeds contributed to us by our former Parent upon the sale of Travelport, (ii) the elimination by our former Parent of $600 million of borrowings outstanding under our former Parent's asset-linked facility relating to certain of our assets and (iii) $287 million of net income generated during the year ended December 31, 2006.

**Liquidity And Capital Resources**

Currently, our financing needs are supported by cash generated from operations and borrowings under our revolving credit facility. In addition, certain funding requirements of our vacation ownership business are met through the issuance of securitized and other debt to finance vacation ownership contract receivables. With the completion of the new financings related to our separation and the issuance of our 6.00% senior unsecured notes, our liquidity has been further augmented through available capacity under our new revolving credit facility. We believe that access to this facility and our current liquidity vehicles will be sufficient to meet our ongoing needs for the foreseeable future.

**Cash Flows**

During 2006 and 2005, we had a net change in cash and cash equivalents of $170 million and $5 million, respectively. The following table summarizes such changes:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | Change |
| | | (In millions) | |
| Cash provided by (used in): | | | |
| Operating activities | $ 165 | $ 492 | $(327) |
| Investing activities | (471) | (696) | 225 |
| Financing activities | 473 | 221 | 252 |
| Effects of changes in exchange rate on cash and cash equivalents | 3 | (12) | 15 |
| Net change in cash and cash equivalents | $ 170 | $ 5 | $ 165 |

**Year Ended December 31, 2006 vs. Year Ended December 31, 2005**

***Operating Activities***

During 2006, we generated $327 million less cash from operating activities as compared to 2005. Such change principally reflects a net decrease relating to higher investments in inventory and vacation ownership

contract receivables as well as increased prepaid expense, partially offset by favorable timing of accounts payable and accrued expenses.

***Investing Activities***

During 2006, we used $225 million less cash for investing activities as compared to 2005. The decrease in cash outflows primarily relates to (i) a $255 million decrease in intercompany funding provided to former Parent, which was eliminated due to our separation from Cendant and (ii) lower acquisition related payments of $49 million primarily due to fewer acquisitions made in 2006 (in 2005, we used $149 million to acquire the Wyndham Hotels and Resorts brand and a few non-significant businesses primarily within our Vacation Ownership segment, whereas in 2006, we used $103 million to acquire the Baymont brand and a vacation ownership and resort management business). Such decreases in cash outflows were partially offset by (i) an increase of $57 million in capital expenditures primarily due to additions within vacation ownership and corporate infrastructure costs associated with the separation and (ii) a reduction of $12 million in restricted cash, which we are required to set aside in connection with certain borrowing arrangements and business activities of our vacation ownership business.

***Financing Activities***

During 2006, we generated $252 million more cash from financing activities as compared to 2005, which principally reflects incremental cash inflows from (i) $2,414 million of additional borrowings from various facilities, (ii) $796 million of proceeds from the issuance of 6.00% senior unsecured notes and (iii) the receipt of a capital contribution from our former Parent for approximately $760 million resulting from the sale of Travelport (see "Financial Obligations" for a detailed discussion). Such increases were partially offset by (i) an increase in our dividend to former Parent of approximately $1,301 million, (ii) $2,122 million of increased principal payments on existing borrowings and (iii) $329 million of common stock repurchases.

We intend to continue to invest in capital improvements, technological improvements in our lodging business and the development of our vacation ownership, vacation rental and mixed-use properties. In addition, we may seek to acquire additional franchise agreements, property management contracts and ownership interests in hotel or vacation rental properties on a strategic and selective basis, either directly or through investments in joint ventures. We spent $191 million on capital expenditures in 2006 (excluding vacation ownership development projects). Capital expenditures in 2006 included (i) $82 million to improve technology and maintain technological advantages, (ii) $80 million on routine improvements and (iii) $29 million for information technology infrastructure enhancements resulting from our separation from Cendant. We also spent $542 million relating to vacation ownership development projects in 2006. The majority of the expenditures required to complete our capital spending programs and vacation ownership development projects were financed through cash flow generated through operations. Additional expenditures were financed through general unsecured corporate borrowings. Our unused borrowing capacity of $870 million under our $900 million revolving credit facility is available to finance our capital spending programs.

On August 24, 2006, we announced our intention to commence a stock repurchase program of up to $400 million. Through December 31, 2006, we had repurchased 11.9 million shares at an average price of $29.35. During January 2007, we repurchased an additional 1.6 million shares, completing the program with 13.5 million shares purchased at an average price of $29.72. As of February 13, 2007, our Board of Directors has authorized a new stock repurchase program that enables us to purchase up to $400 million of our common stock. The Board of Directors' authorization included increased repurchase capacity for proceeds received from stock option exercises. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. Repurchases may be conducted in the open market or in privately negotiated transactions.

During the fourth quarter of 2006, Cendant and the Internal Revenue Service ("IRS") settled the IRS examination for Cendant's taxable years 1998 through 2002 during which we were included in Cendant's

tax returns. Accordingly, we reduced our contingent liabilities by $15 million to reflect Cendant's settlement with the IRS. Such reduction was recorded in general and administrative expenses on the Consolidated Statement of Income during the year ended December 31, 2006. We were adequately reserved for this audit cycle and have reflected the results of that examination in our Consolidated and Combined Financial Statements. The IRS has opened an examination for Cendant's taxable years 2003 through 2006 during which we were included in Cendant's tax returns. Although we and Cendant believe there is appropriate support for the positions taken on its tax returns, we and Cendant have recorded liabilities representing the best estimates of the probable loss on certain positions. We and Cendant believe that the accruals for tax liabilities are adequate for all open years, based on assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although we and Cendant believe the recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, our and Cendant's assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. While we and Cendant believe that the estimates and assumptions supporting the assessments are reasonable, the final determination of tax audits and any other related litigation could be materially different than that which is reflected in historical income tax provisions and recorded assets and liabilities. Based on the results of an audit or litigation, a material effect on our income tax provision, net income, or cash flows in the period or periods for which that determination is made could result. The effect is the result of our obligations under the Separation and Distribution Agreement, as discussed in Note 20 — Separation Adjustments and Transactions with Former Parent and Subsidiaries.

We believe that our accruals for tax liabilities outlined in the Separation and Distribution Agreement are adequate for all remaining open years, based on our assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although we believe our recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, our assessments can involve a series of complex judgments about future events and rely heavily on estimates and assumptions. While we believe that the estimates and assumptions supporting our assessments are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and recorded assets and liabilities. Based on the results of an audit or litigation, a material effect on our income tax provision, net income, or cash flows in the period or periods for which that determination is made could result.

**Financial Obligations**

Our indebtedness consisted of:

| | December 31, 2006 | December 31, 2005 |
|---|---|---|
| Securitized vacation ownership debt: | | |
| Term notes | $ 838 | $ 740 |
| Bank conduit facility[a] | 625 | 395 |
| Total securitized vacation ownership debt | $ 1,463 | $ 1,135 |
| Long-term debt: | | |
| 6.00% senior unsecured notes (due December 2016)[b] | $ 796 | $ — |
| Term loan (due July 2011) | 300 | — |
| Revolving credit facility (due July 2011)[c] | — | — |
| Interim loan facility (due July 2007)[c] | — | — |
| Vacation ownership asset-linked debt | — | 550 |
| Bank borrowings: | | |
| Vacation ownership | 103 | 113 |
| Vacation rentals | 73 | 68 |
| Vacation rentals capital leases | 148 | 139 |
| Other | 17 | 37 |
| Total long-term debt | $ 1,437 | $ 907 |

(a) Represents a 364-day vacation ownership bank conduit facility which we renewed and upsized to $1,000 million on November 13, 2006. The borrowings under this bank conduit facility have a maturity date of December 2009.

(b) These notes represent $800 million aggregate principal less $4 million of original issue discount.

(c) We entered into this $800 million facility in July 2006. The outstanding borrowings under this facility of $350 million were repaid in December 2006 with a portion of the borrowings from our issuance of 6.00% senior unsecured notes.

As of December 31, 2006, available capacity under our borrowing arrangements was as follows:

| | Total Capacity | Outstanding Borrowings | Available Capacity |
|---|---|---|---|
| Securitized vacation ownership debt | | | |
| Term notes | $ 838 | $ 838 | $ — |
| Bank conduit facility[a] | 1,000 | 625 | 375 |
| Total securitized vacation ownership debt | $ 1,838 | $ 1,463 | $ 375 |
| Long-term debt: | | | |
| 6.00% senior unsecured notes (due December 2016) | $ 796 | $ 796 | $ — |
| Term loan (due July 2011) | 300 | 300 | — |
| Revolving credit facility (due July 2011)[b] | 900 | — | 900 |
| Bank borrowings: | | | |
| Vacation ownership | 158 | 103 | 55 |
| Vacation rentals | 92 | 73 | 19 |
| Vacation rentals capital leases[c] | 148 | 148 | — |
| Other | 18 | 17 | 1 |
| Total long-term debt | $ 2,412 | $ 1,437 | 975 |
| Less: Issuance of letters of credit[b] | | | (30) |
| | | | $ 945 |

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

(b) The capacity under our revolving credit facility includes availability for letters of credit. As of December 31, 2006, the total capacity of $900 million was reduced by $30 million for the issuance of letters of credit.

(c) These leases are recorded as capital lease obligations with corresponding assets classified within property and equipment on the Consolidated and Combined Balance Sheets.

***Securitized Vacation Ownership Debt***

A significant portion of our debt as of December 31, 2006 was issued through the securitization of vacation ownership contract receivables. Such debt includes fixed and floating rate term notes for which the weighted average interest rate was 4.7%, 4.0% and 3.3% during the years ended December 31, 2006, 2005 and 2004, respectively, and access to a $1,000 million bank conduit facility, which bears interest at variable rates and had a weighted average interest rate of 5.7%, 4.3% and 1.4% during the years ended December 31, 2006, 2005 and 2004, respectively. As of December 31, 2006, our securitized vacation ownership debt is collateralized by $1,844 million of underlying vacation ownership contract receivables and related assets.

Interest expense incurred in connection with our securitized vacation ownership debt amounted to $70 million, $46 million and $36 million during the years ended December 31, 2006, 2005 and 2004, respectively. Such interest expense is recorded within the operating expenses on the Consolidated and Combined Statements of Income as we earn consumer finance income on the related securitized vacation ownership contract receivables.

***Other***

Our 6.00% notes, with face value of $800 million, were issued in December 2006 for net proceeds of $796 million. The notes are redeemable at our option at any time, in whole or in part, at the appropriate redemption prices plus accrued interest through the redemption date. These notes rank equally in right of payment with all of our other senior unsecured indebtedness.

On July 7, 2006, we entered into a five-year $300 million term loan facility which bears interest at a fixed rate of 6.00%. As of December 31, 2006, we had $300 million outstanding borrowings under this facility.

We entered into a five-year $900 million revolving credit facility which currently bears interest at LIBOR plus 45 to 55 basis points. The pricing of this facility is dependent on our credit ratings and the outstanding balance of borrowings on this facility. As of December 31, 2006, we had zero outstanding borrowings under this facility.

Prior to our Separation from Cendant, we previously borrowed under a $600 million asset-linked facility through Cendant to support the creation of certain vacation ownership-related assets and the acquisition and development of vacation ownership properties. In connection with the Separation, Cendant eliminated the outstanding borrowings under this facility of $600 million on July 27, 2006. The weighted average interest rate on these borrowings was 5.5% during the period January 1, 2006 through July 27, 2006 and 5.1% and 2.6% during the years ended December 31, 2005 and 2004, respectively.

We had outstanding bank borrowings of $103 million as of December 31, 2006 principally under a foreign credit facility used to support vacation ownership operations in the South Pacific. This facility bears interest at Australian Dollar LIBOR plus 55 basis points and had a weighted average interest rate of 6.5%, 6.3% and 3.3% during 2006, 2005 and 2004, respectively. As of December 31, 2006, these secured borrowings are collateralized by $158 million of underlying vacation ownership contract receivables and related assets.

As of December 31, 2006, we had bank debt outstanding of $73 million related to our Landal GreenParks business. As of December 31, 2006, the bank debt was collateralized by $130 million of land and related vacation rental assets and had a weighted average interest rate of 3.7% during 2006 and 3.0% during both 2005 and 2004. On January 31, 2007, we repaid the outstanding borrowings on this facility.

We lease vacation homes located in European holiday parks as part of our vacation exchange and rentals business. These leases are recorded as capital lease obligations with corresponding assets classified within property, plant and equipment on the Consolidated and Combined Balance Sheets. The vacation exchange and rentals capital lease obligations had a weighted average interest rate of 7.5% during 2006, 2005 and 2004.

We also maintain other debt facilities which arise through the ordinary course of operations. As of December 31, 2006, this debt primarily reflects $11 million of mortgage borrowings related to an office building.

Interest expense incurred in connection with the above debt (excluding our securitized vacation ownership debt) amounted to $72 million, $36 million and $38 million during 2006, 2005 and 2004, respectively. Such interest expense is recorded within the interest expense on the Consolidated and Combined Statements of Income.

The revolving credit facility and unsecured term loan include covenants, including the maintenance of specific financial ratios. These financial covenants consist of a minimum interest coverage ratio of at least 3.0 times as of the measurement date and a maximum leverage ratio not to exceed 3.5 times on the measurement date. The interest coverage ratio is calculated by dividing EBITDA (as defined in the credit agreement and Note 19 to the Consolidated and Combined Financial Statements) by Interest Expense (as defined in the credit agreement), excluding interest expense on any Securitized Indebtedness and on Non-Recourse Indebtedness (as the two terms are defined in the credit agreement), both as measured on a trailing 12 month basis preceding the measurement date. The leverage ratio is calculated by dividing Consolidated Total Indebtedness (as defined in the credit agreement) excluding any Securitization Indebtedness and any Non-Recourse Secured debt as of the measurement date by EBITDA as measured on a trailing 12 month basis preceding the measurement date. Covenants in these credit facilities also include limitations on indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations, dissolutions and sales of all or substantially all assets; and sale and leasebacks. Events of default in these credit facilities include nonpayment of principal when due; nonpayment of interest, fees or other amounts;

violation of covenants; cross payment default and cross acceleration (in each case, to indebtedness (excluding securitization indebtedness) in excess of $50 million); and a change of control (the definition of which permitted our separation from Cendant).

The 6.00% senior unsecured notes contain various covenants including limitations on liens, limitations on sale and leasebacks, and change of control restrictions. In addition, there are limitations on mergers, consolidations and sales of all or substantially all assets. Events of default in the notes include nonpayment of interest, nonpayment of principal, breach of a covenant or warranty, cross acceleration of debt in excess of $50 million, and bankruptcy related matters.

As of December 31, 2006, we were in compliance with all of the covenants described above including the required financial ratios.

**Liquidity Risk**

Our liquidity position may be negatively affected by unfavorable conditions in the markets in which we operate. Our liquidity as it relates to our vacation ownership financings could be adversely affected if we were to fail to renew any of the facilities on their renewal dates or if we were to fail to meet certain ratios, which may occur in certain instances if the credit quality of the underlying vacation ownership contract receivables deteriorates. Our ability to sell vacation ownership contract receivables depends on the continued ability of the capital markets to provide financing to the entities that buy the vacation ownership contract receivables.

Our senior unsecured debt is rated BBB and Baa2 by Standard & Poor's and Moody's, respectively. 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.

**Seasonality**

We experience seasonal fluctuations in our net revenues and net income from our franchise and management fees, commission income earned from renting vacation properties, annual subscription fees or annual membership dues, as applicable, and exchange transaction fees and sales of VOIs. Revenues from franchise and management fees are generally higher in the second and third quarters than in the first or fourth quarters, because of increased leisure travel during the spring and summer months. Revenues from rental income earned from booking vacation rentals are generally highest in the third quarter, when vacation rentals are highest. Revenues from vacation exchange transaction fees are generally highest in the first quarter, which is generally when members of our vacation exchange business plan and book their vacations for the year. Revenues from sales of VOIs are generally higher in the third and fourth quarters than in other quarters. The seasonality of our business may cause fluctuations in our quarterly operating results. As we expand into new markets and geographical locations, we may experience increased or different seasonality dynamics that create fluctuations in operating results different from the fluctuations we have experienced in the past.

**Separation Adjustments And Transactions With Former Parent And Subsidiaries**

***Transfer of Cendant Corporate Liabilities and Issuance of Guarantees to Cendant and Affiliates***

Pursuant to the Separation and Distribution Agreement, upon the distribution of our common stock to Cendant shareholders, we entered into certain guarantee commitments with Cendant (pursuant to the assumption of certain liabilities and the obligation to indemnify Cendant, Realogy and Travelport for such liabilities) and guarantee commitments related to deferred compensation arrangements with each of Cendant and Realogy. These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and Cendant contingent and other corporate liabilities, of which we assumed and are responsible for 37.5% of these Cendant liabilities. The amount of liabilities which we assumed in connection with the Separation approximated $434 million at December 31, 2006, reduced from

approximately $524 million as measured at the date of separation (July 31, 2006). This amount was comprised of certain Cendant corporate liabilities which were recorded on the books of Cendant as well as additional liabilities which were established for guarantees issued at the date of Separation related to certain unresolved contingent matters and certain others that could arise during the guarantee period. Regarding the guarantees, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we would be responsible for a portion of the defaulting party or parties' obligation. We also provided a default guarantee related to certain deferred compensation arrangements related to certain current and former senior officers and directors of Cendant, Realogy and Travelport. These arrangements, which are discussed in more detail below, were valued upon our separation from Cendant with the assistance of third-party experts in accordance with Financial Interpretation No. 45 ("FIN 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and recorded as liabilities on the balance sheet. To the extent such recorded liabilities are not adequate to cover the ultimate payment amounts, such excess will be reflected as an expense to the results of operations in future periods.

The $434 million is comprised of (i) $40 million for litigation matters, (ii) $229 million for tax liabilities, (iii) $134 million for other contingent and corporate liabilities including liabilities of previously sold businesses of Cendant and (iv) $31 million of liabilities where the calculated FIN 45 guarantee amount exceeded the Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies" liability assumed at the date of Separation (of which $29 million of the $31 million pertain to litigation liabilities). Of the $434 million, $187 million is recorded in current Due to former Parent and subsidiaries and $234 million are recorded in long-term Due to former Parent and subsidiaries at December 31, 2006 on the Consolidated and Combined Balance Sheet. We are indemnifying Cendant for these contingent liabilities and therefore any payments would be made to the third party through the former Parent. The $31 million relating to the FIN 45 guarantees is recorded in other current liabilities at December 31, 2006 on the Consolidated and Combined Balance Sheet. In addition, we have a $65 million receivable due from former Parent relating to a refund of excess funding paid to our former Parent resulting from the Separation and income tax refunds, which is recorded in current due from former Parent and subsidiaries on the Consolidated and Combined Balance Sheet. We have also recorded a $37 million receivable in non-current due from former Parent and subsidiaries on the Consolidated Balance Sheet, which represents our right to receive proceeds from the ultimate sale of Cendant's preferred stock investment in and warrants of Affinion Group Holdings, Inc.

Following is a discussion of the liabilities on which we issued guarantees:

- ***Contingent litigation liabilities*** — We have assumed 37.5% of liabilities for certain litigation relating to, arising out of or resulting from certain lawsuits in which Cendant is named as the defendant. The indemnification obligation will continue until the underlying lawsuits are resolved. We will indemnify Cendant to the extent that Cendant is required to make payments related to any of the underlying lawsuits. As the guarantee relates to matters in various stages of litigation, the maximum exposure cannot be quantified. Due to the inherent nature of the litigation process, the timing of payments related to these liabilities cannot be reasonably predicted, but is expected to occur over several years.
- ***Contingent tax liabilities*** — We are liable for 37.5% of certain contingent tax liabilities and will pay to Cendant the amount of taxes allocated pursuant to the Tax Sharing Agreement for the payment of certain taxes. This liability will remain outstanding until tax audits related to the 2006 tax year are completed or the statutes of limitations governing the 2006 tax year have passed. Our maximum exposure cannot be quantified as tax regulations are subject to interpretation and the outcome of tax audits or litigation is inherently uncertain. Additionally, the timing of payments related to these liabilities cannot be reasonably predicted, but is likely to occur over several years.
- ***Cendant contingent and other corporate liabilities*** — We have assumed 37.5% of corporate liabilities of Cendant including liabilities relating to (i) Cendant's terminated or divested businesses, (ii) liabilities relating to the Travelport sale, if any, and (iii) generally any actions with respect to the separation plan or the distributions brought by any third party. Our maximum exposure to loss

cannot be quantified as this guarantee relates primarily to future claims that may be made against Cendant, that have not yet occurred. We assessed the probability and amount of potential liability related to this guarantee based on the extent and nature of historical experience.

- ***Guarantee related to deferred compensation arrangements*** — In the event that Cendant, Realogy and/or Travelport are not able to meet certain deferred compensation obligations under specified plans for certain current and former officers and directors because of bankruptcy or insolvency, we have guaranteed such obligations (to the extent relating to amounts deferred in respect of 2005 and earlier). This guarantee will remain outstanding until such deferred compensation balances are distributed to the respective officers and directors. The maximum exposure cannot be quantified as the guarantee, in part, is related to the value of deferred investments as of the date of the requested distribution. Additionally, the timing of payment, if any, related to these liabilities cannot be reasonably predicted because the distribution dates are not fixed.

***Transactions with Avis Budget Group, Realogy and Travelport***

Prior to our Separation from Cendant, we entered into a Transition Services Agreement ("TSA") with Avis Budget Group, Realogy and Travelport to provide for an orderly transition to becoming an independent company. Under the TSA, each of the companies agreed to provide us with various services, including services relating to human resources and employee benefits, payroll, financial systems management, treasury and cash management, accounts payable services, telecommunications services and information technology services. In certain cases, services provided under the TSA may be provided by one of the separated companies following the date of such company's separation from Cendant. During 2006, we recorded $8 million of expenses and less than $1 million in other income in the Consolidated and Combined Statements of Income related to these agreements.

***Separation and Related Costs***

During 2006, we incurred costs of $99 million in connection with executing the Separation. Such costs consisted primarily of (i) the acceleration of vesting of Cendant equity awards and the related equitable adjustments of such awards (see Note 16 to our Consolidated and Combined Financial Statements), (ii) an impairment charge due to a rebranding initiative for our Fairfield and Trendwest trademarks (see Note 2 to our Consolidated and Combined Financial Statements) and (iii) consulting and payroll-related services.

**Contractual Obligations**

The following table summarizes our future contractual obligations for the twelve month periods beginning on January 1st of each of the years set forth below:

| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Securitized debt[a] | $ 178 | $ 255 | $ 537 | $ 93 | $ 85 | $ 315 | $ 1,463 |
| Long-term debt[b] | 115 | 10 | 9 | 20 | 382 | 901 | 1,437 |
| Operating leases | 44 | 39 | 30 | 25 | 20 | 17 | 175 |
| Other purchase commitments[c] | 392 | 45 | 40 | 31 | 19 | 6 | 533 |
| Total | $ 729 | $ 349 | $ 616 | $ 169 | $ 506 | $ 1,239 | $ 3,608 |

(a) Amounts exclude interest expense, as the amounts ultimately paid will depend on amounts outstanding under our secured obligations and interest rates in effect during each period.

(b) Excludes future cash payments related to interest expense on our 6.00% senior unsecured notes and term loan of $66 million during each year from 2007 through 2010, $59 million during 2011 and $239 million thereafter.

(c) Primarily represents commitments for the development of vacation ownership properties.

In addition to the above and in connection with our separation from Cendant, we entered into certain guarantee commitments with Cendant (pursuant to our assumption of certain liabilities and our obligation to indemnify Cendant, Realogy and Travelport for such liabilities) and guarantee commitments related to deferred compensation arrangements with each of Cendant and Realogy. These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and Cendant contingent and other corporate liabilities, of which we assumed and are responsible for 37.5% of these Cendant liabilities. Additionally, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, we are responsible for a portion of the defaulting party or parties' obligation. We also provide a default guarantee related to certain deferred compensation arrangements related to certain current and former senior officers and directors of Cendant and Realogy. These arrangements were valued upon our separation from Cendant with the assistance of third- party experts in accordance with Financial Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and recorded as liabilities on our balance sheet. To the extent such recorded liabilities are not adequate to cover the ultimate payment amounts, such excess will be reflected as an expense to our results of operations in future periods. See Separation Adjustments and Transactions with former Parent and Subsidiaries discussion for details of guaranteed liabilities.

**Other Commercial Commitments And Off-balance Sheet Arrangements**

*Purchase Commitments.* In the normal course of business, we make various commitments to purchase goods or services from specific suppliers, including those related to vacation ownership resort development and other capital expenditures. None of the purchase commitments made by us as of December 31, 2006 (aggregating approximately $531 million) were individually significant; the majority relate to commitments for the development of vacation ownership properties (aggregating $323 million, all of which relates to 2007).

*Standard Guarantees/Indemnifications.* In the ordinary course of business, we enter into numerous agreements that contain standard guarantees and indemnities whereby we indemnify another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees and indemnifications are granted under various agreements, including those governing (i) purchases, sales or outsourcing of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) development of vacation ownership properties, (v) access to credit facilities and use of derivatives and (vi) issuances of debt securities. The guarantees and indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) developers in vacation ownership development agreements, (v) financial institutions in credit facility arrangements and derivative contracts and (vi) underwriters in debt security issuances. While some of these guarantees and indemnifications extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that we could be required to make under these guarantees and indemnifications, nor are we able to develop an estimate of the maximum potential amount of future payments to be made under these guarantees and indemnifications as the triggering events are not subject to predictability. With respect to certain of the aforementioned guarantees and indemnifications, such as indemnifications of landlords against third-party claims for the use of real estate property leased by us, we maintain insurance coverage that mitigates any potential payments to be made.

*Other Guarantees/Indemnifications.* In the normal course of business, our vacation ownership business provides guarantees to certain property owners' associations for funds required to operate and maintain vacation ownership properties in excess of assessments collected from owners of the vacation ownership interests. We may be required to fund such excess as a result of our unsold owned vacation ownership interests or failure by owners to pay such assessments. These guarantees extend for the duration of the underlying subsidy agreements (which generally approximate one year and are renewable on an

annual basis) or until a stipulated percentage (typically 80% or higher) of related vacation ownership interests are sold. The maximum potential future payments that we could be required to make under these guarantees was approximately $230 million as of December 31, 2006. We would only be required to pay this maximum amount if none of the owners assessed paid their assessments. Any assessments collected from the owners of the vacation ownership interests would reduce the maximum potential amount of future payments to be made by us. Additionally, should we be required to fund the deficit through the payment of any owners' assessments under these guarantees, we would be permitted access to the property for our own use and may use that property to engage in revenue-producing activities, such as marketing or rental. Historically, we have not been required to make material payments under these guarantees, as the fees collected from owners of vacation ownership interests have been sufficient to support the operation and maintenance of the vacation ownership properties. As of December 31, 2006, we recorded a liability in connection with these guarantees of $14 million.

*Securitizations.* We pool qualifying vacation ownership contract receivables and sell them to bankruptcy-remote entities. Prior to September 1, 2003, sales of vacation ownership contract receivables were treated as off-balance sheet sales as the entities utilized were structured as bankruptcy-remote QSPEs pursuant to SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Subsequent to September 1, 2003, newly originated as well as certain legacy vacation ownership contract receivables are securitized through bankruptcy-remote SPEs that are consolidated within our financial statements.

*Letters of Credit.* As of December 31, 2006, we had $30 million of irrevocable standby letters of credit outstanding, which mainly relate to support for development activity at our vacation ownership business.

**Critical Accounting Policies**

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

*Vacation Ownership Revenue Recognition.* Our sales of VOIs are either cash sales or seller-financed sales. In order for us to recognize revenues of VOI sales under the full accrual method of accounting described in SFAS No. 66, "Accounting of Sales of Real Estate" for fully constructed inventory, a binding sales contract must have been executed, the statutory rescission period must have expired (after which time the purchasers are not entitled to a refund except for non-delivery by us), receivables must have been deemed collectible and the remainder of our obligations must have been substantially completed. In addition, before we recognize any revenues on VOI sales, the purchaser of the VOI must have met the initial investment criteria and, as applicable, the continuing investment criteria, by executing a legally binding financing contract. A purchaser has met the initial investment criteria when a minimum down payment of 10% is received by us. As a result of the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, we must also take into consideration the fair value of certain incentives provided to the purchaser when assessing the adequacy of the purchaser's initial investment. In those cases where financing is provided to the purchaser by us, the purchaser is obligated to remit monthly payments under financing contracts that

represent the purchaser's continuing investment. The contractual terms of seller-provided financing arrangements require that the contractual level of annual principal payments be sufficient to amortize the loan over a customary period for the VOI being financed, which is generally seven to ten years, and payments under the financing contracts begin within 45 days of the sale and receipt of the minimum down payment of 10%. We use a methodology to estimate and record a provision for loan losses on our vacation ownership contract receivables, which include consideration of such factors as economic conditions, defaults, past due aging and historical write-offs of contracts. Prior to 2006, our provision for loan losses was presented as expenses on the Combined Statements of Income. Upon the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, the provision for loan losses is now classified as a reduction of vacation ownership interest sales on the Consolidated and Combined Statements of Income (see "Allowance for Loan Losses" discussed below).

If all of the criteria for a VOI sale to qualify under the full accrual method of accounting have been met, as discussed above, except that construction of the VOI purchased is not complete, we recognize revenues using the percentage-of-completion method of accounting provided that the preliminary construction phase is complete and that a minimum sales level has been met (to assure that the property will not revert to a rental property). The preliminary stage of development is deemed to be complete when the engineering and design work is complete, the construction contracts have been executed, the site has been cleared, prepared and excavated, and the building foundation is complete. The completion percentage is determined by the proportion of real estate inventory costs incurred to total estimated costs. These estimated costs are based upon historical experience and the related contractual terms. The remaining revenue and related costs of sales, including commissions and direct expenses, are deferred and recognized as the remaining costs are incurred. Until a contract for sale qualifies for revenue recognition, all payments received are accounted for as restricted cash and deposits within other current assets and deferred income, respectively, on the Consolidated and Combined Balance Sheets. Commissions and other direct costs related to the sale are deferred until the sale is recorded. If a contract is cancelled before qualifying as a sale, non-recoverable expenses are charged to the current period as part of operating expenses on the Consolidated and Combined Statements of Income. Changes in costs could lead to adjustments to the percentage of completion status of a project, which may result in difference in the timing and amount of revenue recognized from the construction of vacation ownership properties. This policy changed upon our adoption of SFAS No. 152 and SOP 04-2, which is discussed in greater detail in Note 1 and Note 2 to the Consolidated and Combined Financial Statements.

*Allowance for Loan Losses.* In our Vacation Ownership segment, we provide for estimated vacation ownership contract receivable cancellations at the time of VOI sales by recording a provision for loan losses on the Consolidated and Combined Statements of Income. We consider factors such as economic conditions, defaults, past-due aging and historical write-offs of vacation ownership contract receivables to evaluate the adequacy of the allowance. Upon the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, the provision for loan losses is classified as a reduction to revenue with no change made to prior periods presented.

*Business Combinations.* A component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations in accordance with SFAS No. 141, "Business Combinations" and related literature. Accordingly, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values at the date of purchase. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair values of assets acquired and liabilities assumed in a business combination, we use various recognized valuation methods including present value modeling and referenced market values (where available). Further, we make assumptions within certain valuation techniques including discount rates and timing of future cash flows. Valuations are performed by management or independent valuation specialists under management's supervision, where appropriate. We believe that the estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

With regard to the goodwill and other indefinite-lived intangible assets recorded in connection with business combinations, we annually or, more frequently if circumstances indicate impairment may have occurred, review their carrying values as required by SFAS No. 142, "Goodwill and Other Intangible Assets." In performing this review, we are required to make an assessment of fair value for our goodwill and other indefinite-lived intangible assets. When determining fair value, we utilize various assumptions, including projections of future cash flows. A change in these underlying assumptions could cause a change in the results of the tests and, as such, could cause the fair value to be less than the respective carrying amount. In such event, we would then be required to record a charge, which would impact earnings.

The aggregate carrying values of our goodwill and other indefinite-lived intangible assets were $2,699 million and $619 million, respectively, as of December 31, 2006 and $2,645 million and $580 million, respectively, as of December 31, 2005. Our goodwill and other indefinite-lived intangible assets are allocated among our three reporting segments.

*Income Taxes.* We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets that we believe will not be ultimately realized. In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions could cause an increase or decrease to our valuation allowance resulting in an increase or decrease in our effective tax rate, which could materially impact our results of operations.

***Changes in Accounting Policies***

During 2006, we adopted the following standards as a result of the issuance of new accounting pronouncements:

- SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions" and Statement of Position No. 04-2, "Accounting for Real Estate Time-Sharing Transactions"
- SFAS No. 123(R), "Accounting for Stock-Based Compensation"
- SFAS No. 154, "Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3"
- SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of SFAS No. 87, 88, 106 and 132 ®"
- Staff Accounting Bulletin No. 108, "Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."

We will adopt the following recently issued standards as required:

- SFAS No. 156, "Accounting for Servicing of Financial Assets — an amendment of FASB Statement No. 140"
- FASB Staff Position FIN 46R-6, "Determining the Variability to be considered in Applying FASB Interpretation No. 46R"
- FASB Interpretation No 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109"
- SFAS No. 157, "Fair Value Measurements"

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

**Quantitative and Qualitative Disclosures About Market Risk**

We use various financial instruments, particularly swap contracts and interest rate caps to manage and reduce the interest rate risk related to our debt. Foreign currency forwards are also used to manage and reduce the foreign currency exchange rate risk associated with our foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and other transactions.

We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market making or other speculative activities in the derivatives markets. More detailed information about these financial instruments is provided in Note 18 to the Consolidated and Combined Financial Statements. Our principal market exposures are interest and foreign currency rate risks.

- Interest rate movements in one country, as well as relative interest rate movements between countries can materially impact our profitability. Our primary interest rate exposure as of December 31, 2006 was to interest rate fluctuations in the United States, specifically LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We anticipate that LIBOR and commercial paper rates will remain a primary market risk exposure for the foreseeable future.
- We have foreign currency rate exposure to exchange rate fluctuations worldwide and particularly with respect to the British pound, Euro and Canadian dollar. We anticipate that such foreign currency exchange rate risk will remain a market risk exposure for the foreseeable future.

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

The fair values of cash and cash equivalents, trade receivables, accounts payable and accrued expenses and other current liabilities approximate carrying values due to the short-term nature of these assets. We use a discounted cash flow model in determining the fair values of vacation ownership contract receivables and our retained interests in securitized assets. The primary assumptions used in determining fair value are prepayment speeds, estimated loss rates and discount rates. We use a duration-based model in determining the impact of interest rate shifts on our debt and interest rate derivatives. The primary assumption used in these models is that a 10% increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities and derivatives. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all our currency exposures as of December 31, 2006, 2005 and 2004.

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

We used December 31, 2006, 2005 and 2004 market rates on outstanding financial instruments to perform the sensitivity analyses separately for each of our market risk exposures — interest and currency rate instruments. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves and exchange rates.

We have determined that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material at December 31, 2006 and December 31, 2005. While these results may be used as benchmarks, they should not be viewed as forecasts.

# BUSINESS

## Overview

As one of the world's largest hospitality companies, we offer individual consumers and business-to-business customers a broad suite of hospitality products and services across various accommodation alternatives and price ranges through our premier portfolio of world-renowned brands. With more than 20 brands, which include Wyndham Hotels and Resorts, Ramada, Days Inn, Super 8, TripRewards, RCI, Landal GreenParks, English Country Cottages, Novasol, Wyndham Vacation Resorts (formerly Fairfield Resorts) and WorldMark by Wyndham (formerly Trendwest Resorts), we have built a significant presence in most major hospitality markets in the United States and throughout the rest of the world. For 2006, total spending by domestic and international travelers in the United States was expected to be $675 billion, an increase of approximately 5% from spending levels in 2005 and of approximately 16% from spending levels in 2000, which witnessed the highest ever levels of travel spending for any year prior to the September 11, 2001 terrorist attacks. Globally, travel spending was expected to grow by 5% in 2006 to $4.5 trillion. Historically, we have pursued what we believe to be financially-attractive entrance points in the major global hospitality markets to strengthen our portfolio of products and services. Wyndham Worldwide is well positioned to compete in the major hospitality segments of this large and growing industry.

We operate primarily in the lodging, vacation exchange and rentals, and vacation ownership segments of the hospitality industry:

- Through our lodging business, we franchise hotels in the upscale, middle and economy segments of the lodging industry and provide property management services to owners of luxury and upscale hotels;
- Through our vacation exchange and rentals business, we provide vacation exchange products and services to owners of intervals of vacation ownership interests, and we market vacation rental properties primarily on behalf of independent owners; and
- Through our vacation ownership business, we market and sell vacation ownership interests to individual consumers, provide consumer financing in connection with the sale of vacation ownership interests and provide property management services at resorts.

Each of our lodging, vacation exchange and rentals and vacation ownership businesses has a long operating history. Our lodging business began operations in 1990 with the acquisition of the Howard Johnson and Ramada brands, each of which opened its first hotel in 1954. RCI, the best known brand in our vacation exchange and rentals business, was established more than 30 years ago, and our vacation ownership brands, Wyndham Vacation Resorts and Wyndham Resort Development Corporation, which operates as WorldMark by Wyndham, began vacation ownership operations in 1980 and 1989, respectively.

We provide directly to individual consumers our high quality products and services, including the various accommodations we market, such as hotels, vacation resorts, villas and cottages, and products we offer, such as vacation ownership interests. We also provide valuable products and services to our business-to-business customers, such as franchisees, affiliated resort developers and prospective developers. These products and services include marketing and central reservation systems, back office services and loyalty programs. We strive to provide value-added products and services that are intended both to enhance the travel experience of the individual consumer and to drive revenue to our business-to-business customers. The depth and breadth of our businesses across different segments of the hospitality industry provide us with the opportunity to expand our relationships with our existing individual consumers and business-to-business customers in one or more segments of our business by offering them additional or alternative products and services from our other segments.

The largest portion of our revenues comes from fees we receive in exchange for providing products and services. We receive fees, for example, as royalties for utilizing our brands and for providing property management and vacation exchange and rentals services. The remainder of our revenues comes from the proceeds of sales of products, such as vacation ownership interests, and related services. The fees we earn by providing products and services and proceeds from sales of our products and services provide us with strong and stable cash flows.

**Global Operations**

Our lodging, vacation exchange and rentals and vacation ownership businesses all have operations outside the United States. In 2006, we derived 78% of our revenues in the United States and 22% internationally while we had 79% of our long-lived assets in the United States and 21% internationally. The table below notes the more significant countries of operations ($ in millions).

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Net revenues** | | | |
| United States | $ 2,997 | $ 2,714 | $ 2,385 |
| United Kingdom | 223 | 211 | 174 |
| Australia | 104 | 99 | 94 |
| Netherlands | 167 | 163 | 113 |
| Other | 351 | 284 | 248 |
| | $ 3,842 | $ 3,471 | $ 3,014 |
| **Long-lived assets** | | | |
| United States | $ 3,690 | $ 3,478 | $ 3,283 |
| United Kingdom | 282 | 270 | 304 |
| Australia | 33 | 30 | 30 |
| Netherlands | 330 | 383 | 422 |
| Other | 318 | 194 | 281 |
| | $ 4,653 | $ 4,355 | $ 4,320 |

**History and Development**

Previously, we were a wholly owned subsidiary of Cendant Corporation (which changed its name to Avis Budget Group in September 2006). Cendant Corporation was created in December 1997 through the merger of CUC International, Inc., or CUC, and HFS Incorporated, or HFS. Prior to the merger, HFS was a major hospitality, real estate and car rental franchisor. At the time of the merger, HFS franchised hotels worldwide through brands, such as Ramada, Days Inn, Super 8, Howard Johnson and Travelodge. Subsequent to the merger, Cendant took a number of steps and completed a number of transactions to grow its Hospitality Services business and to develop its Timeshare Resorts business (which is the same business as our vacation ownership business), including the following:

- entry into the vacation ownership business with the acquisitions of Wyndham Vacation Resorts and WorldMark by Wyndham in 2001 and 2002, respectively;
- entry into the vacation rentals business through the acquisition of various brands, including Cuendet and the Holiday Cottages group of brands, which includes English Country Cottages, in 2001, Novasol in 2002, and Landal GreenParks and Canvas Holidays in 2004;
- commencement of the TripRewards loyalty program in 2003;

- purchase of all remaining ownership rights to the Ramada brand on a worldwide basis from Marriott International in 2004;
- acquisition of the global Wyndham Hotels and Resorts brand, related vacation ownership development rights and selected hotel property management contracts in 2005; and
- acquisition of the Baymont brand in April 2006

Prior to July 31, 2006, Cendant transferred to Wyndham Worldwide all of the assets and liabilities, including the entities holding substantially all of the assets and liabilities, of Cendant's Hospitality Services (including Timeshare Resorts) businesses and, on July 31, 2006, Cendant distributed all of the shares of Wyndham common stock to the holders of Cendant common stock issued and outstanding on July 21, 2006, the record date for the distribution. The separation was effective on July 31, 2006. On August 1, 2006, we commenced "regular way" trading on the New York Stock Exchange under the symbol "WYN."

Subsequent to our separation from Cendant, we further expanded our presence in the Lodging industry by acquiring a 30% equity interest in CHI Limited, a joint venture that provides management services to luxury and upper upscale hotels in Europe, the Middle East and Africa. As of December 31, 2006, we were providing property management services to 17 hotels branded as Corinthia through this joint venture. We expect 13 of these hotels to be branded or cobranded as Wyndham or Ramada during 2007.

**Industry Overview**

The hospitality industry is a major component of the travel industry, which is the third-largest retail industry in the United States after the automotive and food stores industries. The general health of the hospitality industry is affected by the performance of the U.S. economy. From 1981-2006, the U.S. economy has performed solidly as evidenced by the growth of the U.S. real Gross Domestic Product, or real GDP, at a compound annual growth rate, or CAGR, of 3.2% over the period. In 2006, the U.S. economy continued to perform solidly and it is expected to continue to perform solidly in 2007 and 2008 with real GDP expected to grow by approximately 2.6% and 3.2%, respectively.

The hospitality industry includes the segments in which Wyndham Worldwide operates — lodging, vacation exchange and rentals, and vacation ownership. In spite of the recent series of unprecedented challenges faced by the hospitality industry, including terrorism, Severe Acute Respiratory Syndrome (SARS) and natural disasters, the industry is growing. In 2005, domestic and international travelers spent in the United States an estimated $646 billion, which represents nearly an 8% increase from the prior year. In 2006, it was expected that the total spending by such travelers in the United States would reach $675 billion, which would be an increase of nearly 5% over 2005's spending. This level of expected spending in 2006 was 16% higher than the spending in 2000, the year prior to the September 11, 2001 terrorist attacks.

**Lodging Industry**

The $134 billion domestic lodging industry is a growing segment of the hospitality industry. Companies in the lodging industry generally operate in one or more of the various lodging segments, including luxury, upscale, middle and economy, and generally operate under one or more business models, including franchise, management and/or ownership. The lodging industry is an important component of the U.S. hospitality industry. In 2006, the U.S. lodging industry boasted approximately 49,000 properties, which represented approximately 4.5 million guest rooms, which are comprised of approximately 3.0 million rooms in franchised hotels and approximately 1.5 million rooms in independent hotels. According to PricewaterhouseCoopers' forecast, the U.S. lodging industry is expected to gross $25.1 billion in pre-tax profits in 2006, which represents an 11% increase from the prior year, followed by $27.2 billion in 2007 and $29.6 billion in 2008.

Growth in demand in the lodging industry is driven by two main factors: (i) the general health of the travel and tourism industry and (ii) the propensity for corporate spending on business travel. Demand for

lodging grew by a 1.3% CAGR in the United States from 2000 through 2006. During this seven year period, the industry added approximately 639,000 rooms. Demand for lodging has grown even faster in the past four years from 2003 to 2006 at a 3.3% CAGR. Even with the recent increase in the number of hotel rooms, demand in the past few years has been outpacing supply, which creates a favorable business environment for lodging companies.

Performance in the lodging industry is measured by certain key metrics, such as average daily rate, or ADR, average occupancy rate and revenue per available room, or RevPAR, which is calculated by multiplying the ADR by the average occupancy rate. Over the past five years, the trends in these performance metrics have generally indicated that the lodging industry is growing. In 2006, the ADR in the United States was $97.24, which is 7.0% higher than the rate in the prior year, the average occupancy rate was 63.4%, which is 0.4% higher than the rate in the prior year and RevPAR was $61.62, which is 7.4% higher than RevPAR in the prior year. The following table demonstrates the trends in the key performance metrics:

**Trends in Performance Metrics in the United States since 2001**

| Year | Occupancy Rate | Change in Occupancy Rate | Average Daily Rate (ADR) | Change in ADR | RevPAR | Change in RevPAR |
|---|---|---|---|---|---|---|
| 2001 | 59.7% | (5.6)% | $ 83.96 | (1.5)% | $50.16 | (7.0)% |
| 2002 | 59.0% | (1.2)% | 82.71 | (1.5)% | 48.81 | (2.7)% |
| 2003 | 59.2% | 0.3% | 82.82 | 0.1% | 49.02 | 0.4% |
| 2004 | 61.3% | 3.6% | 86.25 | 4.1% | 52.89 | 7.9% |
| 2005 | 63.1% | 2.9% | 90.89 | 5.4% | 57.35 | 8.5% |
| 2006 | 63.4% | 0.4% | 97.24 | 7.0% | 61.62 | 7.4% |
| 2007E | 63.3% | (0.1)% | 102.91 | 5.8% | 65.18 | 5.8% |

*Sources:* Smith Travel Research; PricewaterhouseCoopers

Performance in the lodging industry is also measured by revenues earned by companies in the industry and by the number of new rooms added on a yearly basis. In 2006, the lodging industry earned revenues of $134 billion and added 118,800 new rooms. The following table demonstrates trends in revenues and new rooms:

**Trends in Revenues and New Rooms in the United States since 2001**

| Year | Revenues ($bn) | Change in Revenue | New Rooms (000s) | Change in New Rooms |
|---|---|---|---|---|
| 2001 | $ 103.5 | (7.7)% | 90.5 | (24.8)% |
| 2002 | 102.5 | (0.9)% | 68.4 | (24.4)% |
| 2003 | 105.1 | 2.5% | 76.6 | 12.0% |
| 2004 | 114.0 | 8.5% | 80.7 | 5.3% |
| 2005 | 123.9 | 8.7% | 83.6 | 3.6% |
| 2006 | 133.9 | 8.1% | 118.8 | 42.1% |
| 2007E | 144.0 | 7.5% | 124.7 | 5.0% |

*Sources:* Smith Travel Research; PricewaterhouseCoopers

The lodging industry generally can be divided into four main segments: (i) luxury; (ii) upscale, which also includes upper upscale properties, (iii) midscale, which is often further split into midscale with food and beverage and midscale without food and beverage; and (iv) economy. Luxury and upscale hotels typically offer a full range of on-property amenities and services including restaurants, spas, recreational facilities, business center, concierge, room service and local transportation (shuttle service to airport, local

attractions and shopping). Midscale segment properties typically offer limited breakfast service, vending, selected business services, partial recreational facilities (either a pool or fitness equipment) and limited transportation (airport shuttle). Economy properties typically offer a swimming pool and airport shuttle. The following table sets forth the information on the ADR and on supply and demand for each segment and the associated subsegments:

**Lodging Segments for Franchised Hotels**

| Segment (*) | Estimated Average Daily Room Rate (ADR) | 2006 Rooms Sold (Demand, 000s) | Change in Demand | 2006 Room Supply (000s) | Change in Supply |
|---|---|---|---|---|---|
| Luxury | Greater than $180 | 55.0 | 5.4% | 77.0 | 3.0% |
| Upper upscale | $115 to $180 | 386.6 | 1.6% | 542.8 | 1.2% |
| Upscale | $85 to $115 | 281.0 | 1.5% | 400.3 | 1.7% |
| Midscale with food-and-beverage | $57 to $85 | 321.1 | (1.8)% | 539.6 | (2.6)% |
| Midscale without food-and-beverage | $57 to $85 | 445.8 | 3.2% | 672.1 | 2.1% |
| Economy | Less than $57 | 421.8 | (0.1)% | 736.4 | 0.1% |

*Sources:* Smith Travel Research; PricewaterhouseCoopers Hospitality Directions, U.S. Edition, December 2006.

(*) The "economy" segments (upper economy, economy and lower economy) of our lodging brands, while based on the Smith Travel Research chain-scale segments represented in the table above, provide a greater degree of differentiation to correspond with the price sensitivities of our customers by brand. The "middle" segment of our lodging brands encompasses both the Smith Travel Research "midscale without food and beverage" and "midscale with food and beverage" segments. See the System Performance and Distribution Table below.

Typically, companies in the lodging industry operate under one or more of the following three business models:

- ***Franchise.*** Under the franchise model, a company, which under this model is referred to as a franchisor, typically grants the use of a brand name to owners of hotels that the company neither owns nor manages in exchange for royalty fees that are typically equal to a percentage of room sales. Owners of independent hotels increasingly have been affiliating their hotels with national lodging franchise brands as a means to remain competitive. In 2006, the share of hotel rooms in the United States affiliated with a national lodging chain was approximately 67%.
- ***Management.*** Under the management model, a company provides property management services to lodging properties that it owns and/or lodging properties owned by a third party in exchange for management fees, which may include incentive fees based on the financial performances of the properties.
- ***Ownership.*** Under the ownership model, a company owns properties and therefore benefits financially from hotel revenues and any appreciation in the value of the properties.

**Vacation Exchange and Rentals Industry**

The estimated $39 billion global vacation exchange and rentals industry is a growing segment of the hospitality industry. Industry providers offer products and services to both leisure travelers and vacation property owners, including owners of second homes and vacation ownership interests. The vacation exchange and rentals industry offers leisure travelers access to a range of fully-furnished vacation properties, which include privately-owned vacation homes, apartments and condominiums, vacation ownership resorts, inventory at hotels and resorts, villas, cottages, boats and yachts. Providers offer leisure travelers flexibility (subject to availability) as to time of travel and a choice of lodging options in regions to which such travelers may not typically have such ease of access. For vacation property owners, affiliations with vacation exchange companies or vacation rental companies allow such owners to transfer the ability to facilitate

exchanges of interests in vacation properties or marketing and renting vacation properties, as applicable, and, with respect to vacation properties for rental, to transfer the responsibility of managing such properties.

The vacation exchange industry provides to owners of intervals flexibility with respect to vacations through vacation exchanges. Companies that offer vacation exchange services include, among others RCI (our global vacation exchange business and the world's largest vacation exchange network), Interval International, Inc. (a third-party exchange company), and companies that develop vacation ownership resorts and market vacation ownership interests and offer exchanges through internal networks of properties. To participate in a vacation exchange, an owner generally contributes intervals to an exchange company's network and then indicates the particular resort or geographic area to which the owner would like to travel, the size of the unit desired and the period during which the owner would like to vacation. The exchange company then rates the owner's contributed intervals based upon a number of factors, including the location and size of the unit or units, the quality of the resort or resorts and the time period or periods during which the intervals entitle the owner to vacation. The exchange company then generally offers the owner a vacation with a comparable rating to the vacation that the owner contributed. Exchange companies generally derive revenues from owners of intervals by charging exchange fees for exchanges and through annual membership dues. In 2005, over 70% of owners of intervals were members of vacation exchange companies, and approximately two-thirds of such owners exchanged their intervals through such exchange companies.

The overall trend in the vacation exchange industry is growth in the number of members of vacation exchange companies. We believe that the vacation exchange industry will be favorably impacted by the growth in the premium and luxury segments of the vacation ownership industry through the increased sales of vacation ownership interests at high-end luxury resorts and the continued development of vacation ownership properties and products, including condominium hotels and destination clubs. The vacation exchange industry is expected to grow over the next few years with respect to members and with respect to exchanges by members. In 2005, there were more than five million members who completed over 3.5 million exchanges.

The vacation rental industry offers vacation property owners the opportunity to rent their properties to leisure travelers for periods of time when the properties are unoccupied. The vacation rental industry is not as organized as the lodging industry in that the vacation rental industry, we believe, has no global companies and no international reservation systems or global brands. The global supply of vacation rental inventory is highly fragmented with much of it being made available by individual property owners (as contrasted with commercial hospitality providers). Although these owners sometimes rent their properties directly, with or without the assistance of property managers and brokers, vacation rental companies often assist in renting owners' properties without the benefit of globally recognized brands or international marketing and reservation systems. Sales by vacation rental companies are growing more rapidly than sales by other suppliers of inventory in the vacation rental industry. Typically, vacation rental companies collect rent in advance and, after deducting the applicable commissions, remit the net amounts due to the property owners and/or property managers. In addition to commissions, vacation rental companies earn revenues from rental customers through fees that are incidental to the rental of the properties, such as fees for travel services, local transportation, on-site services and insurance or similar type products.

We believe that as of December 31, 2006, there were approximately 1.5 million and 1.1 million vacation properties available for rental in the United States and Europe, respectively. In the United States, the vacation properties available for rental are primarily condominiums or stand-alone houses. In Europe, the vacation properties available for rental include individual homes and apartments, campsites and vacation parks. Individual owners of vacation properties in the United States and Europe principally own their properties as investments and often only use such properties for portions of the year.

We believe that the overall demand for vacation rentals has been growing for the following reasons: (i) the continuing growth of low-cost airline operations; (ii) the increased use of the Internet as a tool for facilitating vacation rental transactions; and (iii) the emergence of attractive, low-cost destinations, such as Eastern Europe and the Middle East. The demand per year for vacation rentals in Europe, the United

States, South Africa and Australia is approximately 49 million vacation weeks, 31 million of which are rented by leisure travelers from Europe. Demand for vacation rental properties is often regional in that leisure travelers who rent properties often live relatively close to such properties. Many leisure travelers, however, travel relatively long distances from their homes to vacation properties in domestic or international destinations.

The destinations where leisure travelers from Europe, the United States, South Africa and Australia generally rent properties vary by country of origin of the leisure travelers. Leisure travelers from Europe generally rent properties in European destinations, including Spain, France, Italy and Portugal, which are the most popular destinations for European leisure travelers. Demand from European leisure travelers has recently been shifting beyond traditional Western Europe, based on political stability across Europe, increased accessibility of Eastern Europe, expansion of the European Union and expansion of tourism in southern Mediterranean destinations. Demand by leisure travelers from the United States is focused on rentals in traditional destinations, such as Florida; Las Vegas, Nevada; San Francisco, California; and New York City.

We believe that the overall supply of vacation rental properties has been growing as a result of the growth in ownership of second homes. Growth in ownership of second homes, however, could adversely affect demand for vacation rental properties to the extent that owners of such homes no longer are as likely to rent vacation properties as such owners were before they bought second homes.

**The Vacation Ownership Industry**

The $13 billion global vacation ownership industry, which is also referred to as the timeshare industry, is one of the fastest-developing segments of the domestic and international hospitality industry. The vacation ownership industry enables customers to share ownership of a fully-furnished vacation accommodation. Typically, a vacation ownership purchaser acquires either a fee simple interest in a property, which gives the purchaser title to a fraction of a unit, or a right to use a property, which gives the purchaser the right to use a property for a specified period of time. Generally, a vacation ownership purchaser's fee simple interest in or right to use a property is referred to as a "vacation ownership interest." For many vacation ownership interest purchasers, vacation ownership is an attractive vacation alternative to traditional lodging accommodations at hotels or owning vacation properties. Owners of vacation ownership interests are not subject to the variance in room rates to which lodging customers are subject, and vacation ownership units are, on average, more than twice the size of traditional hotel rooms and typically have more amenities, such as kitchens, than do traditional hotel rooms.

The vacation ownership concept originated in Europe during the late 1960s and spread to the United States shortly thereafter. The vacation ownership industry expanded slowly in the United States until the mid-1980s; since then, the vacation ownership industry has grown at a double-digit CAGR. The American Resort Development Association, or ARDA, indicates that sales of vacation ownership interests grew in excess of 17% CAGR from 1995 to 2005. Based on ARDA research, domestic sales of vacation ownership interests were approximately $8,610 million in 2005 compared to $4,200 million in 2000 and $1,900 million in 1995. ARDA estimated that on January 1, 2006, there were approximately 4.1 million households that owned one or more vacation ownership interests in the United States.

Based on published industry data, we believe that the following factors have contributed to the substantial growth, particularly in North America, of the vacation ownership industry over the past two decades:

- increased consumer confidence in the industry based on enhanced consumer protection regulation of the industry;
- entry of lodging and entertainment companies into the industry, including Marriott International, Inc., The Walt Disney Company, Hilton Hotels Corporation, Hyatt Corporation, and Starwood Hotels & Resorts Worldwide, Inc.;

- increased flexibility for owners of vacation ownership interests made possible through owners' affiliations with vacation ownership exchange companies and vacation ownership companies' internal exchange programs;
- improvement in quality of resorts and resort management and servicing; and
- improved financing availability for purchasers of vacation ownership interests.

Demographic factors explain, in part, the growth of the industry. A 2006 study of vacation ownership purchasers revealed that the average owner was 52 years of age and had a median household income of $81,000. The average purchaser in the United States, therefore, is a baby boomer who has disposable income and interest in purchasing vacation products. We expect that baby boomers will continue to have a positive influence on the future growth of the vacation ownership industry.

According to the information compiled by the ARDA, the four primary reasons consumers cite for purchasing vacation ownership interests are: (i) flexibility with respect to different locations, unit sizes and times of year, (ii) the certainty of quality accommodations, (iii) credibility of the timeshare company and (iv) the opportunity to exchange into other resort locations. According to a 2006 ARDA study, nearly 80% of owners of vacation ownership interests indicated high levels of satisfaction. With respect to exchange opportunities, most owners of vacation ownership interests can exchange vacation ownership interests through exchange companies and through the applicable vacation ownership company's internal network of properties.

**WYNDHAM HOTEL GROUP**

**Overview**

Wyndham Hotel Group, our lodging business, franchises hotels and provides property management services to owners of luxury and upscale hotels. Through steady organic growth and acquisitions of established lodging franchise systems over the past 16 years, our lodging business has become the world's largest lodging franchisor as measured by the number of franchised hotels. Our lodging business has almost 6,500 franchised hotels, which represents over 543,000 rooms on six continents. Our franchised hotels operate under one of our ten lodging brands, which are Wyndham Hotels and Resorts, Wingate Inn, Ramada, Baymont, Days Inn, Super 8, Howard Johnson, AmeriHost Inn, Travelodge and Knights Inn. The breadth and diversity of our lodging brands provide potential franchisees with a range of options for affiliating their properties with one or more of our brands. Our lodging business has a strong presence across the middle and economy segments of the lodging industry and a developing presence in the upscale segment, thus providing individual consumers who are traveling for leisure or business with options for hospitality products and services across various price ranges. Throughout this Annual Report on Form 10-K, we use the term "hotels" to apply to hotels, motels and/or other accommodations, as applicable. In addition, the term "franchise system" refers to a system through which a franchisor licenses a brand and provides services to hotels whose independent owners pay to receive such license and services from the franchisor under the specific terms of a franchise agreement. The services provided through a franchise system typically include reservations, sales leads, marketing and advertising support, training, quality assurance inspections, operational support and information, pre-opening assistance, prototype construction plans, and national or regional conferences.

Our franchised hotels represent approximately 10% of the U.S. hotel room inventory. In 2006, our franchised hotels sold 8.6%, or approximately 88.8 million, of the one billion hotel room nights sold in the United States. In 2006, our franchised hotels sold approximately 19.4% of all hotel room nights sold in the United States in the economy and midscale segments. Our franchised hotels are dispersed throughout North America, which reduces our exposure to any one geographic region. Approximately 89% of the hotel rooms, or approximately 485,000 rooms, in our franchised hotels are located throughout North America, and approximately 11% of the hotel rooms, or approximately 58,000 rooms, are located outside of North America. In addition, our lodging franchises are dispersed among numerous franchisees, which reduces our

exposure to any one lodging franchisee. Of our approximately 5,200 lodging franchisees, no one franchisee accounts for more than 2% of our franchised hotels. Our lodging business provides our franchised hotels with a suite of operational and administrative services, including access to a central reservations system, advertising, promotional and co-marketing programs, referrals, technology, training and volume purchasing. We also provide our franchisees with the TripRewards loyalty program, which is the world's largest hotel rewards program as measured by the number of participating hotels.

As of December 31, 2006, we were providing property management services to 32 hotels associated with either the Wyndham Hotels and Resorts brand or the CHI joint venture. Our property management business offers owners of hotels professional oversight and comprehensive operations support. We expect to expand our property management business by strategically entering into property management contracts with new and existing hotels.

Our lodging business derives the majority of its revenues from franchising hotels and derives additional revenues from providing property management services. The sources of revenues from franchising hotels are initial franchise fees, which relate to services provided to assist a franchised hotel to open for business under one of our brands, and ongoing franchise fees, which are comprised of royalty fees and other fees relating to marketing and reservations. The royalty fees are intended to cover the use of our trademarks and our operating expenses, such as expenses incurred for franchise services, including quality assurance and administrative support, and to provide us with operating profits. The fees relating to marketing and reservations are intended to reimburse us for expenses associated with providing certain other franchise services, such as a central reservations system and advertising and marketing programs. Because franchise fees generally are based on percentages of the franchisees' gross room revenues, increasing RevPAR at franchised hotels is important to our revenue growth. Expanding our portfolio of franchised hotels and providing world-class service and support are also important to our revenue growth. The sources of revenue from property management are management fees, service fees and reimbursement revenues. Our management fees are comprised of base fees, which typically are calculated based upon a specified percentage of gross revenues from hotel operations, and incentive management fees, which typically are calculated based upon a specified percentage of a hotel's gross operating profit. Service fees include fees derived from accounting, design, construction and purchasing services and technical assistance provided to managed hotels. Reimbursement revenues are intended to cover expenses incurred by the property management business on behalf of the managed hotels, primarily consisting of payroll costs for operational employees who work at the hotels. Revenues from our lodging business represented approximately 17%, 15% and 15% of total company net revenues during 2006, 2005 and 2004, respectively.

*Our lodging business franchises under two models.* In North America and the United Kingdom, we generally employ a direct franchise model whereby we contract with and provide services and assistance with reservations directly to independent owner-operators of hotels. In other parts of the world, we employ either a direct franchise model or a master franchise model whereby we contract with a qualified, experienced third party to build a franchise enterprise in such third party's country or region.

**Lodging Brands**

We franchise ten widely-known lodging brands:

- ***Wyndham Hotels and Resorts.*** The Wyndham Hotels and Resorts brand was founded in 1981, and we acquired the brand in 2005. Wyndham Hotels and Resorts serves the upscale segment of the lodging industry with over 80 hotels and approximately 23,000 rooms located in the United States, Canada, the Caribbean and Mexico. Wyndham ByRequest program, which is a guest recognition program that provides returning guests with personalized accommodations, and Wyndham Hotels and Resorts offers signature programs, which include: Wyndham's Meetings ByRequest program, which is designed to help groups plan meetings and features 24-hour turnaround on all correspondence between the group's meeting planner and Wyndham's meetings manager, 100% wired or wireless Internet connectivity and catering options.

- ***Wingate Inns International.*** We created and launched the Wingate Inn brand in 1995 and opened the first hotel a year later. The all-new-construction Wingate Inn brand serves the upper middle segment of the lodging industry and franchises approximately 150 hotels with approximately 14,100 rooms located in the United States and Canada. Wingate Inn hotels currently offer all-inclusive pricing that includes the price of the room; complimentary wired and wireless high-speed Internet access, faxes and photocopies, deluxe continental breakfast, local calls and access for long-distance calls; and access to a 24-hour self-service business center equipped with computers with high-speed Internet access, a fax, a photocopier and a printer. Each hotel features a boardroom and meeting rooms with high-speed Internet access, a fitness room with a whirlpool and, at most locations, a swimming pool. Wingate Inn hotels currently do not offer food and beverage services.
- ***Ramada Worldwide.*** The Ramada brand was founded in 1954. We licensed the United States and Canadian trademark rights to the Ramada brand prior to acquiring the rights in 2002 and acquired the ownership rights to the brand on a worldwide basis in 2004. In North America, we serve the middle segment through Ramada, Ramada Hotel, Ramada Plaza and Ramada Limited, and internationally we serve the middle and upscale segments of the lodging industry through Ramada Resort, Ramada Hotel and Resort, Ramada Hotel and Suites, Ramada Plaza and Ramada Encore. Ramada Worldwide franchises approximately 870 hotels with approximately 106,000 rooms located in the United States, Canada, Costa Rica, Mexico, United Kingdom, Ireland, France, Switzerland, Finland, the Netherlands, Germany, Italy, Czech Republic, Hungary, Lithuania, Romania, Turkey, Egypt, Bahrain, Morocco, Saudi Arabia, Qatar, Oman, United Arab Emirates, Australia, Japan, South Korea, Indonesia, China, Hong Kong, India, Kuwait, Thailand and New Caledonia.
- ***Baymont Franchise Systems.*** Founded in Wisconsin in 1976 under the Budgetel Inns brands, the system was converted in 1999 to the Baymont Inn & Suites brand. We acquired the brand in April 2006. Baymont Franchise Systems primarily serves the middle segment of the lodging industry and franchises approximately 140 hotels with approximately 12,400 rooms located in the United States. Following the closing of our acquisition of the franchise business of Baymont Inn & Suites, we announced our intent to consolidate the AmeriHost-branded properties with our newly acquired Baymont-branded properties to create a more significant midscale brand. We commenced the integration in December 2006 and expect to be complete by fourth quarter 2007. Baymont Inn & Suites rooms feature oversized desks, ergonomic chairs and task lamps, voicemail, free local calls, in-room coffee maker, iron and board, hair dryer and shampoo, television with premium channels, pay-per-view movies and/or satellite movies and video games. Most locations feature high-speed Internet access, a swimming pool, airport shuttle service and a fitness center.
- ***Days Inns Worldwide.*** The Days Inn brand was created by Cecil B. Day in 1970, when the lodging industry consisted of only a dozen national brands. We acquired the brand in 1992. Days Inns Worldwide serves the upper economy segment of the lodging industry with approximately 1,860 hotels with approximately 151,400 rooms located in the United States, Canada, Mexico, Argentina, Uruguay, Ireland, United Kingdom, Italy, Egypt, Jordan, South Africa, Guam, China, India and the Philippines. In the United States, we serve the upper economy segment of the lodging industry through Days Inn, Days Hotel, Days Suites, DAYSTOP and Days Inn Business Place, and in the United Kingdom we serve the upper economy segment of the lodging industry through Days Hotels, Days Inn and Days Serviced Apartments. Many properties offer on-site restaurants, lounges, meeting rooms, banquet facilities, exercise centers and a complimentary continental breakfast and newspaper each morning. Each Days Suites room provides separate living and sleeping areas, with a telephone and television in each area. Each Days Inn Business Place room currently offers high-intensity lighting, a large desk, a microwave/refrigerator unit, a coffeemaker, an iron and ironing board, and snacks and beverages.
- ***Super 8 Motels.*** The first motel operating under the Super 8 brand opened in October 1974. We acquired the brand in 1993. Super 8 Motels serves the economy segment of the lodging industry. Super 8 Motels franchises approximately 2,050 hotels with approximately 126,200 rooms located in the United States, Canada and China. Super 8 motels currently provide complimentary continental

breakfast. Participating motels currently allow pets and offer free local calls for free, fax and copy services, microwaves, suites, guest laundry, exercise facilities, cribs, rollaway beds and pools.

- ***Howard Johnson International.*** The Howard Johnson brand was founded in 1925 by entrepreneur Howard Dearing Johnson as an ice cream stand within an apothecary shop in Quincy, Massachusetts, and the first hotel operating under the brand opened in 1954 in Savannah, Georgia. We acquired the brand in 1990. Howard Johnson serves the middle segment of the lodging industry through Howard Johnson Plaza, Howard Johnson Inn and Howard Johnson Hotel and the economy segment of the lodging industry through Howard Johnson Express. Howard Johnson franchises approximately 470 hotels with approximately 44,400 rooms located in the United States, Canada, Caribbean, Guatemala, Mexico, Argentina, Brazil, Columbia, Ecuador, Venezuela, Malta, Romania, Israel, United Arab Emirates, China and India. Participating hotels offer standard business amenities, a 25-inch television and free access for long-distance calls.
- ***AmeriHost Franchise Systems.*** The first AmeriHost Inn hotel opened in Athens, Ohio in 1989. We acquired the brand in 2000. AmeriHost Franchise Systems serves the middle segment of the lodging industry through AmeriHost Inn and AmeriHost Inn & Suites. AmeriHost Franchise Systems franchises approximately 100 hotels with approximately 6,700 rooms located in the United States. AmeriHost Inn hotels do not offer food and beverage services. In April 2006, following the closing of our acquisition of the franchise business of Baymont Inn & Suites, we announced our intent to consolidate the AmeriHost-branded properties with our newly acquired Baymont-branded properties to create a more significant midscale brand. We commenced the integration in December 2006 and expect to be complete by fourth quarter 2007.
- ***Travelodge Hotels.*** In 1935, founder Scott King established his first motor court operating under the Travelodge brand in San Diego. We acquired the brand (in North America only) in 1996. Travelodge Hotels franchises approximately 500 hotels with approximately 37,500 rooms located in the United States, Canada and Mexico. Travelodge Hotels serves the upper and lower economy segments of the lodging industry in the United States through Travelodge, Travelodge Suites and Thriftlodge hotels and serves the middle segment of the lodging industry in Canada and Mexico through Travelodge and Thriftlodge hotels.
- ***Knights Franchise Systems.*** The Knights Inn brand was created in 1972, and the first hotel operating under the brand opened in Columbus, Ohio. We acquired the brand in 1995. Knights Franchise Systems serves the lower economy segment of the lodging industry with 230 hotels with approximately 16,900 rooms located in the United States and Canada.

**System Performance and Distribution**

The following table provides operating statistics for our brands and for managed, non-proprietary hotels. The table includes information as of and for the year ended December 31, 2006. We derived occupancy, ADR and RevPAR from information we have received from our franchisees.

| Brand | Primary Segment Served(1) | Average Rooms Per Property | # of Properties | # of Rooms(2) | Average Occupancy Rate | Average Daily Rate (ADR) | Average Revenue Per Available Room (RevPAR) |
|---|---|---|---|---|---|---|---|
| Wyndham Hotels and Resorts | Upscale | 275 | 82 | 22,582 | 68.6% | $110.37 | $ 75.68 |
| Wingate Inn | Upper Middle | 92 | 154 | 14,146 | 64.7% | 83.99 | 54.33 |
| Ramada | Upscale & Middle | 122 | 871 | 105,986 | 53.7% | 72.34 | 38.85 |
| Baymont | Middle | 90 | 137 | 12,377 | 57.7% | 63.35 | 36.56 |
| AmeriHost Inn | Middle | 69 | 98 | 6,745 | 53.7% | 62.09 | 33.37 |
| Days Inn | Upper Economy | 81 | 1,859 | 151,438 | 52.0% | 60.37 | 31.41 |
| Super 8 | Economy | 61 | 2,054 | 126,175 | 55.2% | 56.17 | 31.00 |
| Howard Johnson | Middle & Economy | 95 | 467 | 44,432 | 46.3% | 65.82 | 30.45 |
| Travelodge | Upper & Lower Economy | 74 | 503 | 37,468 | 50.7% | 63.05 | 31.95 |
| Knights Inn | Lower Economy | 73 | 231 | 16,892 | 42.3% | 40.11 | 16.98 |
| Managed, Non-Proprietary Hotels(3) | Luxury & Upper Upscale | 294 | 17 | 4,993 | N/A | N/A | N/A |
| Total | | 84 | 6,473 | 543,234 | 53.4% | 65.44 | 34.95 |

(1) The "economy" segments discussed here, while based on the Smith Travel Research chain-scale segments represented in the table on page 6 of this Annual Report on Form 10-K, provide a greater degree of differentiation to correspond with the price sensitivities of our customers by brand. The "middle" segment discussed here encompasses both the Smith Travel Research "midscale without food and beverage" and "midscale with food and beverage" segments.

(2) From time to time, as a result of hurricanes, other adverse weather events and ordinary wear and tear, some of the rooms at these hotels may be taken out of service for repair and renovation and therefore may be unavailable.

(3) Represents properties managed under the CHI joint venture. As these properties are not branded, certain operating statistics (such as average occupancy rate, ADR and RevPAR) are not relevant. Thirteen of these properties are scheduled to be branded or cobranded as either Wyndham or Ramada during 2007.

The following table provides a summary description of our properties (including managed non-proprietary hotels) by geographic region as of and for the year ended December 31, 2006.

| Region | # of Properties | # of Rooms(1) | Average Occupancy Rate | Average Daily Rate (ADR) | Average Revenue Per Available Room (RevPAR) |
|---|---|---|---|---|---|
| United States | 5,636 | 450,126 | 53.3% | $ 63.20 | $ 33.69 |
| Canada | 423 | 34,845 | 55.9% | 79.40 | 44.37 |
| Europe(2) | 210 | 26,516 | 59.7% | 83.38 | 49.77 |
| Asia/Pacific | 119 | 19,741 | 57.5% | 59.14 | 34.03 |
| Latin/South America | 60 | 7,924 | 45.0% | 54.10 | 24.34 |
| Middle East/Africa(2) | 25 | 4,082 | 62.1% | 83.51 | 51.89 |
| Total | 6,473 | 543,234 | 53.4% | 65.44 | 34.95 |

(1) From time to time, as a result of hurricanes, other adverse weather events and ordinary wear and tear, some of the rooms at these hotels may be taken out of service for repair and renovation and therefore may be unavailable.

(2) Europe and Middle East include properties and rooms managed under the CHI joint venture. As these properties are not branded, certain operating statistics (such as average occupancy rate, ADR and RevPAR) are not relevant and therefore, have not been reflected in the table. Thirteen of these properties are scheduled to be branded as either Wyndham or Ramada during 2007.

**Franchise Development**

Under our direct franchise model, we principally market our lodging brands to independent hotel and motel owners and to hotel and motel owners who have the rights to terminate their franchise affiliations with other lodging brands. We also market franchises under our lodging brands to existing franchisees because many own, or may own in the future, other hotels that can be converted to one of our brands. Under our master franchise model, we principally market our lodging brands to third parties that assume the principal role of franchisor, which entails selling individual franchise agreements and providing quality assurance, marketing and reservations support to franchisees. As part of our franchise development strategy, we employ national and international sales forces that we compensate in part through commissions. Because of the importance of existing franchised hotels to our sales strategy, a significant part of our franchise development efforts is to ensure that our franchisees provide quality services to maintain the satisfaction of customers.

**Franchise Agreements**

Our standard franchise agreement grants a franchisee the right to non-exclusive use of the applicable franchise system in the operation of a single hotel at a specified location, typically for a period of 15 to 20 years, and gives the franchisor and franchisee certain rights to terminate the franchise agreement before the conclusion of the term of the agreement under certain circumstances, such as upon designated anniversaries of the franchised hotel's opening or the date of the agreement. Early termination options in franchise agreements give us flexibility to eliminate or re-brand franchised hotels if such properties become weak performers, even if there is no contractual failure by the franchisees. We also have the right to terminate a franchise agreement for failure by a franchisee to (i) bring its properties into compliance with contractual or quality standards within specified periods of time, (ii) pay required franchise fees or (iii) comply with other requirements of its franchise agreement.

Master franchise agreements, which are individually negotiated and vary among our different brands, typically contain provisions that permit us to terminate the agreement if the other party to the agreement fails to meet specified development schedules. Our master franchise agreements generally are competitive with the industry averages within industry segments.

**Sales and Marketing of Hotel Rooms**

We use the marketing/reservation fees that our franchisees pay to us to promote our brands through media advertising, direct mail, direct sales, promotions and publicity. A portion of the funds contributed by the franchisees of any one particular brand is used to promote that brand, whereas the remainder of the funds is allocated to support the cost of multibrand promotional efforts and to our marketing and sales team, which includes, among others, our worldwide sales, public relations, loyalty and direct marketing teams.

In 2006, the efforts of our worldwide sales team contributed approximately 12% of the annual hotel room nights sold at our franchised hotels. To supplement the worldwide sales team's efforts, our public relations team extends the reach and frequency of our paid advertising by generating extensive, unpaid exposure for our brands in trade and consumer media including *USA TODAY*, *The New York Times*, *Financial Times*, *Frommer's* and other widely-read publications.

In addition to the traditional sales efforts, we plan to develop and market mixed-use hotel and vacation ownership properties in conjunction with Wyndham's vacation ownership business. The mixed-use properties would generate room revenues at the franchised hotel and increased spend at the hotel restaurants and facilities by visiting timeshare guests.

**Central Reservations**

In 2006, we booked on behalf of our franchised and managed hotels approximately 4.3 million rooms by telephone, approximately 9.8 million rooms through the Internet and approximately 1.9 million rooms through global distribution systems, with a combined value of the bookings in excess of $1 billion. Additionally, our worldwide sales team generated leads for bookings from tour operators, travel agents, government and military clients, and corporate and small business accounts. We maintain contact centers in Saint John, New Brunswick, Canada, Aberdeen, South Dakota, Dallas, Texas and Manila, Philippines that handle bookings generated through our toll-free brand numbers. We maintain numerous brand websites to process online room reservations, and we utilize global distribution systems to process reservations generated by travel agents and third-party Internet booking sources, including Orbitz.com, CheapTickets.com, Expedia.com and Travelocity.com. To ensure we receive bookings by travel agents and third-party Internet booking sources, we provide direct connections between our central reservations system and most third-party Internet booking sources. The majority of hotel room nights are sold by our franchisees to guests who seek accommodations on a walk-in basis or through calls made directly to hotels, which we believe is attributable in part to the strength of our lodging brands.

Since 2001, bookings made directly by customers on our brand websites have been increasing at a CAGR of approximately 31%, and increased to 4.9 million room nights per year in 2006. Since 2001, bookings made through third-party Internet booking sources increased 20% while bookings made through global distribution systems declined 11%.

**Loyalty Programs**

The TripRewards program, which was introduced in 2003, has grown steadily to become, we believe, the lodging industry's largest loyalty program as measured by the number of participating hotels. There are currently approximately 6,000 hotels that participate in the program. With more than 40 businesses participating in the program, TripRewards offers its members numerous options to accumulate points. Members, for example, may accumulate points by staying in hotels franchised under one of our brands and purchasing everyday products and services from the various businesses that participate in the program. When staying at hotels franchised under one of our brands, TripRewards members may elect to earn airline miles or rail points instead of TripReward points. Businesses where points can be earned generally pay a fee to participate in the program; such fees are then used to support the program's marketing and operating expenses. TripRewards members have approximately 400 options to redeem their points. Members, for example, may redeem their points for hotel stays, airline tickets, resort vacations, electronics, sporting goods, movie and theme park tickets, and gift certificates. As of December 31, 2006, TripRewards had more than 5.2 million active members, which we define as any customer who has enrolled in the TripRewards program or earned or redeemed points in the program over the past 18 months, and the program added approximately 240,000 active members per month in 2006.

The Wyndham Hotels and Resorts brand maintains a separate loyalty program, the Wyndham ByRequest Program, which we expect to integrate into the TripRewards program during 2007.

**Property Management**

As of December 31, 2006, our lodging business was providing hotel property management services to 32 properties associated with the either the Wyndham Hotels and Resorts brand or the CHI joint venture. Our property management business offers owners of hotels professional oversight and comprehensive operations support, including hiring, training, purchasing, revenue management, sales and marketing, and food and beverage services; financial management and analysis; and information systems management and integration. Our management fee is generally based on a percentage of each hotel's gross revenue plus, in the majority of properties, an incentive fee based on operating performance. The terms of our management agreements are for various periods and generally contain renewal options, subject to certain termination

rights. In general, under our management agreements all operating and other expenses are paid by the owner and we are reimbursed for our out-of-pocket expenses.

**Strategies**

We intend to continue to accelerate growth of our lodging business by (i) maintaining our leadership position in the economy segment through sales and retention efforts and RevPAR growth; (ii) room growth in the domestic middle and upscale segments; and (iii) expanding our international presence through increasing the number of properties within the Wyndham Hotels and Resorts, Ramada, Days Inn and Super 8 brands. Our plans generally focus on pursuing these strategies organically. In addition, in appropriate circumstances, we will consider opportunities to acquire businesses, both domestic and international, including through the use of Wyndham Worldwide common stock as currency.

**Domestic**

Our strategy for growing economy brands in North America faster than the competitive set revolves around (i) enhancing our value to franchisees by improving rate and inventory management capabilities, investing in systems and training and growing the TripRewards loyalty program, (ii) improving the customer's experience by developing and implementing brand standard enhancements, (iii) optimizing system growth by adding franchised hotels in markets where brands are underrepresented and (iv) optimizing brand RevPAR performance by helping franchisees manage their rates and inventory, enrolling more TripRewards members and introducing seasonal promotions. Our approach for expanding our domestic middle and upscale presence is to fully utilize property management services to attract developers; establish and implement the Wyndham master brand plan with upper upscale, upscale and select-service products; complement Wingate Inn product quality with Wyndham brand recognition; and strengthen our position in the middle segment through the consolidation of AmeriHost-branded with our newly acquired Baymont-branded properties, which is currently scheduled to be completed by fourth quarter 2007.

**International**

Our strategy for international growth is to expand the presence of our Wyndham, Ramada, Days Inn and Super 8 brands and selectively utilize direct/master franchising, management agreements and joint venture models primarily in Europe and Asia-Pacific.

We intend to expand the Days Inn brand in the United Kingdom and in new markets that exhibit strong growth in the economy segment. We intend to expand the Ramada brand beyond its established base of properties in the United Kingdom and Germany into new markets that exhibit strong growth in the middle segment. We intend to expand the Wyndham brand in gateway and destination cities in Europe that exhibit strong growth in the upscale segment. Our expansion strategy for the Wyndham brand in European gateway and destination cities includes increasing the number of franchised and managed hotels through acquisitions and through conversions of existing non-affiliated hotels to the Wyndham brand. In Europe, we intend to pursue growth in the number of franchised hotels through our direct franchise model for our Days Inn brand. In addition, we may pursue growth in the number of franchised and managed hotels through joint ventures.

In China, the Middle East and India, our strategy is to expand the Super 8 brand in the economy segment and the Ramada and Days Inn brands in the middle and upscale segments. In the near future, our strategy will include introducing the Wyndham brand to these regions. We intend to pursue these opportunities by increasing the number of franchised hotels through our direct franchise model for our Ramada and Wyndham brands and through our master franchise model for our Super 8 and Days Inn brands. In addition, we intend to pursue growth in the number of managed hotels through new agreements with hotels franchised under our Ramada and Wyndham brands. We may also pursue growth in the number of franchised and managed hotels through the use of joint ventures.

To further augment our international presence, we also intend to pursue growth in Latin America, particularly in Mexico and in the Caribbean, by expanding the Ramada brand in the middle segment, expanding the Wyndham brand in the upscale segment and continuing to support hotels franchised under the Howard Johnson brand. In Latin America, we intend to pursue growth in the number of franchised hotels through our direct franchise model for our Ramada brands and through our master franchise model for our Days Inn and Howard Johnson brands and growth in the number of managed hotels through new management agreements with hotels franchised under our brands.

**Seasonality**

Franchise and management fees are generally higher in the second and third quarters than in the first or fourth quarters of any calendar year. Because of increased leisure travel and the related ability to charge higher ADRs during the spring and summer months, hotels we franchise or manage typically generate higher revenue during these months. Therefore, any occurrence that disrupts travel patterns during the spring or summer could have a greater adverse effect on our franchised hotels' and managed properties' annual performances and consequently on our annual performance than occurrences that disrupt travel patterns in other seasons. We do not currently expect any change to these seasonal trends.

**Competition**

Competition among the national lodging brand franchisors to grow their franchise systems is robust. The lodging companies that we compete with in the upscale and upper middle segments include Marriott International Inc., Hilton Hotels Corporation, Starwood Hotels & Resorts Worldwide, Inc., InterContinental Hotels Group PLC and Hyatt Corporation. The lodging companies that we compete with in the middle and economy segments include Marriott International Inc., Choice Hotels International, Inc. and Accor SA.

We believe that competition for the sales of franchises in the lodging industry is based principally upon the perceived value and quality of the brands and the services offered to franchisees. We believe that the perceived value of a brand name to prospective franchisees is, to some extent, a function of the success of the existing hotels franchised under the brands. We believe that prospective franchisees value a franchise based upon their views of the relationship between the costs, including costs of affiliation and conversion and future charges, to the benefits, including potential for increased revenue and profitability, and upon the reputation of the franchisor.

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

**Trademarks**

We own the trademarks "Wyndham Hotels and Resorts," "Wingate Inn," "Ramada," "Baymont," "Days Inn," "Super 8," "Howard Johnson," "AmeriHost Inn," "Travelodge" (in North America only), "Knights Inn," "TripRewards" and related trademarks and logos. Such trademarks and logos are material to the businesses that are part of our lodging business. Our franchisees and our subsidiaries actively use these marks, and all of the material marks are registered (or have applications pending) with the United States Patent and Trademark Office as well as with the relevant authorities in major countries worldwide where these businesses have significant operations.

**RCI GLOBAL VACATION NETWORK**

**Overview**

RCI Global Vacation Network, our vacation exchange and rentals business, provides vacation exchange products and services to developers, managers and owners of intervals of vacation ownership interests, and markets vacation rental properties. We are the world's largest vacation exchange network and among the world's largest global marketers of vacation rental properties. Our vacation exchange and rentals business has access for specified periods, in a majority of cases on an exclusive basis, to over 60,000 vacation properties, which are comprised of over 4,000 vacation ownership resorts around the world with units that are exchanged through our vacation exchange business and over 56,000 vacation rental properties that are located principally in Europe, which we believe makes us one of the world's largest marketers of European vacation rental properties as measured by the number of properties we market for rental. Each year, our vacation exchange and rentals business provides more than four million leisure-bound families with vacation exchange and rentals products and services. The properties available to leisure travelers through our vacation exchange and rentals business include hotel rooms and suites, villas, cottages, bungalows, campgrounds, vacation ownership condominiums, city apartments, second homes, fractional private residences, luxury destination clubs and boats. We offer leisure travelers flexibility (subject to availability) as to time of travel and a choice of lodging options in regions that such travelers may not typically have such ease of access, and we offer property owners marketing services, quality control services and property management services ranging from key-holding to full property maintenance for such properties. Our vacation exchange and rentals business has over 60 worldwide offices. We market our products and services using seven primary brands and other related brands.

Throughout this document, we use the term "inventory" in the context of our vacation exchange and rentals business to refer to intervals of vacation ownership interests and primarily independently owned properties, which include hotel rooms and suites, villas, cottages, bungalows, campgrounds, vacation ownership condominiums, city apartments, second homes, fractional private residences, luxury destination clubs and boats. In addition, throughout this document, we refer to intervals of vacation ownership interests as "intervals" and individuals who purchase vacation rental products and services from us as "rental customers."

Our vacation exchange and rentals business primarily derives its revenues from fees. Our vacation exchange business, RCI, derives a majority of its revenues from annual membership dues and exchange fees for transactions. Our vacation exchange business also derives revenues from ancillary services, including travel agency services and loyalty programs. Our vacation rentals business primarily derives its revenues from fees, which generally average approximately 40% to 60% of the gross bookings depending upon product mix or seasonality. Our vacation rentals business also derives revenues from trip protection sales in Europe, transportation fees, property management fees and on-site revenue from ancillary services, including travel agency services. Revenues from our vacation exchange and rentals business represented approximately 29%, 31% and 31% of total company net revenues during 2006, 2005 and 2004, respectively.

Through our vacation exchange business, RCI, we have relationships with over 4,000 vacation ownership resorts in approximately 100 countries. Historically, our vacation exchange business consisted of the operation of worldwide exchange programs for owners of intervals. Today, our vacation exchange business also provides property management services and consulting services for the development of tourism-oriented real estate, loyalty programs, in-house and outsourced travel agency services, and third-party vacation club services.

We operate our vacation exchange business, RCI, through three worldwide exchange programs that have a member base of vacation owners who are generally well-traveled and affluent and who want flexibility and variety in their travel plans each year. Our vacation exchange business' three exchange programs, which serve owners of intervals at affiliated resorts, are RCI Weeks, RCI Points and The Registry Collection. Participants in these exchange programs pay annual membership dues. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with our

vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related products and services. We refer to participants in these three exchange programs as "members." In addition, the Endless Vacation® magazine is the official publication of our RCI Weeks and RCI Points exchange programs, and certain members can obtain the benefits of participation in our RCI Weeks and RCI Points exchange programs only through a subscription to Endless Vacation® magazine. The use of the terms "member" or "membership" with respect to either the RCI Weeks or RCI Points exchange program is intended to denote subscription to Endless Vacation® magazine.

The RCI Weeks exchange program is the world's largest vacation ownership exchange network. We market this exchange program under the RCI Weeks name. The RCI Weeks exchange program provides members with flexibility to trade week-long intervals in units at their resorts for week-long intervals in comparable units at the same resorts or at comparable resorts.

The RCI Points exchange program is a global points-based exchange network. We market this exchange program under the RCI Points trademark. The RCI Points exchange program, which was developed and launched in 2000, allocates points to intervals that members cede to the exchange program. Under the RCI Points exchange program, members may redeem their points for the use of vacation properties in the exchange program or for other products, such as airfare, car rentals, cruises, hotels and other accommodations. When points are redeemed for these services, our vacation exchange business has the right to recoup the expense of providing the services by renting the use of vacation properties for which the members could have redeemed their points.

We believe that The Registry Collection exchange program is one of the industry's first global exchange network of luxury vacation accommodations. The luxury vacation accommodations in The Registry Collection's network include higher-end vacation ownership resorts, fractional ownership resorts and condo-hotels. The Registry Collection allows members to exchange their intervals for the use of other vacation properties within the network or for other products, such as airfare, car rentals, cruises, hotels and other accommodations. The members of The Registry Collection exchange program often own greater than two-week intervals at affiliated resorts.

We acquire substantially all members of our exchange programs indirectly. In substantially all cases, an affiliated resort developer buys the initial term of an RCI membership, generally ranging from 1 — 3 years that entitles the vacation ownership interval purchaser to receive periodicals and directories published by RCI and to use the applicable exchange program for an additional fee. The vacation ownership interval purchaser generally pays for membership renewals and any applicable exchange fees for transactions.

Our vacation exchange business also provides property management services and consulting services for the development of tourism-related real estate, loyalty programs, in-house and outsourced travel agency services, and third-party vacation club services. Our third-party vacation club business consists of private label exchange clubs that RCI operates and manages for certain of its larger affiliates. Club management is a growing trend in the vacation ownership industry and a growing piece of our vacation exchange business. Approximately 95% of the third-party vacation clubs are points-based.

Our vacation exchange business operates in North America, Europe, Latin America, South Africa, Australia, the Pacific Rim, the Middle East and China and tailors its strategies and operating plans for each of the geographical environments where RCI has or seeks to develop a substantial member base.

The rental properties we market are principally privately-owned villas, cottages, bungalows and apartments that generally belong to property owners unaffiliated with us. In addition to these properties, we market inventory from our vacation exchange business to developers of vacation ownership properties and other sources. We market rental properties under proprietary brands, such as Landal GreenParks, English Country Cottages, Novasol, Cuendet and Canvas Holidays, and through select private-label arrangements. Most of the rental activity under our brands takes place in Europe, the United States and Mexico, although we have the ability to source and rent inventory in approximately 100 countries. Our vacation rentals business currently has relationships with approximately 35,000 independent property owners in 22 countries, including the United States, United Kingdom, Mexico, France, Ireland, the Netherlands, Belgium, Italy,

Spain, Portugal, Denmark, Norway, Sweden, Germany, Greece, Austria, Croatia and certain countries in Eastern Europe and the Pacific Rim. We currently make over 1.3 million vacation rental bookings a year. Our vacation rentals business also has the opportunity to market and provide inventory to the over three million owners of intervals who participate in our vacation exchange business. Property owners typically enter into one year, evergreen or multi-year contracts with our vacation rentals subsidiaries to market the rental of their properties within our rental portfolio. Our vacation rentals business also has an ownership interest in, or capital leases for, approximately 13% of the properties in our rental portfolio.

**Customer Development**

In our vacation exchange business we affiliate with vacation ownership developers directly as a result of the efforts of our in-house sales teams. Affiliated developers typically sign long-term agreements with durations of five to ten years. Our members are acquired primarily through our affiliated developers as part of the vacation ownership purchase process. In our vacation rentals business, we primarily acquire exclusive rental agreements through direct interaction with owners of various types of vacation rental inventory.

**Loyalty Program**

Our vacation exchange business' member loyalty program is RCI Elite Rewards, which offers a branded credit card, the RCI Elite Rewards credit card, that allows members to earn points that can be redeemed for items related to our exchange programs, including annual membership dues and exchange fees for transactions and other products offered by our vacation exchange business or certain third parties, including airlines and retailers.

**Member and Rental Customer Initiatives**

Our vacation exchange and rentals business strives to provide superior service to members and rental customers through our call centers and online distribution channels, to offer certain members and rental customers in Canada, Europe, Latin America, South Africa and the Pacific Rim one-stop shopping through our retail travel agency business, and to target current and prospective members and rental customers through our marketing efforts.

**Call Centers**

Our vacation exchange and rentals business services its members and rental customers primarily through global call centers. The requests that we receive at our global call centers are handled by our vacation guides, who are highly skilled at fulfilling our members' and rental customers' requests for vacation exchanges and rentals. When our members' and rental customers' primary choices are unavailable in periods of high demand, our guides offer the next nearest match in order to fulfill the members' and rental customers' needs. Call centers are and are expected to continue to be our primary distribution channel and therefore we invest resources and will continue to do so to ensure that members and rental customers continue to receive a high level of personalized customer service through our call centers.

**Internet**

Given the interest of some of our members and rental customers in doing transactions on the Internet, we invest and will continue to invest in online technologies to ensure that our members and rental customers receive the same salesmanship and level of service online that we provide through our call centers. As our online distribution channels improve, members and rental customers may shift from transacting business through our call centers to transacting business online. As transacting business online becomes more popular, we expect to experience cost savings at our call centers. By offering our members and rental customers the opportunity to transact business either through our call centers or online, we allow our members and rental customers to use the distribution channel with which they are most comfortable.

Regardless of the distribution channel our members and rental customers use, our goal is member and rental customer satisfaction and retention.

**Travel Agency**

We have an established retail travel agency business outside the United States in such locations as Canada, Europe, Latin America, South Africa and the Pacific Rim. In these regions, our travel agencies provide certain members and rental customers of the vacation exchange and rentals business with one-stop shopping for planning vacations. As part of the one-stop shopping, the travel agencies can arrange for our members' and rental customers' transportation, such as flights, ferries and rental cars. In the United States, we have entered into an outsourcing agreement with a former affiliate to provide our members and rental customers with travel services.

**Marketing**

We market to our members and rental customers through the use of brochures, magazines, direct marketing, such as direct mail and e-mail, third-party online distribution channels, tour operators and travel agencies. Our vacation exchange and rentals business has over 50 publications involved in the marketing of the business. RCI publishes *Endless Vacation*® magazine, a travel publication that has a circulation of over 1.7 million. Our vacation exchange and rentals business also publishes resort directories and other periodicals related to the vacation and vacation ownership industry and other travel-related services. We acquire the rental customers through our direct-to-consumer marketing, internet marketing and third-party agent marketing programs. We use our publications not only for marketing but also for member and rental customer retention.

**Strategies**

We intend to continue to grow the number of members and rental customers of and transactions facilitated through our vacation exchange and rentals business by (i) continually enhancing our core vacation networks; (ii) developing new business models; and (iii) expanding into new markets. Our plans generally focus on pursuing these strategies organically. In addition, in appropriate circumstances, we will consider opportunities to acquire businesses, both domestic and international, including through the use of Wyndham Worldwide common stock as currency.

**Continually Enhance Our Core Vacation Networks**

We plan to expand the integration of our vacation exchange and rentals networks to enhance the value of our products and services to our members and rental customers, and the value of vacation ownership for the resorts that affiliate with us. We are already executing this plan by integrating our vacation exchange and rentals networks to provide a larger variety and greater availability of vacation accommodation choices to our members and rental customers. Specifically, vacation rental inventory has been made available to RCI exchange members to add variety and depth to exchange options. Additionally, vacation home proprietors and renters are expected to be offered RCI designed membership programs to drive both rental customer satisfaction and retention. We also plan to enhance the core vacation network by offering different membership types to cater to a wider range of rental customers. Further, we plan to take advantage of a fragmented and unorganized global rental industry by expanding our vacation rentals business into North America and a select number of international markets.

**Develop New Business Models**

We plan to continue to develop new business models that will enhance the value and experience for our members, rental customers and third-party developers who affiliate their resorts with RCI. Our vacation exchange and rentals business' launch of RCI Points brought new value to RCI members and such third-

party developers by giving enhanced flexibility of exchange options to RCI members. Today, it remains the only global points-based vacation exchange network. Similarly, the vacation exchange and rentals business is in the process of expanding one of the industry's first luxury exchange networks, The Registry Collection, to address the global, fast growing luxury segment in shared ownership leisure real estate. Additionally, we are developing new business models, such as on-site management and brand licensing/franchising to continue to expand our vacation rentals business in Europe. We believe this will be a successful addition to our vacation exchange and rentals business model portfolio.

**Expand into New Markets**

We plan to grow our overall vacation exchange and rentals business by expanding into new geographic areas. We have begun to, and plan to continue to, expand into new Asian and Middle Eastern markets. New geographic markets provide us with the opportunity to affiliate with new resorts and developers, to acquire new vacation accommodation inventory types, and to obtain new members and rental customers for our vacation exchange and rentals business. Our expansion into new markets will bring new entrants into the vacation real estate industry, thereby fulfilling our goal to expand and capture additional revenue within the global vacation exchange and rentals market.

**Seasonality**

Vacation exchange and rentals revenues are generally higher in the first and third quarters than in the second or fourth quarters. Vacation exchange transaction revenues are normally highest in the first quarter, which is generally when members of RCI plan and book their vacations for the year. Rental transaction revenues earned from booking vacation rentals to rental customers are usually highest in the third quarter, when vacation rentals are highest. Most vacation rental customers book their reservations 8 to 15 weeks in advance of their departure dates, however, we cannot predict whether this booking trend will continue in the future.

**Competition**

The vacation exchange and rentals business faces competition throughout the world. Our vacation exchange business competes with Interval International, Inc., which is a third-party international exchange company, with regional and local vacation exchange companies and with Internet-based business models. In addition, certain developers offer exchanges through internal networks of properties, which are operated by us or by the developer, that offer owners of intervals access to exchanges other than those offered by our vacation exchange business. Our vacation rentals business faces competition from a broad variety of marketers of vacation properties who use brokerage, direct marketing and the Internet to market and rent vacation properties.

**Trademarks**

We own the trademarks "RCI," "RCI Points," "The Registry Collection," "Landal GreenParks," "English Country Cottages," "Novasol," "Cuendet," "Canvas Holidays," and related and other trademarks and logos. Such trademarks and logos are material to the businesses that are part of our vacation exchange and rentals business. Our subsidiaries actively use these marks, and all of the material marks are registered (or have applications pending) with the U.S. Patent and Trademark Office as well as with the relevant authorities in major countries worldwide where these businesses have significant operations.

## WYNDHAM VACATION OWNERSHIP

### Overview

Wyndham Vacation Ownership, our vacation ownership business, includes marketing and sales of vacation ownership interests, consumer financing in connection with the purchase by individuals of vacation ownership interests, property management services to property owners' associations, and development and acquisition of vacation ownership resorts. We operate our vacation ownership business through our two primary brands, Wyndham Vacation Resorts and WorldMark by Wyndham. We have the largest vacation ownership business in the world as measured by the numbers of vacation ownership resorts, vacation ownership units and owners of vacation ownership interests. We have developed or acquired approximately 150 vacation ownership resorts in the United States, Canada, Mexico, the Caribbean and the South Pacific that represent more than 20,000 individual vacation ownership units and over 800,000 owners of vacation ownership interests.

Our primary vacation ownership brands, Wyndham Vacation Resorts and WorldMark by Wyndham, operate vacation ownership programs through which vacation ownership interests can be redeemed for vacations through points-based internal reservation systems that provide owners with flexibility (subject to availability) as to resort location, length of stay, unit type and time of year. The points-based reservation systems offer owners redemption opportunities for other travel and leisure products that may be offered from time to time, and the opportunity for owners to use our products for one or more vacations per year based on level of ownership. Our vacation ownership programs allow us to market and sell our vacation ownership products in variable quantities as opposed to the fixed quantity of the traditional, fixed-week vacation ownership, which is primarily sold on a weekly interval basis, and to offer to existing owners "upgrade" sales to supplement such owners' existing vacation ownership interests. Although we operate Wyndham Vacation Resorts and WorldMark by Wyndham as separate brands, we have integrated substantially all of the business functions of Wyndham Vacation Resorts and WorldMark by Wyndham, including consumer finance, information technology, certain staff functions, product development and certain marketing activities.

Our vacation ownership business derives a majority of its revenues from sales of vacation ownership interests and derives other revenues from consumer financing and property management. Because revenues from sales of vacation ownership interests and consumer finance in connection with such sales depend on the number of vacation ownership units in which we sell vacation ownership interests, increasing the number of such units is important to our revenue growth. Because revenues from property management depend on the number of units we manage, increasing the number of such units is also important to our revenue growth. Revenues from our vacation ownership business represented approximately 54%, 54% and 55% of total company net revenues during 2006, 2005 and 2004, respectively.

### Sales and Marketing of Vacation Ownership Interests and Property Management

#### *Wyndham Rebranding*

As of December 31, 2006, our Fairfield Resorts and Trendwest vacation ownership businesses have begun to transition their consumer branding efforts to Wyndham Vacation Resorts and WorldMark by Wyndham, respectively. This transition, which is expected to continue throughout 2007, includes the implementation of the Wyndham Vacation Resorts and WorldMark by Wyndham brands throughout all marketing, sales and service channels as appropriate, including the application of the Wyndham brand at select resort properties as well as sales, marketing and service centers throughout our system.

#### *Wyndham Vacation Resorts*

Wyndham Vacation Resorts markets and sells vacation ownership interests in Wyndham Vacation Resorts' portfolio of resort properties and uses a points-based reservation system called FairShare Plus to

provide owners with flexibility (subject to availability) as to resort location, length of stay, unit type and time of year. Wyndham Vacation Resorts is involved in the development or acquisition of the resort properties in which Wyndham Vacation Resorts markets and sells vacation ownership interests. Wyndham Vacation Resorts also often acts as a property manager of such resorts. From time to time, Wyndham Vacation Resorts also sells home lots and other real estate interests at its resort properties.

***Vacation Ownership Interests, Portfolio of Resorts and Maintenance Fees.*** The vacation ownership interests that Wyndham Vacation Resorts markets and sells consist of fixed weeks and undivided interests. A fixed week entitles an owner to ownership and usage rights with respect to a unit for a specific week of each year, whereas an undivided interest entitles an owner to ownership and usage rights that are not restricted to a particular week of the year. These vacation ownership interests each constitute a deeded interest in real estate and on average sold for approximately $17,600 in 2006. Of the more than 800,000 owners of vacation ownership interests in Wyndham Vacation Resorts and WorldMark by Wyndham resort properties as of December 31, 2006, approximately 518,000 owners held interests in Wyndham Vacation Resorts resort properties.

Wyndham Vacation Resorts resort properties are located primarily in the United States and, as of December 31, 2006, consisted of 79 resorts that represented approximately 15,000 units. In 2006, Wyndham Vacation Resorts expanded its portfolio in Orlando, Florida, Myrtle Beach, South Carolina, Wisconsin Dells, Wisconsin, Fairfield Glade, Tennessee and Sevierville (Smokey Mts.), Tennessee and added resort properties in new locations, such as Honolulu, Hawaii and San Diego, California.

The majority of the resorts in which Wyndham Vacation Resorts markets and sells vacation ownership and other real estate interests are destination resorts that are located at or near attractions such as the Walt Disney World® Resort in Florida; the Las Vegas Strip in Nevada; Myrtle Beach in South Carolina; Colonial Williamsburg® in Virginia; and the Hawaiian Islands. Most Wyndham Vacation Resorts resort properties are affiliated with Wyndham Worldwide's vacation exchange subsidiary, RCI, which awards to the top 10% of RCI affiliated vacation ownership resorts throughout the world designations of an RCI Gold Crown Resort or an RCI Silver Crown Resort for exceptional resort standards and service levels. Among Wyndham Vacation Resorts' 79 resort properties, 55 have been awarded designations of an RCI Gold Crown Resort or an RCI Silver Crown Resort.

Owners of vacation ownership interests pay annual maintenance fees to the property owners' associations responsible for managing the applicable resorts. The annual maintenance fee associated with the average vacation ownership interest purchased ranges from approximately $300 to approximately $650. These fees generally are used to renovate and replace furnishings, pay operating, maintenance and cleaning costs, pay management fees and expenses, and cover taxes (in some states), insurance and other related costs. Wyndham Vacation Resorts, as the owner of unsold inventory at resorts, also pays maintenance fees to property owners' associations in accordance with the legal requirements of the states or jurisdictions in which the resorts are located. In addition, at certain newly-developed resorts, Wyndham Vacation Resorts enters into subsidy agreements with the property owners' associations to cover costs that otherwise would be covered by annual maintenance fees payable with respect to vacation ownership interests that have not yet been sold.

***FairShare Plus.*** Wyndham Vacation Resorts uses a points-based internal reservation system called FairShare Plus to provide owners with flexibility (subject to availability) as to resort location, length of stay, unit type and time of year. With the launch of FairShare Plus in 1991, Wyndham Vacation Resorts became one of the first U.S. developers of vacation ownership properties to move from traditional, fixed-week vacation ownership to a points-based program. Owners of vacation ownership interests in Wyndham Vacation Resorts resort properties that are eligible to participate in the program may elect, and with respect to certain resorts are obligated, to participate in FairShare Plus.

Owners who participate in FairShare Plus assign their rights to use fixed weeks and undivided interests, as applicable, to a trust in exchange for the right to reserve in the internal reservation system. The number of points that an owner receives as a result of the assignment to the trust of the owner's right to use fixed weeks or undivided interests, and the number of points required to take a particular vacation, is set forth on

a published schedule and varies depending on the resort location, length of stay, unit type and time of year associated with the interests assigned to the trust or requested by the owner, as applicable. Participants in FairShare Plus may choose (subject to availability) the Wyndham Vacation Resorts resort properties, length of stay, unit types and times of year, depending on the number of points to which they are entitled and the number of points required to take the vacations of their preference. Participants in the program may redeem their points not only for resort stays, but also for other travel and leisure products that may be offered from time to time. Wyndham Vacation Resorts offers various programs that provide existing owners with the opportunity to "upgrade," or acquire additional vacation ownership interests to increase the number of points such owners can use in FairShare Plus.

Depending on the vacation ownership interest, Wyndham Vacation Resorts not only offers owners the option to make reservations through FairShare Plus, but also offers owners the opportunity to exchange their vacation ownership interests through our vacation exchange business, RCI, or through Interval International, Inc., which is a third-party international exchange.

***Program and Property Management.*** In exchange for management fees, Wyndham Vacation Resorts, itself or through a Wyndham Vacation Resorts affiliate, manages FairShare Plus, the majority of property owners' associations at resorts in which Wyndham Vacation Resorts markets and sells vacation ownership interests, and property owners' associations at resorts developed by third parties. On behalf of FairShare Plus, Wyndham Vacation Resorts or its affiliate manages the reservation system for FairShare Plus and provides owner services and billing and collections services. The term of the trust agreement of FairShare Plus runs through December 31, 2025, and the term is renewable if FairShare Plus is extended by a majority of the members of the program (including Wyndham Vacation Resorts). The term of the management agreement, under which Wyndham Vacation Resorts manages the FairShare Plus program, is for five years and is automatically renewed annually for successive terms of five years, provided the trustee under the program does not serve notice of termination to Wyndham Vacation Resorts at the end of any calendar year. On behalf of property owners' associations, Wyndham Vacation Resorts or its affiliates generally provide day-to-day management for vacation ownership resorts, including oversight of housekeeping services, maintenance and refurbishment of the units, and provides certain accounting and administrative services to property owners' associations. The terms of the property management agreements with the property owners' associations at resorts in which Wyndham Vacation Resorts markets and sells vacation ownership interests vary; however, the vast majority of the agreements provide a mechanism for automatic renewal upon expiration of the terms. At some established sites, the property owners' associations have entered into property management agreements with professional management companies other than Wyndham Vacation Resorts or its affiliates.

***WorldMark by Wyndham***

WorldMark by Wyndham markets and sells vacation ownership interests, which are called vacation credits (holiday credits in the South Pacific), in resorts owned by the vacation ownership programs WorldMark, The Club and WorldMark South Pacific Club, which we refer to collectively as the Clubs, which WorldMark by Wyndham formed in 1989 and 2000, respectively. The Clubs provide owners with flexibility (subject to availability) as to resort location, length of stay, unit type, the day of the week and time of year. WorldMark by Wyndham is usually involved in the development of the resorts owned by the Clubs. In addition to developing resorts and marketing and selling vacation credits, WorldMark by Wyndham manages the Clubs and the majority of resorts owned by the Clubs.

In October 1999, WorldMark by Wyndham formed Trendwest South Pacific, Pty. Ltd., an Australian corporation, or Trendwest South Pacific, as its direct wholly owned subsidiary for the purpose of conducting sales, marketing and resort development activities in the South Pacific. Trendwest South Pacific is currently the largest vacation ownership business in Australia, with approximately 35,000 owners of vacation credits as of December 31, 2006. Resorts in the South Pacific typically are owned and operated through WorldMark South Pacific Club, other than 66 units at Denarau Island, Fiji, which are owned by WorldMark, The Club.

***Vacation Credits, Portfolio of Resorts and Maintenance Fees.*** Vacation credits in the Clubs entitle the owner of the credits to reserve units at the resorts that are owned and operated by the Clubs. WorldMark by Wyndham and Trendwest South Pacific are the developers or acquirers of the resorts that the Clubs own and operate. After WorldMark by Wyndham or Trendwest South Pacific develops or acquires resorts, it conveys the resorts to WorldMark, The Club or WorldMark South Pacific Club, as applicable. In exchange for the conveyances, WorldMark by Wyndham or Trendwest South Pacific receives the exclusive rights to sell the vacation credits associated with the conveyed resorts and to receive the proceeds from the sales of the vacation credits. Although vacation credits, unlike vacation ownership interests in Wyndham Vacation Resorts resort properties, do not constitute deeded interests in real estate, vacation credits are regulated in most jurisdictions by the same agency that regulates vacation ownership interests evidenced by deeded interests in real estate. In 2006, the average purchase by a new owner of vacation credits was approximately $11,700. Of the more than 800,000 owners of vacation ownership interests in Wyndham Vacation Resorts and WorldMark by Wyndham resorts as of December 31, 2006, over 282,000 owners held vacation credits in WorldMark by Wyndham resorts.

WorldMark by Wyndham resorts are located primarily in the Western United States, Canada, Mexico and the South Pacific and, as of December 31, 2006, consisted of 75 resorts that represented approximately 5,400 units. Of the WorldMark by Wyndham resorts and units, Trendwest South Pacific has a total of 14 resorts with approximately 500 units. In 2006, WorldMark by Wyndham expanded its portfolio of resorts to include properties in Indio, California; San Diego, California; and Midway, Utah.

The resorts in which WorldMark by Wyndham markets and sells vacation credits are primarily drive-to resorts. Most WorldMark by Wyndham resorts are affiliated with Wyndham Worldwide's vacation exchange subsidiary, RCI. Among WorldMark by Wyndham's 75 resorts, 62 have been awarded designations of an RCI Gold Crown Resort or an RCI Silver Crown Resort.

Owners of vacation credits pay annual maintenance fees to the Clubs. The annual maintenance fee associated with the average vacation credit purchased is approximately $480. The maintenance fee that an owner pays is based on the number of the owner's vacation credits. These fees are intended to cover the Clubs' operating costs, including the dues to the property owners' associations, which are generally the Clubs' responsibility. Fees paid to property owners' associations are generally used to renovate and replace furnishings, pay maintenance and cleaning costs, pay management fees and expenses, and cover taxes (in some states), insurance and other related costs. Maintenance of common areas and the provision of amenities typically is the responsibility of the property owners' associations. WorldMark by Wyndham has a minimal ownership interest in the Clubs that results from WorldMark by Wyndham's ownership of unsold vacation credits in the Clubs. As the owner of unsold vacation credits, WorldMark by Wyndham pays maintenance fees to the Clubs.

***WorldMark, The Club and WorldMark South Pacific Club.*** The Clubs provide owners of vacation credits with flexibility (subject to availability) as to resort location, length of stay, unit type and time of year. Depending on how many vacation credits an owner has purchased, the owner may use the vacation credits for one or more vacations annually. The number of vacation credits that are required for each day's stay at a unit is listed on a published schedule and varies depending upon the resort location, unit type, time of year and the day of the week. Owners may also redeem their credits for other travel and leisure products that may be offered from time to time.

Owners of vacation credits are able to carry over unused vacation credits in one year to the next year and to borrow vacation credits from the next year for use in the current year. Owners of vacation credits are also able to purchase bonus time from the Clubs for use when space is available. Bonus time gives owners the opportunity to use available resorts on short notice and at a reduced rate and to obtain usage beyond owners' allotments of vacation credits. In addition, WorldMark by Wyndham offers owners the opportunity to "upgrade," or acquire additional vacation credits to increase the number of credits such owners can use in the Clubs.

Owners of vacation credits can make reservations through the Clubs, or may elect to join and exchange their vacation ownership interests through our vacation exchange business, RCI, or Interval International, Inc., which is a third-party exchange company.

***Club and Property Management.*** In exchange for management fees, WorldMark by Wyndham, itself or through a WorldMark by Wyndham affiliate, serves as the exclusive property manager and servicing agent of the Clubs and all resort units owned or operated by the Clubs. On behalf of the Clubs, WorldMark by Wyndham or its affiliate provides day-to-day management for vacation ownership resorts, including oversight of housekeeping services, maintenance and refurbishment of the units, and provides certain accounting and administrative services. WorldMark by Wyndham or its affiliate also manages the reservation system for the Clubs and provides owner services and billing and collections services. The management agreements of WorldMark, The Club and WorldMark South Pacific Club provide for automatic one-year and five-year renewals, respectively, unless renewal is denied by a majority of the voting power of the owners (excluding WorldMark by Wyndham and its affiliates.)

***Sales and Marketing***

Wyndham Vacation Ownership employs a variety of marketing channels as part of Wyndham Vacation Resorts and WorldMark by Wyndham marketing programs to encourage prospective owners of vacation ownership interests to tour Wyndham Vacation Resorts and WorldMark by Wyndham resort properties, as applicable, and to attend sales presentations at resort locations and off-site sales offices. These channels include direct mail, e-commerce, in-person solicitations, referral programs and inbound and outbound telemarketing. The marketing offers we make through these channels are local and travel-based offers. Our local offers are designed to produce tour flow in regions where prospective owners reside or are currently visiting, and our travel-based offers are designed to solicit the purchase by prospective owners of overnight vacation packages to destinations in which Wyndham Vacation Ownership operates. We believe that marketing through both local and travel-based offers enhances our ability to market successfully to prospective owners.

Wyndham Vacation Resorts and WorldMark by Wyndham offer a variety of entry-level programs and products as part of their sales strategies. One such program allows prospective owners to acquire one-year's worth of points or credits with no further obligations, and one such product is a biennial interest, which prospective owners can buy, that provides for vacations every other year. As part of their sales strategies, Wyndham Vacation Resorts and WorldMark by Wyndham rely on their points/credits-based programs, which provide prospective owners with the flexibility to buy relatively small packages of points or credits, which can be upgraded at a later date. To facilitate upgrades among existing owners, Wyndham Vacation Resorts and WorldMark by Wyndham market opportunities for owners to purchase additional points or credits through periodic marketing campaigns and promotions to owners while such owners vacation at Wyndham Vacation Resorts or WorldMark by Wyndham resort properties, as applicable.

The marketing and sales activities of Wyndham Vacation Resorts and WorldMark by Wyndham are often facilitated through marketing alliances with other travel, hospitality, entertainment, gaming and retail companies that provide access to such companies' present and past customers through co-branded marketing offers, in-bound call transfer programs, in-store promotions, on-line advertising, sweepstakes programs and other highly integrated marketing platforms.

***Wyndham Vacation Resorts Sales and Marketing.*** Wyndham Vacation Resorts sells its vacation ownership interests and other real estate interests at 38 resort locations and eight off-site sales centers. On-site sales accounted for approximately 84% of all new sales during 2006. On-site sales presentations typically follow a resort tour led by a Wyndham Vacation Resorts salesperson. Wyndham Vacation Resorts conducted approximately 623,000 and 585,000 tours in 2006 and 2005, respectively.

Wyndham Vacation Resorts' resort-based sales centers, which are located in popular travel destinations throughout the United States, generate substantial tour flow through providing travel-based offers. The sales centers sell overnight vacation packages to popular travel destinations throughout the United States and

when the purchasers of such packages redeem the packages, Wyndham Vacation Resorts sales representatives provide the purchasers with tours of Wyndham Vacation Resorts resort properties. Wyndham Vacation Resorts utilizes direct mail, on-line campaigns and outbound and inbound telemarketing to market for sale the overnight vacation packages to prospective owners of vacation ownership interests, many of whom are also past or prospective customers for our travel, hospitality, entertainment and gaming marketing alliances. Wyndham Vacation Resorts often co-brands the vacation packages with third parties with whom it has marketing alliances and features products or services provided by those third parties as part of the vacation packages.

Wyndham Vacation Resorts' resort-based sales centers also generate substantial tour flow through providing local offers. The sales centers enable Wyndham Vacation Resorts to market to tourists already visiting destination areas. Wyndham Vacation Resorts' marketing agents, which often operate on the premises of the hospitality, entertainment, gaming and retail companies with which Wyndham Vacation Resorts has alliances within these markets, solicit local tourists with offers relating to activities and entertainment in exchange for the tourists' visiting the local resorts and attending sales presentations. An example of a marketing alliance through which Wyndham Vacation Resorts markets to tourists already visiting destination areas is Wyndham Vacation Resorts' current arrangement with Harrah's Entertainment in Las Vegas, Nevada, which enables Wyndham Vacation Resorts to operate several concierge-style marketing kiosks throughout Harrah's Casino that permit Wyndham Vacation Resorts to solicit patrons to attend tours and sales presentations with Harrah's-related rewards and entertainment offers, such as gaming chips, show tickets and dining certificates. Wyndham Vacation Resorts also operates its primary Las Vegas sales center within Harrah's Casino and regularly shuttles prospective owners targeted by such sales centers to and from Wyndham Vacation Resorts' nearby resort property. Wyndham Vacation Resorts also has marketing alliances with Trump Casino Resorts and Outrigger Hotels & Resorts.

Wyndham Vacation Resorts' resort-based sales centers enable Wyndham Vacation Resorts to actively solicit upgrade sales to existing owners of vacation ownership interests while such owners vacation at Wyndham Vacation Resorts resort properties. Sales of vacation ownership interests relating to upgrades represented approximately 46%, 42% and 37% of Wyndham Vacation Resorts' net sales of vacation ownership interests in 2006, 2005 and 2004, respectively.

***WorldMark by Wyndham Sales and Marketing.*** WorldMark by Wyndham sells its vacation credits in the United States primarily at 62 sales offices, 29 of which are located off-site in metropolitan areas. Trendwest South Pacific conducts its international sales and marketing efforts through on-site and off-site sales offices, telemarketing and road shows. As of December 31, 2006, Trendwest South Pacific had 11 sales offices throughout the east coast of Australia, the North Island of New Zealand and Fiji. Off-site sales offices generated approximately 60% and 69% of WorldMark by Wyndham's sales of new vacation credits in 2006 and 2005, respectively. WorldMark by Wyndham conducted approximately 423,000 and 349,000 tours in 2006 and 2005, respectively.

WorldMark by Wyndham's off-site sales offices market vacation credits through local offers to prospective owners in areas where such purchasers reside. WorldMark by Wyndham's off-site sales offices provide WorldMark by Wyndham with access to large numbers of prospective owners and a convenient, local venue at which to preview and sell vacation credits. WorldMark by Wyndham's off-site sales offices provide WorldMark by Wyndham with access to a wide group of qualified sales personnel due to the locations of the sales offices in metropolitan areas.

WorldMark by Wyndham uses a variety of marketing programs to attract prospective owners, including sponsored contests that offer vacation packages or gifts, targeted mailings, outbound and inbound telemarketing efforts, and various other promotional programs. WorldMark by Wyndham also co-sponsors sweepstakes, giveaways and other promotional programs with professional teams at major sporting events and with other third parties at other high-traffic consumer events. Where permissible under state law, WorldMark by Wyndham offers existing owners cash awards or other incentives for referrals of new owners.

WorldMark by Wyndham and Trendwest South Pacific periodically encourage existing owners of vacation credits to acquire additional vacation credits through various methods. Sales of vacation credits

relating to upgrades represented approximately 35%, 31% and 33% of WorldMark by Wyndham's net sales of vacation credits in 2006, 2005 and 2004, respectively. Sales of vacation credits relating to upgrades represented approximately 16%, 13% and 11% of Trendwest South Pacific's net sales of vacation credits in 2006, 2005 and 2004, respectively.

***Purchaser Financing***

Wyndham Vacation Resorts and WorldMark by Wyndham offer financing to purchasers of vacation ownership interests. By offering consumer financing, we are able to reduce the initial cash required by customers to purchase vacation ownership interests, thereby enabling us to attract additional customers and generate substantial incremental revenues and profits. Wyndham Vacation Ownership services loans extended by Wyndham Vacation Resorts and WorldMark by Wyndham through our consumer financing subsidiary, Wyndham Consumer Finance (formerly known as Cendant Timeshare Resort Group-Consumer Finance, Inc.), a wholly owned subsidiary of Wyndham Vacation Resorts based in Las Vegas, Nevada that performs loan servicing and other administrative functions for Wyndham Vacation Resorts and WorldMark by Wyndham. As of December 31, 2006, we serviced a portfolio of approximately 262,000 loans that totaled $2,658 million in aggregate principal amount outstanding, with an average interest rate of approximately 13%.

Wyndham Vacation Resorts and WorldMark by Wyndham do not currently conduct a credit investigation or other review or inquiry into a purchaser's credit history before offering to finance a portion of the purchase price of the vacation ownership interests. As of December 31, 2006, however, at the majority of Wyndham Vacation Resorts sales offices, purchasers are offered an enhanced financing option — the opportunity to obtain financing on more favorable terms if they agree to permit Wyndham Vacation Resorts to obtain their credit scores. The interest rate offered to participating purchasers is determined from automated underwriting based upon the purchaser's credit score, the amount of the down payment and the size of purchase. WorldMark by Wyndham sales offices currently do not offer an enhanced financing option and instead offer financing with an interest rate based upon the size of the purchase. However, WorldMark by Wyndham, through certain upgrade sales programs, may offer existing owners of vacation credits who purchase additional vacation credits financing on more favorable terms based on such owner's payment history with WorldMark by Wyndham. Both Wyndham Vacation Resorts and WorldMark by Wyndham offer purchasers an interest rate reduction if they participate in their pre-authorized checking, or PAC, programs, pursuant to which our consumer financing subsidiary each month debits a purchaser's bank account or major credit card in the amount of the monthly payment by a pre-authorized fund transfer on the payment date. As of December 31, 2006, approximately 82% of purchaser financing serviced by our consumer financing subsidiary participated in the PAC program. In addition, in an effort to improve the performance of their respective portfolios, Wyndham Vacation Resorts plans to expand its enhanced financing option initiative, and WorldMark by Wyndham plans to explore implementing a similar enhanced financing option.

Wyndham Vacation Resorts and WorldMark by Wyndham generally require a minimum down payment of 10% of the purchase price on all sales of vacation ownership interests and offer consumer financing for the remaining balance for up to ten years. Both Wyndham Vacation Resorts and WorldMark by Wyndham offer programs through which prospective owners may accumulate the required 10% down payment over a period of time not greater than six months. The prospective owner is placed in "pending" status until the required 10% down payment amount is received.

Similar to other companies that provide consumer financing, we securitize a majority of the receivables originated in connection with the sales of our vacation ownership interests. We initially place the financed contracts into a revolving warehouse securitization facility generally within 30 to 90 days after origination. Many of the receivables are subsequently transferred from the warehouse securitization facility and placed into term securitization facilities. As of December 31, 2006, the aggregate principal amount outstanding of receivables in the warehouse securitization facility and the term securitization facilities was $733 million and $1,013 million, respectively.

**Servicing and Collection Procedures**

Our consumer financing subsidiary is responsible for the maintenance of accounts receivables files and all customer service, billing and collection activities related to the domestic loans we extend. Our consumer financing subsidiary also services loans pledged in our warehouse and term securitization facilities. As of December 31, 2006, our consumer financing subsidiary had approximately 474 employees, the majority of whom were in customer service and maintenance (approximately 193) and loan collection and special services (approximately 183).

Since April 2005, Wyndham Vacation Resorts and WorldMark by Wyndham have used a single computerized online data system to maintain loan records and service the loans. This system permits access to customer account inquiries and is supported by our information technology department.

The collection methodologies for both brands are similar and entail a combination of mailings and telephone calls which are supported by an automated dialer. As of December 31, 2006, the loan portfolios of both Wyndham Vacation Resorts and WorldMark by Wyndham were approximately 94% current (i.e., not more than 30 days past due).

We assess the performance of our loan portfolio by monitoring certain metrics on a daily, weekly, monthly and annual basis. These metrics include, but are not limited to, collections rates, account roll rates, defaults by state residency of the obligor and bankruptcies. We define defaults as accounts that are 120 days or more past due plus bankrupt accounts. The average expected cumulative gross default rate is approximately 16.5%. At December 31, 2006, loans originated in 2004 and 2005 had aggregate cumulative default rates of approximately 14.5% and 10.7%, respectively.

***Strategies***

We intend to grow our vacation ownership business by increasing sales of vacation ownership interests to new owners and sales of upgrades to existing owners by expanding our marketing and sales efforts, strengthening our product offerings and further developing our consumer financing activities. We plan to leverage the Wyndham brand in our marketing efforts, add new resorts, expand our marketing alliances and increase our on-site sales activities to existing owners. Our plans generally focus on pursuing these strategies organically. In addition, in appropriate circumstances, we will consider opportunities to acquire businesses, both domestic and international, including through the use of Wyndham Worldwide common stock as currency.

**Expand our sales and marketing efforts**

We plan to expand sales and marketing to new and existing owners, including marketing and selling through in-person solicitation, direct mail, e-commerce, referral programs, inbound and outbound telemarketing and upgrade sale programs. We plan to leverage the Wyndham brand in our marketing efforts to strengthen our position in the higher-end segment of the vacation ownership industry, to attract prospective new owners in higher income demographics through Wyndham-branded marketing campaigns, and to increase upgrade sales through the application of the Wyndham brand within existing and new higher-end products and product features.

We plan to expand our marketing and sales distribution channels through the pursuit of additional integrated marketing alliances with lodging and entertainment companies. We currently have alliances with Harrah's Entertainment in Las Vegas, Nevada; Trump Casino Resorts in Atlantic City, New Jersey; and Outrigger Hotels & Resorts throughout Hawaii, which permit us to conduct marketing and sales activities at properties owned by these companies. We will explore expanding our existing alliances and entering into new alliances.

**Strengthen our product offerings**

We plan to strengthen the products that we offer by adding new resorts and resort locations and expanding our offering of higher-end products and product features. We plan to develop additional resorts in new domestic regions and in domestic regions we currently serve that are experiencing strong demand such as Orlando, Myrtle Beach, San Antonio, Las Vegas, San Diego and Hawaii. We plan to develop additional resorts in international regions in Canada, the Caribbean, Mexico, Australia and Asia. In addition, we may also acquire additional resorts that complement our current portfolio of resorts.

We are applying the Wyndham brand at new domestic and international resorts, as well as at select locations within our current portfolio of resorts. In addition, we plan to develop and market mixed-use hotel and vacation ownership properties in conjunction with the Wyndham brand. The mixed-use properties would afford us access to both hotel clients in higher income demographics for the purpose of marketing vacation ownership interests and hotel inventory for use in our marketing programs.

We plan to expand upon existing and create new higher-end product offerings in conjunction with the Wyndham brand. We are exploring associating the Wyndham brand with our existing high-end Presidential-style vacation ownership units in our current inventory and may further apply the Wyndham brand to current and future product features and services available to our owners who have attained enhanced membership status within our vacation ownership programs as a result of achieving substantial ownership levels.

**Enhance our consumer financing activities**

We plan to increase our revenue from vacation ownership interest sales by enhancing our customers' ability to purchase our products. Our consumer financing activities increase our sales of Wyndham Vacation Resorts and WorldMark by Wyndham vacation ownership interests by offering financing to prospective purchasers who might otherwise not purchase. Additionally, offering financing permits prospective purchasers to acquire larger vacation ownership interests than they might otherwise acquire. To further increase the number and size of sales of our vacation ownership interests, we plan to explore offering new financing products and terms that are desirable to prospective purchasers.

We plan to increase our net interest income by improving the performance of our portfolio of vacation ownership contract receivables. To improve the performance of our portfolio, we plan to expand our enhanced financing option initiative. In addition, we plan to continue improving our collection activities to reduce the volume and duration of delinquencies and defaults, thereby improving the performance of our portfolio. We also plan to continue reducing our loan servicing costs.

**Seasonality**

We rely, in part, upon tour flow to generate sales of vacation ownership interests; consequently, sales volume tends to increase in the spring and summer months as a result of greater tour flow from spring and summer travelers. Revenues from sales of vacation ownership interests therefore are generally higher in the second and third quarters than in other quarters. We cannot predict whether these seasonal trends will continue in the future.

**Competition**

The vacation ownership industry is highly competitive and is comprised of a number of companies specializing primarily in sales and marketing, consumer financing, property management and development of vacation ownership properties. In addition, a number of national hospitality chains develop and sell vacation ownership interests to consumers. Some of the well-known players in the industry include Disney Vacation Club, Hilton Grand Vacations Company LLC, Marriott Ownership Resorts, Inc. and Starwood Vacation Ownership, Inc.

**Trademarks**

We own the trademarks "Wyndham Vacation Ownership," "Wyndham Vacation Resorts," "WorldMark by Wyndham," "Fairfield," "Trendwest" and "FairShare Plus" and related trademarks and logos, and such trademarks and logos are material to the businesses that are part of our vacation ownership business. Our subsidiaries actively use these marks, and all of the material marks are registered (or have applications pending) with the U.S. Patent and Trademark Office as well as with the relevant authorities in major countries worldwide where these businesses have significant operations. We own the "WorldMark" trademark pursuant to an assignment agreement with WorldMark, The Club. Pursuant to the assignment agreement, WorldMark, The Club may request that the mark be reassigned to it only in the event of a termination of the WorldMark vacation ownership programs. During the fourth quarter of 2006, we announced that we will be changing our Fairfield Resorts and Trendwest branding to Wyndham Vacation Resorts and WorldMark by Wyndham, respectively. As such, we will discontinue use of the Fairfield and Trendwest trademark names over the next 12 months.

**Employees**

At December 31, 2006, we had approximately 30,100 employees, including approximately 10,000 employees outside of the United States. At December 31, 2006, our lodging business had approximately 4,500 employees, our vacation exchange and rentals business had approximately 9,100 employees and our vacation ownership business had approximately 16,200 employees. Approximately 1% of our employees are subject to collective bargaining agreements governing their employment with our company. We believe that our relations with employees are good.

## REGULATION

Our businesses are either subject to or affected by international, federal, state and local laws, regulations and policies, which are constantly subject to change. The descriptions of the laws, regulations and policies that follow are summaries and should be read in conjunction with the texts of the laws and regulations described below. The descriptions do not purport to cover all present and proposed laws, regulations and policies that affect our businesses.

We believe that we are in material compliance with these laws, regulations and policies. Although we cannot predict the effect of changes to the existing laws, regulations and policies or to the proposed laws, regulations and policies that are described below, we are not currently aware of proposed changes or proposed new laws, regulations and policies that will have a material adverse effect on our business.

### Regulations Generally Applicable to Our Business

Our businesses are subject to, among others, laws and regulations that affect privacy and data collection, marketing regulation and the use of the Internet, as described below:

***Privacy and Data Collection.*** The collection and use of personal data of our customers and our ability to contact our customers, including through telephone or facsimile, are governed by privacy laws and regulations enacted in the United States and in other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Many states have introduced legislation or enacted laws and regulations that require strict compliance with standards for data collection and protection of privacy and provide for penalties for failure to notify customers when such standards are breached, even by third parties. The U.S. Federal Trade Commission, or FTC, adopted "do not call" and "do not fax" regulations in October 2003. In compliance with such regulations, our affected businesses have developed and implemented plans to block phone numbers listed on the "do not call" and "do not fax" registries and have instituted new procedures for preventing unsolicited telemarketing calls. In response to "do not call" and "do not fax" regulations, our affected businesses have reduced their reliance on outbound telemarketing. In addition, our European businesses have adopted policies and procedures to comply with the European Union Directive on Data Protection. These policies and procedures require that unless the use of data is "necessary" for certain specified purposes, including, for example, the performance of a contract with the individual concerned, consent to use data must be obtained. Australia, in 2006, adopted "do not call" legislation and promulgated "do not call" regulations. Such regulations will become effective May 2007 and we are instituting new procedures to comply with such regulations.

***Marketing Operations.*** The products and services offered by our various businesses are marketed through a number of distribution channels, including direct mail, telemarketing and online. These channels are regulated at the state and federal levels, and we believe that the effect of such regulations on our marketing operations will increase over time. Such regulations, which include anti-fraud laws, consumer protection laws, privacy laws, identity theft laws, anti-spam laws, telemarketing laws and telephone solicitation laws, may limit our ability to solicit new customers or to market additional products or services to existing customers. In addition, some of our business units use sweepstakes and contests as part of their marketing and promotional programs. These activities are regulated primarily by state laws that require certain disclosures and assurance that the prizes will be available to the winners.

***Internet.*** Although our business units' operations on the Internet are not currently regulated by any government agency in the United States, it is likely that a number of laws and regulations may be adopted to regulate the Internet. In addition, it is possible that existing laws may be interpreted to apply to the Internet in ways that the existing laws are not currently applied, particularly with respect to the imposition of state and local taxes on the use and reservation of accommodations through the Internet. Regulatory and legal requirements are particularly subject to change with respect to the Internet and may become more restrictive, which will increase the difficulty and expense of compliance or otherwise restrict our business units' abilities to conduct operations as such operations are currently conducted.

We are also aware of, and are actively monitoring the status of, certain proposed United States state and international legislation related to privacy and e-mail marketing that may be enacted in the future. It is unclear at this point what effect, if any, such state and international legislation may have on our businesses. California, for example, has enacted legislation that requires enhanced disclosure on Internet web sites regarding consumer privacy and information sharing among affiliated entities. We cannot predict with certainty whether these laws will affect our practices with respect to customer information and inhibit our ability to market our products and services nor can we predict whether other states will enact similar laws. Because Internet reservations are more cost-effective than reservations taken over the phone, our costs may increase if Internet reservations are adversely affected by regulations.

***Travel Agency Services.*** The travel agency products and services that our businesses provide are subject to various federal, state and local regulations. We must comply with laws and regulations that relate to our marketing and sales of such products and services, including laws and regulations that prohibit unfair and deceptive advertising or practices and laws that require us to register as a "seller of travel" to comply with disclosure requirements. In addition, we are indirectly affected by the regulation of our travel suppliers, many of which are heavily regulated by the United States and other governments. We are also affected by the European Union Directive applicable to the sale and provision of package holidays because some of our European businesses operate such that they are classified, for certain of their operations, as organizers of package holidays. This European Union Directive places liability for the package holiday sold with the organizer and requires that the organizer has security in place in order to refund to the consumer money paid by such consumer in the event of insolvency of the organizer.

**Regulations Applicable to the Lodging Business**

Our lodging business is subject to, among others, laws, regulations and policies that affect the sale of franchises and access for persons with disabilities, as described below:

***Sale of Franchises.*** The FTC, various state laws and regulations and the laws of jurisdictions outside the United States regulate the offer and sale of franchises. The FTC requires that franchisors make extensive written disclosure in a prescribed format to prospective franchisees but does not require registration. The FTC recently approved new franchise regulations (the "FTC Rule") that will affect sales practices and procedures and the content of disclosure documents that we use to sell franchises in the United States. The new FTC Rule will become effective as of July 1, 2007 but franchisors may use their current UFOC formats for one year from the effective date. We believe that the new FTC Rule will have no material adverse impact on the offer and sale of our hotel franchises. The state laws that affect our franchise business regulate the offer and sale of franchises, the termination, renewal and transfer of franchise agreements, and the provision of loans to franchisees as part of the sales of franchises. Currently, 19 states have laws that require registration or disclosure in connection with offers and sales of franchises. In addition, 20 states currently have "franchise relationship" laws that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of the agreements. California regulates the provision of loans to franchisees as part of the sales of the franchises but we are currently exempt from such law. The laws of jurisdictions outside the United States regulate pre-sale disclosure and the commencement of franchising. Three Canadian provinces and a number of foreign jurisdictions have adopted pre-sale disclosure regulations. China has enacted regulations that, among other things, require an organization to operate properties in at least two locations in the area where the organization wants to franchise brands before China will permit the organization to commence acting as a franchisor. We have received legal advice that such regulations do not prevent us from continuing to franchise brands that we had franchised in China before the effective date of the regulations and any direct franchises will be established in accordance with applicable law.

***Persons with Disabilities.*** The Americans with Disabilities Act, or ADA, requires public accommodations, such as lodging and restaurant facilities, to (i) offer facilities without discriminating against persons with disabilities, (ii) offer auxiliary aids and services to persons with hearing, vision or speech disabilities who would benefit from such services without fundamentally altering the nature of the goods or services

offered and (iii) remove barriers to mobility or communication to the extent readily achievable. The U.S. Department of Justice published "Standards for Accessible Design" and "Accessibility Guidelines," collectively referred to as ADAAG, that, among other things, prescribe a specified number of handicapped accessible rooms, assistive devices for hearing, speech and visually impaired persons, and general standards of design applicable to all areas of facilities subject to the law, including hotels. The ADAAG specifies the minimum room design and layout criteria for handicapped accessible rooms. Any newly constructed facility (first occupied after January 26, 1993) must comply with ADAAG and be readily accessible to and useable by persons with disabilities. The owner of each facility and its contractors are responsible for ADA and ADAAG compliance.

**Regulations Applicable to the Vacation Exchange and Rentals Business**

Our vacation exchange business is subject to, among other laws and regulations, statutes in certain states that regulate vacation exchange services, and we must prepare and file annually disclosure guides with regulators in states where such filings are required. Although our vacation exchange business is not generally subject to state statutes that govern the development of vacation ownership properties and the sale of vacation ownership interests, these statutes directly affect the members of our vacation exchange program and resorts with units that participate in our vacation exchanges. These statutes, therefore, indirectly affect our vacation exchange business. In addition, several states and localities are attempting to enact or have enacted laws or regulations that would impose or impose, as applicable, taxes on members that complete exchanges, similar to local transient occupancy taxes. Our vacation rentals business is subject to state and local regulation, including applicable seller of travel, travel club and real estate brokerage licensing statutes.

**Regulations Applicable to the Vacation Ownership Business**

Our vacation ownership business is subject to, among others, the laws and regulations that affect the marketing and sale of vacation ownership interests, property management of vacation ownership resorts, travel agency services and the conduct of real estate brokers, described below:

***Federal, State and International Regulation of Vacation Ownership Business.*** Our vacation ownership business is subject to federal legislation, including without limitation, Housing and Urban Development Department regulations, such as the Fair Housing Act; the Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of borrowers' loans; the Real Estate Settlement Procedures Act and Regulation X promulgated thereunder, which require certain disclosures to borrowers regarding the settlement of real estate transactions and servicing of loans; the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act; the Telemarketing and Fraud and Abuse Prevention Act; the Gramm-Leach-Bliley Act and the Fair Credit Reporting Act and other laws, which address privacy of consumer financial information; and the Civil Rights Acts of 1964, 1968 and 1991. Many states have laws that regulate our vacation ownership business' operations, including those relating to real estate licensing, travel sales licensing, anti-fraud, telemarketing, restrictions on the use of predictive dialers, prize, gift and sweepstakes regulations, labor, and various regulations governing access and use of our resorts by disabled persons. In addition to regulation in the United States and Australia, our vacation ownership business is subject to regulation in other countries where we develop or manage resorts and where we market or sell vacation ownership interests, including Canada, Mexico, New Zealand and Fiji. The scope of regulation of our vacation ownership business in Canada, where we develop, market, sell and manage resorts, is similar to the scope of regulation of our vacation ownership business in the United States. In addition, in Australia, we are regulated by the Australian Securities and Investments Commission, which requires that all persons conducting vacation ownership sales and marketing and vacation ownership club activities hold an Australian Financial Services License and comply with the rules and regulations of the Commission. Unlike in the United States, where the vacation ownership industry is regulated primarily by state law, the vacation ownership industry in Australia is regulated under

federal Australian securities law because Australian law regards a vacation ownership interest as a security. As we expand our vacation ownership business by entering new markets, we will become subject to regulation in additional countries.

The sale of vacation ownership interests is potentially subject to federal and state securities laws. However, most federal and state agencies generally do not regulate our sale of vacation ownership interests as securities, in part because we offer our vacation ownership interests for personal vacation use and enjoyment and not for investment purposes with the expectation of profit or in conjunction with a rental arrangement. In addition, the vacation ownership interests that we market and sell are real estate interests or are akin to real estate interests and therefore our vacation ownership business is extensively regulated by many states' departments of commerce and/or real estate. Because of such extensive regulation, additional regulation of our vacation ownership products as securities generally does not occur. Some states in which we market and sell our vacation ownership interests regulate our products as securities. In those states, we comply with such regulation by either registering our vacation ownership interests for sale as securities or qualifying for an exemption from registration and by providing required disclosures to our purchasers. If federal and additional state agencies elected to regulate our vacation ownership interest products as securities, we would comply with such regulation by either registering our vacation ownership interests for sale as securities or qualifying for an exemption from registration and by providing required disclosures to our purchasers.

State real estate foreclosure laws impact our vacation ownership business. We secure loans made to purchasers of vacation ownership interests that constitute real estate interests and that are deeded prior to loan repayment by requiring purchasers to grant a first priority mortgage lien in our favor, which is recorded against title to the vacation ownership interest. In the event of a purchaser's default, the purchaser will often voluntarily deed the vacation ownership interest to us, in which event foreclosure is not necessary. If the purchaser does not do so, we may commence a judicial or non-judicial foreclosure proceeding. State real estate foreclosure laws normally require that certain conditions be satisfied prior to completing foreclosure, including providing to the purchaser both a notice and an opportunity to redeem the purchaser's interest and conducting a foreclosure sale. While state real estate foreclosure laws impose requirements and expenses on us, we are able to comply with the requirements, bear the expenses and complete foreclosures. Several states have enacted anti-deficiency laws which generally prohibit a lender from recovering the portion of an outstanding loan in excess of the proceeds of a foreclosure sale of a borrower's primary residence that secures repayment of the loan. Since purchasers of vacation ownership interests do not occupy a resort unit as a primary residence, state anti-deficiency laws generally do not impact us. Our sale of vacation ownership interests that are vacation credits is not impacted by state real estate foreclosure and anti-deficiency laws, since vacation credits are not direct real estate interests.

***Marketing and Sale of Vacation Ownership Interests.*** We are subject to extensive regulation by states' departments of commerce and/or real estate and international regulatory agencies, such as the European Commission, in locations where our resorts in which we sell vacation ownership interests are located or where we market and sell vacation ownership interests. Many states regulate the marketing and sale of vacation ownership interests, and the laws of such states generally require a designated state authority to approve a vacation ownership public report, which is a detailed offering statement describing the resort operator and all material aspects of the resort and the sale of vacation ownership interests. In addition, the laws of most states in which we sell vacation ownership interests grant the purchaser of such an interest the right to rescind a contract of purchase at any time within a statutory rescission period, which generally ranges from three to 15 days, depending on the state.

***Property Management of Vacation Ownership Resorts.*** Our vacation ownership business includes property management operations that are subject to state condominium and/or vacation ownership management regulations and, in some states, to professional licensing requirements.

***Conduct of Real Estate Brokers.*** The marketing and sales component of our vacation ownership business is subject to numerous federal, state and local laws and regulations that contain general standards for and prohibitions relating to the conduct of real estate brokers and sales associates, including laws and

regulations that relate to the licensing of brokers and sales associates, fiduciary and agency duties, administration of trust funds, collection of commissions, and advertising and consumer disclosures. The federal Real Estate Settlement Procedures Act and state real estate brokerage laws also restrict payments that real estate brokers and other parties may receive or pay in connection with the sales of vacation ownership interests and referral of prospective owners. Such laws may, to some extent, restrict arrangements involving our vacation ownership business.

***Environmental Regulation.*** Because our vacation ownership business acquires, develops and renovates vacation ownership interest resorts, we are subject to various environmental laws, ordinances, regulations and similar requirements in the jurisdictions where our resorts are located. The environmental laws to which our vacation ownership business is subject regulate various matters, including pollution, hazardous and toxic substances and wastes, asbestos, petroleum and storage tanks.

**Regulations Applicable to the Management of Property Operations**

Our business that relates to the management of property operations, which includes components of our lodging and vacation ownership businesses, is subject to, among others, laws and regulations that relate to health and sanitation, the sale of alcoholic beverages, facility operation and fire safety, including as described below:

***Health and Sanitation.*** Most states have regulations or statutes governing the lodging business or its components, such as restaurants, swimming pools and health facilities. Lodging and restaurant businesses often require licensing by state and local authorities, and sometimes these licenses are obtainable only after the business passes health inspections to assure compliance with health and sanitation codes. Health inspections are performed on a recurring basis. Health-related laws affect the use of linens, towels and glassware. Other laws govern swimming pool use and operation and require the posting of notices, availability of certain rescue equipment and limitations on the number of persons allowed to use the pool at any time. These regulations typically impose civil fines or penalties for violations, which may lead to operating restrictions if uncorrected or in extreme cases of violations.

***Sale of Alcoholic Beverages.*** Alcoholic beverage service is subject to licensing and extensive regulations that govern virtually all aspects of service. Compliance with these regulations at managed locations may impose obligations on the owners of managed hotels, Wyndham Hotel Management as the property manager or both. Managed hotel operations may be adversely affected by delays in transfers or issuances of alcoholic beverage licenses necessary for food and beverage services.

***Facility Operation.*** The operation of lodging facilities is subject to innkeepers' laws that (i) authorize the innkeeper to assert a lien against and sell, after observing certain procedures, the possessions of a guest who owes an unpaid bill for lodging or other services provided by the innkeeper, (ii) affect or limit the liability of an innkeeper who posts required notices or disclaimers for guest valuables if a safe is provided, guest property, checked or stored baggage, mail and parked vehicles, (iii) require posting of house rules and room rates in each guest room or near the registration area, (iv) may require registration of guests, proof of identity at check-in and retention of records for a specified period of time, (v) limit the rights of an innkeeper to refuse lodging to prospective guests except under certain narrowly defined circumstances, and (vi) may limit the right of the innkeeper to evict a guest who overstays the scheduled stay or otherwise gives a reason to be evicted. Federal and state laws applicable to places of public accommodation prohibit discrimination in lodging services on the basis of the race, creed, color or national origin of the guest. Some states prohibit the practice of "overbooking" and require the innkeeper to provide the reserved lodging or find alternate accommodations if the guest has paid a deposit, or face a civil fine. Some states and municipalities have also enacted laws and regulations governing no-smoking areas and guest rooms that are more stringent than our standards for no-smoking guest rooms.

***Fire Safety.*** The federal Hotel and Motel Safety Act of 1990 requires all places of public accommodation to install hard wired, single station smoke detectors meeting National Fire Protection Association Standard 74 in each guest room and to install an automatic sprinkler system meeting National Fire

Protection Association Standard 13 or 13-R in facilities taller than three stories, unless certain exceptions are met, for such places to be approved for lodging and meetings of federal employees. Travel directories published by the federal government and lists maintained by state officials will include only those facilities that comply with the Hotel and Motel Safety Act of 1990. Other state and local fire and life safety codes may require exit maps, lighting systems and other safety measures unique to lodging facilities.

***Occupational Safety.*** The federal Occupational Safety and Health Act, or OSHA, requires that businesses comply with industry-specific safety and health standards, which are known collectively as OSHA standards, to provide a safe work environment for all employees and prevent work-related injuries, illnesses and deaths. Failure to comply with such OSHA standards may subject the lodging business to fines from the Occupational Safety and Health Administration.

***Environmental Regulation.*** Our business that relates to the management of property operations is subject to various environmental laws, ordinances, regulations and similar requirements in the jurisdictions where the properties we manage are located. We must comply with environmental laws that regulate pollution, hazardous and toxic substances and wastes, asbestos, petroleum and storage tanks.

## MANAGEMENT

### Executive Officers

The following table sets forth information, as of March 7, 2007, regarding individuals who are our executive officers.

| Name | Age | Position(s) |
|---|---|---|
| Stephen P. Holmes | 50 | Chairman and Chief Executive Officer |
| Franz S. Hanning | 53 | President and Chief Executive Officer, Wyndham Vacation Ownership |
| Kenneth N. May | 56 | President and Chief Executive Officer, RCI Global Vacation Network |
| Steven A. Rudnitsky | 48 | President and Chief Executive Officer, Wyndham Hotel Group |
| Virginia M. Wilson | 52 | Executive Vice President and Chief Financial Officer |
| Scott G. McLester | 44 | Executive Vice President and General Counsel |
| Mary R. Falvey | 46 | Executive Vice President and Chief Human Resources Officer |
| Thomas F. Anderson | 42 | Executive Vice President and Chief Real Estate Development Officer |
| Nicola Rossi | 40 | Senior Vice President and Chief Accounting Officer |

***Stephen P. Holmes*** has served as the Chairman of our Board of Directors and as our Chief Executive Officer since our separation from Cendant in July 2006. Mr. Holmes was a director since May 2003 of the already existing, wholly owned subsidiary of Cendant that held the assets and liabilities of Cendant's hospitality services (including timeshare resorts) businesses before our separation from Cendant and has served as a director of Wyndham Worldwide since the separation in July 2006. Mr. Holmes was Vice Chairman and Director of Cendant and Chairman and Chief Executive Officer of Cendant's Travel Content Division from December 1997 until our separation from Cendant in July 2006. Mr. Holmes was Vice Chairman of HFS Incorporated, from September 1996 until December 1997 and was a director of HFS from June 1994 until December 1997. From July 1990 through September 1996, Mr. Holmes served as Executive Vice President, Treasurer and Chief Financial Officer of HFS.

***Franz S. Hanning*** has served as President and Chief Executive Officer, Wyndham Vacation Ownership since our separation from Cendant in July 2006. Mr. Hanning was the Chief Executive Officer of Cendant's Timeshare Resort Group from March 2005 until our separation from Cendant in July 2006. Mr. Hanning served as President and Chief Executive Officer of Fairfield Resorts, Inc. (which has been renamed Wyndham Vacation Resorts, Inc.) from April 2001, when Cendant acquired Fairfield, to March 2005 and as President and Chief Executive Officer of Trendwest Resorts, Inc. (which has been renamed WorldMark by Wyndham) from August 2004 to March 2005. Mr. Hanning joined Fairfield in 1982 and held several key leadership positions with Fairfield, including Regional Vice President, Executive Vice President of Sales and Chief Operating Officer.

***Kenneth N. May*** has served as President and Chief Executive Officer, RCI Global Vacation Network since our separation from Cendant in July 2006. Mr. May was the Chief Executive Officer of Cendant's Vacation Network Group from March 2005 until our separation from Cendant in July 2006. From February 1999 to March 2005, Mr. May was Chairman and Chief Executive Officer of RCI. Prior to joining Cendant, Mr. May held positions as General Manager with Citibank North America Credit Cards, Senior Vice President and General Manager with Disney Vacation Club and various other leadership positions for PepsiCo, Inc. and Colgate-Palmolive Company.

***Steven A. Rudnitsky*** has served as our President and Chief Executive Officer, Wyndham Hotel Group since our separation from Cendant in July 2006. Mr. Rudnitsky was the Chief Executive Officer of Cendant's Hotel Group from March 2002 until our separation from Cendant in July 2006. Prior to joining Cendant, from December 2000 to March 2002, Mr. Rudnitsky was President of Kraft Foodservice and Executive Vice President of Kraft Foods, Inc. Mr. Rudnitsky was appointed to these positions with Kraft in December 2000 upon Kraft's acquisition of Nabisco Foods Company, where he served as President from 1999 until December 2000. From 1996 to 1999, Mr. Rudnitsky was Vice President and General Manager, food service, for Pillsbury Bakeries & Foodservice. From 1984 to 1996, Mr. Rudnitsky held positions of increasing responsibility at PepsiCo, Inc.

***Virginia M. Wilson*** has served as our Executive Vice President and Chief Financial Officer since our separation from Cendant in July 2006. Ms. Wilson was Executive Vice President and Chief Accounting Officer of Cendant from September 2003 until our separation from Cendant in July 2006. From October 1999 until August 2003, Ms. Wilson served as Senior Vice President and Controller for MetLife, Inc., a provider of insurance and other financial services. From 1996 until 1999, Ms. Wilson served as Senior Vice President and Controller for Transamerica Life Companies, an insurance and financial services company. Prior to Transamerica, Ms. Wilson was an Audit Partner of Deloitte & Touche LLP.

***Scott G. McLester*** has served as our Executive Vice President and General Counsel since our separation from Cendant in July 2006. Mr. McLester was Senior Vice President, Legal for Cendant from April 2004 until our separation from Cendant in July 2006. Mr. McLester was Group Vice President, Legal for Cendant from March 2002 to April 2004, Vice President, Legal for Cendant from February 2001 to March 2002 and Senior Counsel for Cendant from June 2000 to February 2001. Prior to joining Cendant, Mr. McLester was a Vice President in the Law Department of Merrill Lynch in New York and a partner with the law firm of Carpenter, Bennett and Morrissey in Newark, New Jersey.

***Mary R. Falvey*** has served as our Executive Vice President and Chief Human Resources Officer since our separation from Cendant in July 2006. Ms. Falvey was Executive Vice President, Global Human Resources for Cendant's Vacation Network Group from April 2005 until our separation from Cendant in July 2006. From March 2000 to April 2005, Ms. Falvey served as Executive Vice President, Human Resources for RCI. From January 1998 to March 2000, Ms. Falvey was Vice President of Human Resources for Cendant's Hotel Division and Corporate Contact Center group. Prior to joining Cendant, Ms. Falvey held various leadership positions in the human resources division of Nabisco Foods Company.

***Thomas F. Anderson*** has served as our Executive Vice President and Chief Real Estate Development Officer since our separation from Cendant in July 2006. From April 2003 until July 2006, Mr. Anderson was Executive Vice President, Strategic Acquisitions and Development of Cendant's Timeshare Resort Group. From January 2000 until February 2003, Mr. Anderson was Senior Vice President, Corporate Real Estate for Cendant Corporation. From November 1998 until December 1999, Mr. Anderson was Vice President of Real Estate Services, Coldwell Banker Commercial. From March 1995 to October 1998, Mr. Anderson was General Manager of American Asset Corporation, a full service real estate developer based in Charlotte, North Carolina. From June 1990 until February 1995, Mr. Anderson was Vice President of Commercial Lending for BB&T Corporation in Charlotte, North Carolina.

***Nicola Rossi*** has served as our Senior Vice President and Chief Accounting Officer since our separation from Cendant in July 2006. Mr. Rossi was Vice President and Controller of Cendant's Hotel Group from June 2004 until our separation from Cendant in July 2006. From April 2002 to June 2004, Mr. Rossi served as Vice President, Corporate Finance for Cendant. From April 2000 to April 2002, Mr. Rossi was Corporate Controller of Jacuzzi Brands, Inc., a bath and plumbing products company, and was Assistant Corporate Controller from June 1999 to March 2000. From November 1995 to May 1999, Mr. Rossi was Director of Corporate Accounting of The Great Atlantic & Pacific Tea Company, Inc. From 1988 to 1995, Mr. Rossi held various positions, from staff accountant to manager, with Deloitte & Touche LLP.

**Board of Directors**

The following sets forth, as of March 13, 2007, information with respect to those persons who serve on our Board of Directors. See "— Executive Officers" for Stephen P. Holmes's biographical information.

| Name | Age | Position(s) |
|---|---|---|
| Stephen P. Holmes | 50 | Chairman of the Board of Directors |
| Myra J. Biblowit | 58 | Director |
| James E. Buckman | 62 | Director |
| George Herrera | 50 | Director |
| The Right Honourable Brian Mulroney | 67 | Director |
| Pauline D.E. Richards | 58 | Director |
| Michael H. Wargotz | 48 | Director |

***Myra J. Biblowit*** has served as a director since our separation from Cendant in July 2006. Ms. Biblowit was a Cendant director from April 2000 until the completion of Cendant's separation plan in August 2006. Since April 2001, Ms. Biblowit has been President of The Breast Cancer Research Foundation. From July 1997 until March 2001, she served as Vice Dean for External Affairs for the New York University School of Medicine and Senior Vice President of the Mount Sinai-NYU Health System. From June 1991 to June 1997, Ms. Biblowit was Senior Vice President and Executive Director of the Capital Campaign for the American Museum of Natural History.

***James E. Buckman*** was a director since May 2003 of the already-existing, wholly owned subsidiary of Cendant that held the assets and liabilities of Cendant's hospitality services (including timeshare resorts) businesses before our separation from Cendant and has served as a director of Wyndham Worldwide since our separation from Cendant in July 2006. Since January 22, 2007, Mr. Buckman has been serving as a consultant to York Capital Management, a hedge fund management company headquartered in New York City. Mr. Buckman was General Counsel and a director of Cendant from December 1997 until the completion of Cendant's separation plan in August 2006. Mr. Buckman was a Vice Chairman of Cendant from November 1998 until the completion of Cendant's separation plan in August 2006. Mr. Buckman was a Senior Executive Vice President of Cendant from December 1997 until November 1998. Mr. Buckman was Senior Executive Vice President, General Counsel and Assistant Secretary of HFS from May 1997 to December 1997, a director of HFS from June 1994 to December 1997 and Executive Vice President, General Counsel and Assistant Secretary of HFS from February 1992 to May 1997.

***George Herrera*** has served as a director since our separation from Cendant in July 2006. Mr. Herrera was a Cendant director from January 2004 until the completion of Cendant's separation plan in August 2006. Since December 2003, Mr. Herrera has served as President and Chief Executive Officer of Herrera-Cristina Group, Ltd., a Hispanic-owned multidisciplinary management firm. From August 1998 to January 2004, Mr. Herrera served as President and Chief Executive Officer of the U.S. Hispanic Chamber of Commerce. Mr. Herrera served as President of David J. Burgos & Associates, Inc. from December 1979 until July 1998.

***The Right Honourable Brian Mulroney*** has served as a director since our separation from Cendant in July 2006. Mr. Mulroney was a Cendant director from December 1997 until the completion of Cendant's separation plan in August 2006. Mr. Mulroney was Prime Minister of Canada from 1984 to 1993 and is currently Senior Partner in the Montreal-based law firm, Ogilvy Renault. Mr. Mulroney is a director of the following public companies: Archer Daniels Midland Company Inc., Barrick Gold Corporation, Independent News and Media, PLC and Quebecor, Inc. (including its subsidiary, Quebecor World Inc.). Mr. Mulroney was a director of HFS from April 1997 until December 1997.

***Pauline D.E. Richards*** has served as a director since our separation from Cendant in July 2006. Ms. Richards was a Cendant director from March 2003 until the completion of Cendant's separation plan in August 2006. Since November 2003, Ms. Richards has been Director of Development at the Saltus Grammar School, the largest private school in Bermuda. From January 2001 until March 2003, Ms. Richards served as Chief Financial Officer of Lombard Odier Darier Hentsch (Bermuda) Limited in

Bermuda, a trust company business. From January 1999 until December 2000, she was Treasurer of Gulfstream Financial Limited, a stock brokerage company. From January 1999 to June 1999, Ms. Richards served as a consultant to Aon Group of Companies, Bermuda, an insurance brokerage company, after serving in different positions from 1988 through 1998. These positions included Controller, Senior Vice President and Group Financial Controller and Chief Financial Officer. Ms. Richards was chairman of Cendant's audit committee from October 2004 until the completion of Cendant's separation plan in August 2006.

***Michael H. Wargotz*** has served as a director since our separation from Cendant in July 2006. Since December 2006, Mr. Wargotz has been the Chief Financial Advisor of NetJets Inc., a leading provider of private aviation services. From June 2004 until November 2006, he was the Vice President of NetJets. Since January 2001, Mr. Wargotz has been a founding partner of Axcess Solutions, LLC, a strategic alliance, brand development and partnership marketing consulting firm. From January 2000 to December 2000, Mr. Wargotz pursued personal interests. From January 1998 to December 1999, Mr. Wargotz served in various leadership positions with Cendant, including President and Chief Executive Officer of its Lifestyle Division, Executive Vice President and Chief Financial Officer of its Alliance Marketing Segment and Senior Vice President, Business Development. Mr. Wargotz was a Senior Vice President with HFS from July 1994 to December 1997.

## EXECUTIVE COMPENSATION

### Compensation Committee Matters

***Separation from Cendant.*** During 2005 and 2006, Cendant's compensation committee met on numerous occasions to, among other things, determine and approve the employment agreement for our CEO. We subsequently entered into employment agreements with our other named executive officers.

***Wyndham Worldwide Compensation Committee.*** Our Compensation Committee is responsible for establishing executive compensation policies and programs consistent with corporate objectives and shareholder interests. The Compensation Committee operates under a written charter adopted by the Board. The charter is reviewed on an annual basis and revised as appropriate. The Committee's membership is determined by the Board and is composed entirely of independent directors. The Compensation Committee Chair reports on Compensation Committee actions and recommendations at our Board meetings.

***Ratification of Prior Actions.*** In October 2006, our Compensation Committee reviewed the actions of Cendant's compensation committee as they applied to our CEO and ratified the employment agreements of our other named executive officers.

***Management's Role.*** Management plays a significant role in the compensation-setting process. The most significant aspects of management's role are evaluating employee performance, establishing business performance targets and objectives, and recommending salary levels and equity awards. Our CEO works with the Compensation Committee in establishing the agenda for committee meetings. Management also prepares meeting information for each Compensation Committee meeting. Our CEO also participates in Compensation Committee meetings at the committee's request to provide background information regarding our strategic objectives, his evaluation of the performance of the senior executive officers and compensation recommendations as to senior executive officers (other than himself). The CEO is not involved in setting his own compensation. CEO compensation is exclusive responsibility of the Compensation Committee.

### Compensation Discussion and Analysis

#### *Overview*

In July 2006, we separated from Cendant Corporation (now Avis Budget Group) in a spin-off and became a stand-alone public company. Compensation elements and target levels for our named executive officers for 2006 were determined by Cendant. These determinations were made largely in the context of the spin-off. In summary, the compensation decisions relevant to our named executive officers for 2006 were as follows:

- We adopted and Cendant approved our 2006 Equity and Incentive Plan, Health and Welfare Plan and Officer Deferred Compensation Plan.
- We adopted our Executive Total Compensation Strategy as described below.
- We entered into employment agreements with each of our named executive officers. The employment agreements were negotiated individually with each named executive officer. Base salaries, target annual incentive compensation and long-term incentive awards were set consistent with historical compensation, peer group executives and peer executives for Cendant and Cendant's other business units that were spun-off or sold, Realogy and Travelport. These agreements are described below under Agreements with Named Executive Officers.
- The base salaries paid to our named executive officers in 2006 are listed in the Summary Compensation Table below.
- We paid our named executive officers annual incentive compensation based on adjusted EBIT results of the company and business units as applicable. The amounts we paid are listed in the Summary Compensation Table below.

- We made grants of stock settled stock appreciation rights and restricted stock units to our named executive officers. The grants are listed in the Grants of Plan-Based Awards Table below.
- We provided our named executives perquisites consistent with Cendant's historical practices. The perquisites are listed in the All Other Compensation Table below.

***Executive Total Compensation Strategy***

In February 2007, we adopted our Executive Total Compensation Strategy with the following principles and objectives as they apply to our named executive officers:

- Attract and retain superior senior management talent. We believe that attracting and retaining superior senior managers is integral to our ongoing success. Our named executive officers possess extensive experience in our business and the hospitality segments in which we compete and demonstrate the leadership skills and commitment to excellence that we believe are critical for our company. Accordingly, our compensation strategy is designed in part to promote a long-term commitment from our named executive officers.
- Provide our executives with those compensation elements that are consistent with those provided by comparable hospitality and other service companies as well as general industry. Accordingly, our elements of compensation are base salary, annual incentive compensation, long-term incentive compensation, retirement, health and welfare benefits and perquisites.
- Support a high-performance environment by linking compensation with performance. Our key goals are to grow our business and increase shareholder value. Consistent with these goals, we believe a significant portion of our executive compensation should be contingent on actual results so executives earn incentives only when and to the extent that we create value for our shareholders. Accordingly, incentive awards should be driven by corporate and segment performance with individual performance influencing the size of the award.
- Support a long-term focus for our executives that aligns their interests with the interests of our shareholders. Long-term awards should appropriately balance an alignment with shareholder interests against our goal of retaining our key personnel.
- Provide our named executive officers with competitive base salaries, bonuses and long-term incentives that may approach the 75th percentile of our peer group based on meeting company, business unit and individual goals. When determining a competitive level, we look to comparable hospitality and other service companies as well as general industry.

***Determining Executive Compensation***

An important aspect of the Compensation Committee's annual work relates to the determination of compensation for our senior executives.

***Annual Evaluation.*** The Compensation Committee will meet each year to evaluate the performance of the named executive officers, to consider and review their base salaries for potential annual increases and to consider and approve any grants to them of long-term incentive compensation.

***Performance Compensation and Objectives.*** Performance-based compensation for our named executive officers generally includes cash annual incentive compensation for achievement of specified performance objectives and stock-based compensation whose value is dependent upon long-term appreciation in stock price. The "Non-Equity Incentive Plan" column of the Summary Compensation Table below lists the annual incentive compensation we paid our named executive officers for 2006.

Performance objectives for 2006 annual incentive compensation paid in 2007 were established on the basis of corporate and/or business unit Earnings Before Interest and Taxes (EBIT), a measure of our profitability. The EBIT targets for 2006 were adjusted for separation and related costs and other special

items. The 2006 adjusted EBIT targets and funding models for the corporation and business units were set by management based on approved operating budgets and represented a specified growth rate over the prior year's EBIT consistent with our strategic plan. We used these operating budgets to set the ranges for our published 2006 earnings guidance.

An executive's annual incentive compensation may be higher or lower than the target payment (down to zero) depending on corporate and business unit performance. For example, the annual incentive payment could be as high as 125% of the target if the operating unit results exceed 106% of the 2006 adjusted EBIT target or as low as zero if the operating unit results are less than 95% of the 2006 adjusted EBIT target.

For our CEO and CFO, the 2006 annual incentive payment was based on a corporate target. For our business unit chief executives other than Mr. Hanning, the 2006 annual incentive payment was weighted 50% for the corporate target and 50% for the business unit target. For Mr. Hanning, the 2006 annual incentive payment was weighted 100% for the business unit target.

We link performance to our long-term incentives by basing the size of the aggregate pool of shares available for grant on business unit and corporate performance and, for individual grants, on individual performance assessment and future potential. The long-term incentive awards we made to our named executive officers in 2006 are described below in the Grants of Plan-Based Awards Table.

***Targeted Compensation Levels.*** We believe that information regarding compensation practices at other companies is useful in evaluating compensation of our named executive officers. We recognize that our compensation practices must be competitive in the market. In addition, this market information is a key factor that we consider in assessing the reasonableness of compensation. Accordingly, we review compensation levels for our CEO against compensation levels at the companies in the peer group deemed appropriate by our Compensation Committee for benchmarking purposes.

At the request of Cendant's Compensation Committee, Cendant's compensation consultant provided Cendant with information regarding CEO compensation levels at the 50th and 75th percentiles among a group of representative hospitality, travel and gaming companies.

For our 2007 compensation arrangements, our compensation consultant provided our Compensation Committee CEO compensation levels of base salary, annual incentive awards and long-term incentive awards at the 50th and 75th percentile among those companies that we consider to be our most directly comparable peer hospitality companies.

The Compensation Committee also reviewed general industry market survey data from the 2006 Hewitt Associates Total Compensation Measurement (TCM) database. The general industry peer group consists of 54 companies with revenues between $2.5 and $5 billion with a median of $3.3 billion.

We and Cendant used the comparable data to determine compensation levels for our CEO, and in turn, our other named executive officers as described below.

***Policies and Practices for Pricing and Timing of Equity Grants.*** We expect to make equity grants to our named executive officers in May of each year. We expect to observe the following relating to the timing of equity grants:

- except for inducement grants for new executives, we determine all equity awards at a Compensation Committee meeting held during May each year;
- the grant date for all awards is made after we have released earnings and all other relevant nonpublic information for our first quarter;
- our executives do not have any role in selecting the grant date;
- the grant date for all equity awards is always the date of approval of the grants (or a specified later date if for any reason the grant is approved during a time when we are in possession of material, non-public information); and

- the exercise or base price of any equity grant is the closing price of the underlying common stock on the grant date.

***2006 Executive Compensation Elements and Decisions***

***Base Salary.*** Base salary is a critical element of executive compensation because it provides executives with a base level of monthly income needed to be market competitive. We set base salaries at a level designed to attract and retain superior managers. Base salaries for our executives are established based on the scope of their responsibilities, taking into account historical compensation, competitive market compensation paid by other companies for similar positions as well as salaries paid to the executives' peers within the company.

The base salaries we (and Cendant) paid to our named executive officers in 2006 are listed in the Summary Compensation Table below. These amounts include compensation paid by Cendant prior to the spin-off.

Mr. Holmes' base salary was targeted to the 75th percentile of the peer group selected by Cendant's compensation consultant. The base salaries of our other named executive officers were set relative to Mr. Holmes' base salary and each other.

***Annual Incentive Compensation.*** We pay annual incentive compensation to incent and reward superior performance for the year. Annual incentive compensation is paid in cash in the first quarter for the prior year's performance. Annual incentive awards are granted under our 2006 Equity and Incentive Plan. Consistent with their employment agreements, we paid our named executive officers the annual incentive compensation listed in the Summary Compensation Table below.

Mr. Holmes' target annual incentive compensation was set by Cendant to the 75th percentile of the peer group used by Cendant's compensation consultant and consistent with his historical compensation. The target annual incentive compensation eligible paid to our other named executive officers were set relative to their base salaries and each other. The possible threshold, target and maximum annual incentive compensation payouts payable to the named executive officers for 2006 are described below in the Grants of Plan Based Awards Table.

The annual incentive compensation paid to Mr. Holmes and Ms. Wilson for 2006 was weighted 100% on a corporate adjusted EBIT target. We achieved at least 102.3% of the corporate adjusted EBIT target which resulted in an annual incentive payment of 105% of target for Mr. Holmes and Ms. Wilson under the established corporate funding models.

The annual incentive compensation paid to Mr. May and Mr. Rudnitsky for 2006 was weighted 50% for the corporate target and 50% for the business unit target. Each of these executives received 105% of 50% of his target annual incentive compensation based on the corporate results as described above. Mr. May's business unit, RCI Global Vacation Network, did not achieve at least 97% of the adjusted EBIT target which resulted in him receiving 0% of 50% of his target annual incentive compensation under the established business unit funding models. Mr. Rudnitsky's business unit, Wyndham Hotel Group, achieved at least 103.2% of the adjusted EBIT target which resulted in him receiving 105% of 50% of his target annual incentive compensation under the established business unit funding models.

The annual incentive compensation paid to Mr. Hanning for 2006 was weighted 100% for the business unit target. Mr. Hanning's business unit, Wyndham Vacation Ownership, achieved at least 110.3% of the adjusted EBIT target which resulted in him receiving 125% of his target annual incentive compensation under the established business unit funding models.

***Long-Term Incentive Compensation.*** The purpose of long-term incentives for our named executive officers is to align their interests with shareholders through meaningful equity participation and long-term ownership. Long-term incentives should help balance a short-term performance focus and encourage retention. Long-term incentive awards are granted under our 2006 Equity and Incentive Plan.

At the CEO level, long-term incentives are heavily weighted toward stock settled stock appreciation rights to provide maximum leverage and to drive long-term share price appreciation. A stock settled stock appreciation right is similar to a stock option and gives the executive the right to receive an amount in shares of common stock equal to the excess of the fair market value of a share of our common stock on the date of exercise over the exercise price of the stock appreciation right. For our other named executive officers, long-term incentives are weighted between stock settled stock appreciation rights and restricted stock units to encourage retention. A restricted stock unit represents the right to receive a share of our common stock on a set vesting date.

We granted the stock settled stock appreciation rights and restricted stock units to our named executive officers as described in the Grants of Plan-Based Awards Table below. The grant made to our CEO was designed to equal 200% of his prior year award intended to provide increased retention incentive and consistent with the CEOs of the other companies being separated from Cendant. The grants made to our other named executive officers were set relative to Mr. Holmes' grant and each other.

***Officer Deferred Compensation Plan.*** We adopted an officer deferred compensation plan that permits named executive officers to defer salary and bonus compensation. We match executive contributions to the plan up to 6% of salary and bonus. The executive may elect a single lump-sum payment of his or her account or may elect payments over time subject to 5-year vesting. The participant's entire account balance will vest and be paid in a single lump sum following a change-in-control or in the event that the executive's employment terminates.

***401(k) Plan.*** We provide employees, including our named executive officers, with a 401(k) plan. We provide named executive officers and other participants a company match of salary contributed up to 6% of salary. If an executive elects to participate in both the Officer Deferred Compensation Plan and the 401(k) plan, the executive must elect to defer salary in one or the other of the plans but not both.

***Savings Restoration Plan.*** We adopted a savings restoration plan, which allows executives to defer compensation in excess of the amounts permitted by the Internal Revenue Code under our 401(k) plan, but there are no matching contributions for these deferrals.

***Perquisites.*** We provide our senior executive officers with perquisites that we believe are reasonable, competitive and consistent with our overall executive compensation program. We believe that our perquisites help us to retain the best managers and allow them to operate more effectively.

In 2006 we provided our named executives perquisites consistent with Cendant's historical practices including a leased automobile and financial planning services. For each of these perquisites the executive receives a "tax gross-up" payment, which means the executive receives additional compensation to reimburse them for the amount of taxes owed on the compensation imputed for the perquisite. We also provided our CEO with limited personal use of company aircraft for which we imputed income for our incremental costs without a tax gross-up. Perquisites provided in 2006 are described in the All Other Compensation Table below.

***Severance Arrangements.*** The employment agreements of our named executive officers provide for payments related to base salary and bonus as well as accelerated equity vesting if the executive's employment is terminated without cause or for a constructive discharge. The payments and terms vary in certain respects between the individual executives. These payments and terms are discussed below under Agreements with Named Executive Officers.

***Change-in-Control Arrangements.*** Mr. Holmes' employment agreement provides for payments related to base salary and bonus as well as accelerated equity vesting in the event of a change-in-control. The employment agreements of our other named executive officers provide for accelerated equity vesting based on certain vesting schedules in the event of a change-in-control. The payments and terms vary in certain respects between the individual executives. These payments and terms are discussed below under Agreements with Named Executive Officers. In addition, equity grants made to all employees, including the named executive officers, under our 2006 Equity and Incentive Plan fully vest on a change-in-control.

***2007 Executive Compensation Decisions***

***Base Salary.*** In the first quarter of 2007 our Compensation Committee approved the 2006 annual incentive compensation payments discussed above and the 2007 base salaries for each of our named executive officers. Consistent with the executives' employment agreements, 2007 base salaries are as follows:

| Name | 2007 Base Salary ($) |
|---|---|
| Mr. Holmes | 1,040,000 |
| Mr. Hanning | 577,500 |
| Mr. May | 550,000 |
| Mr. Rudnitsky | 520,000 |
| Ms. Wilson | 494,000 |

Merit increases in base salary reward successful performance and seek to create incentives for retention. We based the 2007 merit increases on a review of the 2006 performance of the named executive officers and their applicable function or business unit.

***Annual Incentive Compensation.*** Consistent with the executives' employment agreements, and based on the 2007 base salaries described above, the possible threshold, target and maximum annual incentive compensation payouts payable to the named executive officers for 2007 are as follows:

| Name | Threshold ($) | Target ($) | Maximum ($) |
|---|---|---|---|
| Mr. Holmes | 520,000 | 2,080,000 | 2,600,000 |
| Mr. Hanning | 165,000 | 660,000 | 825,000 |
| Mr. May | 198,550 | 550,000 | 687,500 |
| Mr. Rudnitsky | 166,660 | 520,000 | 650,000 |
| Ms. Wilson | 123,500 | 494,000 | 617,500 |

Management provided our Compensation Committee with the financial criteria and targets that will be used to determine the level of annual incentive compensation payouts and management's rationale as to why these targets are appropriate. Performance objectives for 2007 annual incentive compensation were established on the basis of corporate and/or business unit EBIT. The EBIT targets for both corporate and the business units will be adjusted for separation, related costs and special items if appropriate.

The 2007 adjusted EBIT targets and funding models for the corporation and business units were set by management based on approved operating budgets and represented a specified growth rate over the prior year's EBIT consistent with our strategic plan. We used these operating budgets to set the ranges for our published 2007 earnings guidance.

For our CEO and CFO, the 2007 annual incentive payment will be weighted 100% on the corporate target. For our business unit chief executives, the 2007 annual incentive payment will be weighted 25% for the corporate target and 75% for the business unit target.

The Compensation Committee reviewed the criteria and targets with our compensation consultant and management and approved the threshold, target and maximum levels of financial performance under the plan and the potential payouts at those levels of performance. The Compensation Committee and we believe these financial targets are rigorous but reasonably attainable.

***Section 162(m) of the Internal Revenue Code of 1986***

The federal tax laws impose requirements in order for compensation payable to the CEO and certain executive officers to be fully deductible and generally provide that compensation in excess of a certain amount is deductible only if it is performance-based compensation and meets certain requirements. In 2007, we expect to claim an income tax deduction for 2006 compensation paid to our CEO and executive officers to the extent permitted by this section of the Internal Revenue Code.

**2006 Summary Compensation Table**

The following table describes compensation paid to our named executive officers for 2006. The amounts reported include compensation attributable to employment with Cendant prior to the spin-off.

| Name & Principal Position | Year | Salary ($) | Stock Awards ($)(a) | Option Awards ($)(a) | Non-Equity Incentive Plan Compensation ($)(b) | All Other Compensation ($)(c) | Total ($) |
|---|---|---|---|---|---|---|---|
| Stephen P. Holmes<br>Chairman and Chief Executive Officer | 2006 | 862,066 | 4,412,765 | 2,188,283 | 2,100,000 | 1,919,510 | 11,482,624 |
| Franz S. Hanning<br>President and Chief Executive Officer, Wyndham Vacation Ownership | 2006 | 520,961 | 1,556,871 | 580,393 | 825,000 | 805,619 | 4,288,844 |
| Kenneth N. May<br>President and Chief Executive Officer, RCI Global Vacation Network | 2006 | 552,577 | 1,540,480 | 554,404 | 288,750 | 85,905 | 3,022,116 |
| Steven A. Rudnitsky<br>President and Chief Executive Officer, Wyndham Hotel Group | 2006 | 500,000 | 1,517,988 | 504,456 | 525,000 | 275,064 | 3,322,508 |
| Virginia M. Wilson<br>Executive Vice President and Chief Financial Officer | 2006 | 444,644 | 1,272,928 | 240,479 | 498,750 | 616,748 | 3,073,549 |

(a) Dollar values of awards equal compensation cost to us (and Cendant) that we (and Cendant) are required to report in 2006 under SFAS No. 123R. The SFAS No. 123R amounts differ from the grant date fair value for grants made in 2006 as the SFAS No. 123R amounts generally reflect costs associated with grants made in previous years. A discussion of the assumptions used in calculating these values may be found in Note 16 to our 2006 audited financial statements of our annual report on Form 10-K.

(b) Represents annual incentive compensation for 2006 paid in 2007.

(c) See All Other Compensation Table below for a description of compensation included in this column.

**2006 All Other Compensation Table**

The All Other Compensation in the Summary Compensation Table above includes the following components. The total compensation amounts for the table are provided in the "All Other Compensation" column of the Summary Compensation Table above.

| | Mr. Holmes ($) | Mr. Hanning ($) | Mr. May ($) | Mr. Rudnitsky ($) | Ms. Wilson ($) |
|---|---|---|---|---|---|
| Personal use of company aircraft | 30,751(a) | (a)(b) | — | — | — |
| Company automobile | 18,767(c) | (b) | 17,996(c) | (b) | (b) |
| Financial planning services | (b) | (b) | — | (b) | (b) |
| 401(K) Company match | — | (b) | — | — | — |
| Deferred compensation company match | 177,724 | — | — | 61,510 | 56,603 |
| Insurance | (b)(d) | — | — | — | — |
| Dividends(e) | 137,913 | 49,813 | 48,246 | 48,920 | 31,884 |
| Retention payment(f) | — | 700,000 | — | — | 500,000 |
| Contract termination payment | 1,500,000(g) | — | — | — | — |
| Executive medical | (b) | (b) | (b) | (b) | (b) |
| Corporate gift(h) | (b) | (b) | (b) | (b) | (b) |
| Charitable contributions match(i) | (b) | — | — | — | — |
| Cendant option payment | — | — | — | 130,399(j) | — |
| Aggregate tax gross-up(k) | 19,383 | 7,600 | 18,771 | 5,453 | 5,513 |

(a) Aggregate incremental cost to us (and/or Cendant) for personal use of company aircraft. These costs are calculated using a standard rate per mile flown plus terminal charges. Mr. Hanning's 2006 personal use of company aircraft was in connection with his Cendant employment.

(b) Aggregate incremental cost to us (and/or Cendant) of the benefit(s) was less than $25,000 and 10% of the total value of all perquisites provided to the named executive officer.

(c) Aggregate incremental cost to us of automobile benefit calculated as follows: Mr. Holmes, company payment of $20,740 minus executive contribution of $1,973 (amount does not include tax gross-up described below); and Mr. May, company payment of $28,431 minus executive contribution of $10,435 (amount does not include tax-gross up described below). The amounts for company payment include insurance payments and other charges related to the benefit.

(d) Mr. Holmes is insured by a term life insurance policy owned by us with a $1 million death benefit payable to us. The premiums for this policy are not imputed as income.

(e) Dividends paid on vesting of Cendant restricted stock units.

(f) Mr. Hanning's retention payment was made under his employment agreement. Ms. Wilson's retention payment was made by us in September 2006 as contemplated by Cendant's retention program.

(g) Paid by Cendant in connection with termination of employment agreement.

(h) Nominal gift received at Cendant senior management conference (amount does not include tax gross-up described below). Wyndham Worldwide does not provide a tax gross-up on nominal corporate gifts provided to its executives.

(i) Represents discretionary matching contributions made by Cendant's charitable foundation on behalf of the named executive officer.

(j) Represents $130,399 payment made by Cendant to Mr. Rudnitsky in connection with the spin-off for Cendant options not eligible for 3-year extended exercisability. The amount was calculated using a modified Black-Scholes valuation formula.

(k) Aggregate tax gross-ups for 2006 consisted of the following: Mr. Holmes, automobile, $12,999, financial planning, $6,279 and gift, $105; Mr. Hanning, automobile, $6,199, financial planning, $1,326 and gift, $75; Mr. May, automobile, $18,705 and gift, $66; Mr. Rudnitsky, automobile, $3,753, financial planning, $1,619 and gift, $81; and Ms. Wilson, automobile, $4,102, financial planning, $1,336 and gift, $75.

**2006 Grants of Plan-Based Awards Table**

The following table summarizes grants of plan-based awards made to named executive officers in 2006.

| Name | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards ($/Sh) | Grant Date Fair Value of Stock and Option Awards ($) |
|---|---|---|---|---|---|---|---|---|
| | | Threshold ($) | Target ($) | Maximum ($) | | | | |
| Mr. Holmes | 08/01/06 | | | | 78,493(a) | | 31.85 | 2.5 million |
| | 08/01/06 | | | | | 179,726(b)(c) | 31.85 | 2.5 million |
| | (d) | 500,000 | 2,000,000 | 2,500,000 | | | | |
| Mr. Hanning | 08/01/06 | | | | 62,794(a) | | 31.85 | 2 million |
| | 08/01/06 | | | | | 71,890(c)(e) | 31.85 | 1 million |
| | (d) | 165,000 | 660,000 | 825,000 | | | | |
| Mr. May | 08/01/06 | | | | 62,794(a) | | 31.85 | 2 million |
| | 08/01/06 | | | | | 71,890(c)(e) | 31.85 | 1 million |
| | (d) | 163,900 | 550,000 | 687,500 | | | | |
| Mr. Rudnitsky | 08/01/06 | | | | 62,794(a) | | 31.85 | 2 million |
| | 08/01/06 | | | | | 71,890(c)(e) | 31.85 | 1 million |
| | (d) | 157,000 | 500,000 | 625,000 | | | | |
| Ms. Wilson | 08/01/06 | | | | 47,095(a) | | 31.85 | 1.5 million |
| | 08/01/06 | | | | | 71,890(c)(e) | 31.85 | 1 million |
| | (d) | 118,750 | 475,000 | 593,750 | | | | |

(a) Grant of restricted stock units, which vest equally over four years on each anniversary of May 2, 2006.

(b) Grant of stock settled stock appreciation rights, which vest equally over four years on each anniversary of May 2, 2006.

(c) Calculated using the Black Scholes value for our common stock on the date of grant.

(d) Represents potential threshold, target and maximum annual incentive compensation for 2006. Amounts actually paid for 2006 are described in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above.

(e) Grant of stock settled stock appreciation rights, which vest equally over three years on each anniversary of May 2, 2006.

Under our 2006 Equity and Incentive Plan, all grants set forth in the table fully-vest on a change-in-control. In the event dividends are paid on our common stock, dividends are credited for unvested restricted stock units and are paid in cash on vesting.

**Outstanding Equity Awards at 2006 Fiscal Year-End Table**

The following table summarizes the number of securities underlying outstanding plan awards for the named executive officers as of December 31, 2006.

| | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|
| | Number of Securities Underlying Unexercised Options (#) | | Option Exercise Price | Option Expiration | Number of Shares of Stock That Have Not Vested | Market Value of Shares Of Stock That Have Not Vested |
| Name | Exercisable | Unexercisable | ($) | Date | (#) | ($)(a) |
| Mr. Holmes(b) | 70,271 | | 20.61890 | 12/17/07 | | |
| | 66,931 | | 42.02574 | 10/14/08 | | |
| | 43,360 | | 42.02574 | 12/17/07 | | |
| | 18,829 | | 20.61890 | 04/30/07 | | |
| | 125,098 | | 37.56050 | 04/21/09 | | |
| | 105,030 | | 46.43844 | 01/13/10 | | |
| | 208,498 | | 19.77837 | 01/03/11 | | |
| | 24,324 | | 40.02951 | 01/22/12 | | |
| | 12,162 | | 40.02951 | 01/22/12 | | |
| | | 179,726 | 31.85000 | 08/01/16 | | |
| | | | | | 78,493 | 2,513,346 |
| Mr. Hanning | 31,274 | | 29.18687 | 04/03/11 | | |
| | 20,849 | | 27.00154 | 10/18/11 | | |
| | 20,683 | | 40.02951 | 01/22/12 | | |
| | | 71,890 | 31.85000 | 08/01/16 | | |
| | | | | | 62,794 | 2,010,664 |
| Mr. May | 77,144 | | 35.39346 | 02/28/10 | | |
| | 25,019 | | 40.02951 | 01/22/12 | | |
| | | 71,890 | 31.85000 | 08/01/16 | | |
| | | | | | 62,794 | 2,010,664 |
| Mr. Rudnitsky | 57,337 | | 36.58340 | 03/01/12 | | |
| | 31,274 | | 36.58340 | 03/01/12 | | |
| | | 71,890 | 31.85000 | 08/01/16 | | |
| | | | | | 62,794 | 2,010,664 |
| Ms. Wilson | 7,356 | | 38.83177 | 09/04/13 | | |
| | 2,452 | | 38.83177 | 09/04/13 | | |
| | | 71,890 | 31.85000 | 08/01/16 | | |
| | | | | | 47,095 | 1,507,982 |

(a) Calculated using closing price of our common stock on the New York Stock Exchange on December 29, 2006 of $32.02.

(b) Table excludes our obligation to issue 36,852 shares of common stock to Mr. Holmes in 2009. The amount is deferred and held in a separate account.

**Equity Compensation Plan Information as of December 31, 2006**

| | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in the First Column) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 24.7 million(a) | $39.70(b) | 16.8 million(c) |
| Equity compensation plans not approved by security holders | None | Not applicable | Not applicable |

(a) Consists of shares issuable upon exercise of outstanding stock options and restricted stock units under the 2006 Equity and Incentive Plan.

(b) Consists of weighted-average exercise price of outstanding stock options and stock settled stock appreciation rights.

(c) Consists of shares available for future grants under the 2006 Equity and Incentive Plan.

**2006 Wyndham Worldwide Option Exercises and Stock Vested Table**

The following table summarizes the Wyndham Worldwide stock option exercises and vesting of restricted stock by named executive officers in 2006.

| | Option Awards | | | Stock Awards | | |
|---|---|---|---|---|---|---|
| Name | Date | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Date | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(a) |
| Mr. Holmes | — | — | — | 08/15/06 | 43,357(b) | 1,235,674(b) |
| Mr. Hanning | — | — | — | 08/15/06 | 15,006 | 427,671 |
| Mr. May | — | — | — | 08/15/06 | 14,814 | 422,199 |
| Mr. Rudnitsky | — | — | — | 08/15/06 | 14,525 | 413,962 |
| Ms. Wilson | — | — | — | 08/15/06 | 10,737 | 306,004 |

(a) Calculated using closing price a share of our common stock on vesting date.

(b) Includes 18,395 restricted stock units with value of $524,257 deferred under our Officer Deferred Compensation Plan.

The following Cendant, Realogy and Avis Budget Option Exercises and Stock Vested Tables are presented to describe the 2006 option exercises and vesting of awards denominated in stock of those entities. In connection with the separation of Cendant into three separate companies, Cendant equity awards were equitably adjusted to become awards for each of the companies. We do not expect to provide this data for future periods.

**2006 Cendant Option Exercises and Stock Vested Table**

| | Option Awards | | | Stock Awards | | |
|---|---|---|---|---|---|---|
| Name | Date | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Date | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(a) |
| Mr. Holmes | 03/22/06 | 250,520(b) | 2,003,516 | 04/22/06 | 24,002(c) | 404,433 |
| Mr. Hanning | — | — | — | 04/22/06 | 9,601 | 161,776 |
| Mr. May | — | — | — | 04/22/06 | 8,641 | 145,600 |
| Mr. Rudnitsky | — | — | — | 04/22/06 | 9,697 | 163,394 |
| Ms. Wilson | — | — | — | 04/22/06 | — | — |

(a) Calculated using closing price of a share of Cendant common stock on vesting date.

(b) October 14, 1998 grant of Cendant stock options with an exercise price of $9.41257 with shares sold for $17.41 per share.

(c) Includes 24,002 restricted stock units with a value of $404,453 deferred under our Officer Deferred Compensation Plan.

**2006 Realogy Option Exercises and Stock Vested Table**

| | Option Awards | | | Stock Awards | | |
|---|---|---|---|---|---|---|
| Name | Date | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Date | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(a) |
| Mr. Holmes | — | — | — | 08/15/06 | 54,197(b) | 1,167,403 |
| Mr. Hanning | — | — | — | 08/15/06 | 18,757 | 404,025 |
| Mr. May | — | — | — | 08/15/06 | 18,517 | 398,856 |
| Mr. Rudnitsky | — | — | — | 08/15/06 | 18,157 | 391,101 |
| Ms. Wilson | — | — | — | 08/15/06 | 13,421 | 289,088 |

(a) Calculated using closing price of a share of Realogy common stock on vesting date.

(b) Includes 22,994 restricted stock units with a value of $495,290 deferred under our Officer Deferred Compensation Plan.

**2006 Avis Budget Option Exercises and Stock Vested Table**

| | Option Awards | | | Stock Awards | | |
|---|---|---|---|---|---|---|
| Name | Date | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Date | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(a) |
| Mr. Holmes | — | — | — | 08/15/06 | 216,793(b) | 403,234 |
| Mr. Hanning | — | — | — | 08/15/06 | 75,033 | 139,561 |
| Mr. May | — | — | — | 08/15/06 | 74,072 | 137,773 |
| Mr. Rudnitsky | — | — | — | 08/15/06 | 72,632 | 135,095 |
| Ms. Wilson | — | — | — | 08/15/06 | 53,693 | 99,868 |

(a) Calculated using closing price of a share of Avis Budget common stock on vesting date.

(b) Includes 91,980 restricted stock units with a value of $171,082 deferred under our Officer Deferred Compensation Plan.

**2006 Deferred Compensation Table**

The following table provides information regarding 2006 nonqualified deferred compensation for our named executive officers.

| Name | Executive Contributions in 2006 ($) | Company Contributions in 2006 ($) | Aggregate Earnings in 2006 ($)(a) | Aggregate Withdrawals/ Distributions ($)(b) | Aggregate Balance at 12/31/06 ($)(b) |
|---|---|---|---|---|---|
| Mr. Holmes | 177,724 | 177,724 | 144,448 | — | 2,507,985 |
| Mr. Hanning | — | — | 12,974 | — | 113,694 |
| Mr. May | — | — | (5,440) | — | 196,378 |
| Mr. Rudnitsky | 61,510 | 61,510 | 78,867 | 289,025 | 859,469 |
| Ms. Wilson | 56,603 | 56,603 | 42,741 | — | 729,200 |

(a) Represents gains or losses in 2006 on investment of aggregate balance.

(b) Includes compensation deferred in prior periods which was previously disclosed as required.

Our Officer Non-Qualified Deferred Compensation Plan is described above under 2006 Executive Compensation Elements and Decisions. The aggregate balances of the named executive officers are invested based on the executive's election made at the time of enrollment. Executives may change their elections during the year. For 2007 we offer a choice of 21 investment options including our common stock. Investment options include money market, debt, equity and real estate mutual funds.

**Agreements with Named Executive Officers**

The following describes our employment, termination, change-in-control and related arrangements with our named executive officers.

**Mr. Holmes**

***Employment Agreement.*** We entered into an employment agreement with Mr. Holmes with a term expiring in July 2009. The term automatically extends for an additional year unless we or Mr. Holmes provide notice of non-renewal. The agreement provides for a minimum base salary of $1 million, an annual incentive award with a target amount equal to 200% of his base salary subject to meeting performance goals, employee benefits generally available to our executive officers and grants of long-term incentive awards on terms as determined by our Board or Compensation Committee. Under the agreement, we granted Mr. Holmes equity incentive awards with a grant date value of $5 million as described above in the Grants of Plan-Based Awards Table. These grants vest fully on a change-in-control. The agreement provides Mr. Holmes and his dependents with medical benefits through his age 75. The agreement provides for customary restrictive covenants including non-competition and non-solicitation covenants effective during the period of employment and for two years after termination of employment.

Mr. Holmes' agreement provides that upon a change-in-control or if his employment with us is terminated by us without cause or due to a constructive discharge he will be entitled to a lump sum payment equal to 299% of the sum of his then-current base salary plus his then-current target annual bonus and all of his then-outstanding equity awards will fully vest and remain exercisable for varying periods as described in the agreement. If the payments we make to Mr. Holmes for termination on a change-in-control give rise to excise tax on golden parachute payments, then we will pay Mr. Holmes a gross-up payment to cover the tax.

**Mr. Hanning**

***Employment Agreement.*** We entered into an employment agreement with Mr. Hanning with a term expiring in July 2009. The agreement provides for a minimum base salary of $550,000, a retention bonus of $700,000, an annual incentive award with a target amount equal to $660,000, subject to meeting performance goals and participation in benefit plans generally available to our executive officers. Mr. Hanning's agreement provides that he will be granted an equity incentive award with a grant date value of $3 million, two-thirds of which will vest in equal installments on each of the first four anniversaries of May 2, 2006, subject to continued employment through each vesting date, and one-third of which will vest (or not vest) on May 2, 2009, subject to continued employment with us through the vesting date. Mr. Hanning's actual 2006 equity incentive award was granted with terms and vesting schedules consistent with the other named executive officers and is described above in the Grants of Plan-Based Awards Table. Under Mr. Hanning's agreement and our 2006 Equity and Incentive Plan, these grants fully vest on a change-in-control.

Mr. Hanning will receive a long term cash bonus not to exceed $2 million for the three year period from January 1, 2006 to December 31, 2008 for meeting goals relating to Wyndham Vacation Ownership's financial performance. The bonus is payable within 60 days of December 31, 2008. In consideration of the long term bonus and the employment agreement, we and Mr. Hanning agreed to terminate all bonuses, commission, incentive and cash payment opportunities owed to Mr. Hanning by Cendant. The agreement provides for customary restrictive covenants including non-competition and non-solicitation covenants effective during the period of employment and for one year after termination of employment.

Mr. Hanning's agreement provides that if his employment is terminated by us without cause or due to a constructive discharge, he will be entitled to a lump sum payment equal to 100% of the sum of his then-current base salary plus his then-current target annual bonus, accelerated vesting and payment of the long term bonus, and payment of COBRA premiums less the contribution payable by active employees until

Mr. Hanning commences new or self employment. If the payments we make to Mr. Hanning for termination without cause or for a constructive discharge give rise to a golden parachute excise tax then we will pay Mr. Hanning a gross-up payment to cover the tax.

**Mr. May**

***Employment Agreement.*** We entered into an employment agreement with Mr. May with a term expiring in July 2009. The agreement provides for a minimum base salary of $550,000, an annual incentive award with a target amount equal to 100% of his base salary, subject to meeting performance goals, participation in employee benefit plans generally available to our executive officers and grants of long-term incentive awards upon terms determined by us. Under the agreement we granted Mr. May equity incentive awards with a grant date value of $3 million described above in the Grants of Plan-Based Awards Table. Under our 2006 Equity and Incentive Plan, these grants fully vest on a change-in-control. The agreement provides for customary restrictive covenants including non-competition and non-solicitation covenants effective during the period of employment and for one year following termination if his employment terminates after the expiration of his employment agreement and for two years following termination if his employment terminates before the expiration of his employment agreement.

Mr. May's agreement provides that if his employment is terminated by us without cause or due to a constructive discharge, he will receive a lump sum payment equal to 200% of his then-current base salary and target annual bonus. In this event, all of Mr. May's then-outstanding equity awards that would otherwise vest within one year following termination will vest. Any award granted on or after July 31, 2006 will remain exercisable until the earlier of two years following his termination of employment and the original expiration date of the awards.

**Mr. Rudnitsky**

***Employment Agreement.*** We entered into an employment agreement with Mr. Rudnitsky with a term expiring in July 2009. The agreement provides for a minimum base salary of $500,000, an annual incentive award with a target amount equal to 100% of his base salary, subject to meeting performance goals, participation in employee benefit plans generally available to our executive officers and grants of long-term incentive awards upon terms determined by us. Under the agreement we granted Mr. Rudnitsky equity incentive awards with a grant date value of $3 million as described above in the Grants of Plan-Based Awards Table. Under our 2006 Equity and Incentive Plan, these grants fully vest on a change-in-control. The agreement provides for customary restrictive covenants including non-competition and non-solicitation covenants effective during the period of employment and for one year following termination if his employment terminates after the expiration of his employment agreement and for two years following termination if his employment terminates before the expiration of his employment agreement.

Mr. Rudnitsky's agreement provides that if his employment is terminated by us without cause or due to a constructive discharge, he will receive a lump sum payment equal to 200% of his then-current base salary and target annual bonus. In this event, all of Mr. Rudnitsky's then-outstanding equity awards that would otherwise vest within one year following termination will vest, subject to meeting applicable performance goals. Any award granted on or after July 31, 2006 will remain exercisable until the earlier of two years following termination and the original expiration date of the awards.

**Ms. Wilson**

***Employment Agreement.*** We entered into an agreement with Ms. Wilson with a term expiring in July 2009. The agreement provides for a minimum base salary of $475,000, an annual incentive award with a target amount equal to 100% of her base salary, subject to meeting performance goals, participation in employee benefit plans generally available to our executive officers and grants of long-term incentive awards upon terms determined by us. Under the agreement we granted Ms. Wilson equity incentive awards with a grant date value of $2.5 million as described above in the Grants of Plan-Based Awards Table. Under our

2006 Equity and Incentive Plan, these grants fully vest on a change-in-control. The agreement provides for customary restrictive covenants including non-competition and non-solicitation covenants effective during the period of employment and for one year following termination if her employment terminates after the expiration of her employment agreement and for two years following termination if her employment terminates before the expiration of her employment agreement.

Ms. Wilson's agreement provides that if her employment is terminated by us without cause or due to a constructive discharge, she will be entitled to a lump sum payment equal to 200% her then-current base salary and target annual bonus. In this event, all of Ms. Wilson's then-outstanding equity awards that would otherwise vest within one year following termination will vest, subject to meeting applicable performance goals. Any award granted on or after July 31, 2006 will remain exercisable until the earlier of two years following termination and the original expiration date of the awards.

**Potential Payments on Termination or Change-In-Control**

The following table describes the potential payments and benefits under our compensation and benefit plans and arrangements to which the named executive officers would be entitled upon termination of employment. The payments described in the table are based on the assumption that the termination of employment or change-in-control occurred on December 31, 2006.

**Potential Payments Upon Termination of Employment Table**

| Name | Termination Event | Cash Severance ($) | Continuation of Medical Benefits (present value) ($) | Acceleration of Equity and Cash Incentive Awards ($)(a) | Excise Tax Gross-Up ($) | Total Termination Payments ($) |
|---|---|---|---|---|---|---|
| Mr. Holmes | Voluntary Retirement, Resignation or Involuntary Termination | 0 | 256,650 | 0 | 0 | 256,650 |
| | Death or Disability | 0 | 256,650 | 2,543,898 | 0 | 2,800,548 |
| | Termination without Cause, Constructive Discharge or Non-Renewal of Contract | 9,300,000 | 256,650 | 2,543,898 | 0 | 12,100,548 |
| | Change-in-Control | 9,300,000 | 256,650 | 2,543,898 | 0 | 12,100,548 |
| Mr. Hanning | Voluntary Retirement, Resignation or Involuntary Termination | 0 | 0 | 0 | 0 | 0 |
| | Death or Disability | 0 | 0 | 2,689,550(b) | 0 | 2,689,550 |
| | Termination without Cause or Constructive Discharge | 1,309,000 | 19,538 | 2,000,000(b) | 0 | 3,328,538 |
| | Change-in-Control | 0 | 0 | 2,022,884 | 2,565,712 | 4,588,596 |
| Mr. May | Voluntary Retirement, Resignation or Involuntary Termination | 0 | 0 | 0 | 0 | 0 |
| | Death or Disability | 0 | 0 | 2,022,884 | 0 | 2,022,884 |
| | Termination without Cause or Constructive Discharge | 1,677,500 | 0 | 506,738 | 0 | 2,184,238 |
| | Change-in-Control | 0 | 0 | 2,022,884 | 0 | 2,022,884 |
| Mr. Rudnitsky | Voluntary Retirement, Resignation or Involuntary Termination | 0 | 0 | 0 | 0 | 0 |
| | Death or Disability | 0 | 0 | 2,022,884 | 0 | 2,022,884 |
| | Termination without Cause or Constructive Discharge | 2,050,000 | 0 | 506,738 | 0 | 2,556,738 |
| | Change-in-Control | 0 | 0 | 2,022,884 | 0 | 2,022,884 |
| Ms. Wilson | Voluntary Retirement, Resignation or Involuntary Termination | 0 | 0 | 0 | 0 | 0 |
| | Death or Disability | 0 | 0 | 1,520,202 | 0 | 1,520,202 |
| | Termination without Cause or Constructive Discharge | 1,927,500 | 0 | 381,068 | 0 | 2,308,568 |
| | Change-in-Control | 0 | 0 | 1,520,202 | 0 | 1,520,202 |

(a) Calculated using closing price of our common stock on the New York Stock Exchange on December 29, 2006 of $32.02.

(b) Assumes all applicable performance measures were met.

***Accrued Pay.*** The amounts shown in the table above do not include payments and benefits, including accrued salary and bonus, to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment.

***Deferred Compensation.*** The amounts shown in the table do not include distributions of aggregate balances under the Officer Deferred Compensation Plan. Those amounts are shown in the Nonqualified Deferred Compensation Table above.

***Covered Terminations.*** The table assumes a termination of employment that is eligible for severance or other benefits under the terms of the named executive officers' employment agreement and our 2006 Equity and Incentive Plan.

- A termination of an executive officer is for cause if it is for any of the following reasons: the executive's willful failure to substantially perform his duties as our employee or any subsidiary (other than any such failure resulting from incapacity due to physical or mental illness); any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct against us or any subsidiary; 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 the executive's gross negligence in the performance of his or her duties or the executive purposefully or negligently makes (or has been found to have made) a false certification to us pertaining to our financial statements.
- An executive suffers a constructive discharge if any of the following occur: any material failure by us to fulfill our obligations under the executive's employment agreement (including any reduction of base salary or other element of compensation) or any material diminution to the executive's duties and responsibilities relating to service as an executive officer; the executive's principal office is relocated to a location more than a specified distance from its original location; or the executive experiences a reduction in title or reporting responsibilities. For Mr. Holmes, "constructive discharge" also includes our decision not to renew his employment agreement, a change-in-control or if he is no longer a member of our Board. For Mr. Hanning, "constructive discharge" also includes if Mr. Holmes is no longer our CEO.

***Continuation of Medical Benefits.*** Mr. Holmes' agreement provides Mr. Holmes and his dependents with medical benefits through his age 75 regardless of the termination event. Mr. Hanning's agreement provides that if his employment is terminated by us without cause or due to a constructive discharge, he will be entitled to the payment of COBRA premiums less the contribution payable by active employees until Mr. Hanning commences new or self employment.

The actuarial assumptions used to calculate continued medical benefits for Mr. Holmes include a discount rate of 5.9%; no mortality assumptions for Mr. Holmes, his spouse or children; and standard pre-retirement and post-retirement per capita costs for Mr. Holmes and his spouse and standard per capita costs for Mr. Holmes' children. Continuation of medical benefits for Mr. Hanning were calculated using a standard COBRA payment less the contribution payable by active employees, for a period of eighteen months using a discount rate of 5.9%.

***Acceleration of Equity and Cash Incentive Awards.*** Equity grants made to all employees, including the named executive officers, under our 2006 Equity and Incentive Plan, fully vest on a change-in-control. Since any Cendant legacy equity awards fully vested in connection with the spin-off, the amounts described in the table for a change-in-control include only the value of the named executive officers' 2006 equity grants based on a year-end stock price of $32.02.

Under Mr. Hanning's employment agreement, on his death or disability his long-term cash bonus is vested to the extent earned and unpaid. If Mr. Hanning's employment is terminated without cause or for constructive discharge, his long-term cash bonus fully vests and is payable.

***Excise Tax Gross-Up.*** Upon a change-in-control, executives may be subject to certain excise taxes under Section 280G of the Internal Revenue Code. We have agreed to reimburse Mr. Holmes and Mr. Hanning for any excise taxes as well as any income and excise taxes payable by them as a result of any reimbursements for the 280G excise taxes. The amounts in the table are based on a 280G excise tax rate of 20 percent, a statutory 35% percent federal income tax rate, a 1.45% percent Medicare tax rate and a 0% percent state income tax rate for Mr. Hanning based on his current residency in Florida. In the event that a

change-in-control occurred as of December 31, 2006, Mr. Holmes would not have been subject to excise tax that would have given rise to a gross-up payment.

***Payments Upon Change-in-Control Alone.*** For our named executive officers other than Mr. Holmes, severance payments in connection with a change-in-control are "double triggered", meaning the payments following a change-in-control are made only if the executive suffers a covered termination of employment. The table does not assume that the employment of these executives was terminated on a change-in-control. Equity grants made under our 2006 Equity and Incentive Plan fully vest on a change-in-control whether or not the executives' employment is terminated.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table describes the beneficial ownership of our common stock for the following persons as of January 31, 2007: each executive officer named in the Summary Compensation Table, who we refer to as named executive officers, (see "Executive Compensation"), each person who to our knowledge owns in excess of 5% of our common stock; and all of our directors and executive officers as a group. The percentage values are based on 188,895,025 shares of our common stock outstanding as of January 31, 2007. The principal address for each director, nominee and executive officer of Wyndham Worldwide is Seven Sylvan Way, Parsippany, New Jersey 07054.

Under SEC rules, "beneficial ownership" includes shares for which the individual, directly or indirectly, has or shares voting or investment power, whether or not the shares are held for the individual's benefit.

| Name | Number of Shares | % of Class |
|---|---|---|
| Barclays Global Investors, N.A. | 12,071,055(a) | 6.39% |
| Myra J. Biblowit | 32,500(b)(c) | * |
| James E. Buckman | 749,313(b)(c)(d) | * |
| Franz S. Hanning | 86,387(c)(e) | * |
| George Herrera | 6,965(b) | * |
| Stephen P. Holmes | 791,399(c)(e)(f) | * |
| Kenneth N. May | 118,032(c)(e)(g) | * |
| The Right Honourable Brian Mulroney | 86,439(b)(c) | * |
| Pauline D.E. Richards | 7,709(b) | * |
| Steven A. Rudnitsky | 97,638(c)(e) | * |
| Michael H. Wargotz | 4,606(b) | * |
| Virginia M. Wilson | 18,771(c)(e) | * |
| All directors and executive officers as a group (15 persons) | 2,090,233(h) | 1.11% |

* Amount represents less than 1% of outstanding common stock.

(a) Derived solely from information reported in a Schedule 13G under the Securities Exchange Act filed by Barclays Global Investors and certain affiliates with the SEC on January 23, 2007. Such Schedule 13G indicates that Barclays beneficially owns 12,071,055 shares of our common stock with sole voting power over 10,587,244 shares and sole dispositive power over 12,071,055 shares. The principal business address for Barclays Global Investors is 45 Fremont Street, San Francisco, California 94015.

(b) Includes shares of our common stock issuable for deferred stock units as of January 31, 2007 as follows: Ms. Biblowit, 9,568; Mr. Buckman, 3,712; Mr. Herrera, 6,965; Mr. Mulroney, 11,352; Ms. Richards, 7,709; and Mr. Wargotz, 3,884.

(c) Includes shares of our common stock which the directors and named executive officers have the right to acquire through the exercise of stock options within 60 days of January 31, 2007 as follows: Ms. Biblowit, 22,932; Mr. Buckman, 699,852; Mr. Holmes, 674,503; Mr. Mulroney, 75,087; Mr. Hanning, 72,806; Mr. May, 102,163; Mr. Rudnitsky, 88,611; and Ms. Wilson, 9,808. Excludes shares of our common stock which the named executive officers did not have the right to acquire through the exercise of stock settled stock appreciation rights within 60 days of January 31, 2007 as follows: Mr. Holmes, 179,726; Mr. Hanning, 71,890; Mr. May, 71,890; Mr. Rudnitsky, 71,890; and Ms. Wilson, 71,890.

(d) Includes 3,220 shares held in Mr. Buckman's IRA account. Includes our obligation to issue 27,069 shares of common stock to Mr. Buckman in 2009. The amount is deferred and held in a separate account.

(e) Excludes shares of our common stock issuable upon vesting of restricted stock units after 60 days from January 31, 2007 as follows: Mr. Holmes, 78,493; Mr. Hanning, 62,794; Mr. May, 62,794; Mr. Rudnitsky, 62,794; and Ms. Wilson, 47,095.

(f) Includes 3,394 shares held by Mr. Holmes' children and 22,000 shares held in charitable trust. Includes our obligation to issue 36,852 shares of common stock to Mr. Holmes in 2009. The amount is deferred and held in a separate account.

(g) Includes 137 shares held in Mr. May's 401(k) account and 1,599 shares held in a non-qualified deferred compensation plan.

(h) Includes or excludes, as the case may be, shares of common stock as indicated in the preceding footnotes.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In connection with our spin-off from Cendant (now Avis Budget Group), we entered into customary separation, tax sharing, transition services and related agreements with Cendant and former Cendant units, Realogy and Travelport, to effect the separation and allocate Cendant's assets and liabilities.

Under the Separation and Distribution Agreement, among other things, we assumed 37.5% of certain contingent and other liabilities of Cendant which were not primarily related to our business or the businesses of Realogy, Travelport or Avis Budget, and Realogy assumed 62.5% of these liabilities.

Under the Transition Services Agreement, in 2006 Avis Budget, Realogy and Travelport provided us with various services relating to, among other things, human resources and employee benefits, payroll, financial systems management, treasury and cash management, accounts payable, telecommunications and information technology. In 2006, cash paid to Avis Budget, Realogy and Travelport under the Transition Services Agreement was approximately $7.3 million, $868,000 and $158,000, respectively. In 2006, we received no cash from under the Transition Services Agreement. Cash received from Travelport under a sublease was approximately $403,000.

For additional information on the spin-off, the Separation and Distribution Agreement and related matters, see our Annual Report on Form 10-K filed with the SEC on March 7, 2007 and the Information Statement. See "Where You Can Find More Information".

In addition, in connection with the spin-off, we entered into various commercial arrangements with Realogy, Travelport and Avis Budget. Activities covered by these agreements include: provision of access to our hotel accommodation and vacation exchange and rentals inventory to be distributed through Travelport; utilization of Realogy's employee relocation services, including relocation policy management, household goods moving services and departure and destination real estate related services; utilization of Realogy's commercial real estate brokerage services, such as transaction management, acquisition and disposition services, broker price opinions, renewal due diligence and portfolio review; utilization of corporate travel management services of Travelport; and designation of Avis Budget's car rental brands, as the exclusive primary and secondary suppliers, respectively, of car rental services for our employees. In 2006, cash paid to Avis Budget, Realogy and Travelport with respect to these arrangements was approximately $2.7 million; $1.2 million and $17 million, respectively, and cash received from Avis Budget, Realogy and Travelport with respect to these commercial arrangements was approximately $178,000, $3.2 million and $1.9 million, respectively.

Certain affiliates of Barclays Global Investors, N.A., which owns approximately 6.39% of our common stock, have performed, and may in the future perform, various commercial banking, investment banking and other financial advisory services for us and our subsidiaries for which they have received, and will receive, customary fees and expenses. We estimate the fees paid to Barclays by us in 2006 were less than $1.5 million.

A member of Mr. Hanning's family is a member of a law firm which has provided and continues to provide services to our vacation ownership business. Fees and expenses paid for such services were approximately $220,000 in 2006 based on the firm's customary rates.

Another member of Mr. Hanning's family currently serves as a Senior Vice President, Sales of our vacation ownership business. This individual was hired in 1981, prior to Mr. Hanning's employment. In 2006, he received total cash compensation consisting of base salary, commission and bonuses of $689,943 and was granted 13,343 restricted stock units. All compensation and incentive awards were paid and awarded on a basis consistent with that applied to our other employees.

## DESCRIPTION OF MATERIAL INDEBTEDNESS

**Existing Corporate Borrowing Facilities**

On July 7, 2006, we entered into borrowing arrangements for a total of $2,000 million, comprised of a $300 million term loan facility, an $800 million interim loan facility and a $900 million revolving credit facility. Prior to our separation, we drew $1,360 million against these facilities and issued approximately $50 million in letters of credit, leaving approximately $590 million available to provide liquidity for additional letters of credit and for working capital and ongoing corporate needs. All of the approximately $1,360 million of debt we incurred was transferred to Cendant to eliminate a portion of Cendant's corporate debt (including its existing asset-linked facility relating to certain of the assets of Cendant's hospitality services (including timeshare resorts) businesses). Our interest rate under these facilities is based on a spread over LIBOR, tied to our credit ratings as determined by Standard & Poor's and Moody's. Based on our recently issued ratings of BBB and Baa2 by Standard & Poor's and Moody's, respectively, that rate is at LIBOR plus 45 to 55 basis points, depending on the facility and the amount outstanding under such facility, although through a derivative instrument, we have fixed the interest rate on our term loan at 6.00%.

The facilities include affirmative covenants, including the maintenance of specific financial ratios. These financial covenants consist of a minimum interest coverage ratio of at least 3.0 times as of the measurement date and a maximum leverage ratio not to exceed 3.5 times on the measurement date. The interest coverage ratio is calculated by dividing Consolidated EBITDA (as defined in the credit agreement) by Consolidated Interest Expense (as defined in the credit agreement), excluding interest expense on any Securitization Indebtedness, on Non-Recourse Indebtedness and on the Landal Facilities (as the three terms are defined in the credit agreement), both as measured on a trailing 12-month basis preceding the measurement date. The leverage ratio is calculated by dividing Consolidated Total Indebtedness (as defined in the credit agreement) excluding, among other things, any Securitization Indebtedness, any Non-Recourse Indebtedness and indebtedness under the Landal Facilities as of the measurement date by Consolidated EBITDA as measured on a trailing 12-month basis preceding the measurement date. Negative covenants in the credit facilities include limitations on indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations, dissolutions and sales of substantially all assets; and sale and leasebacks. Events of default in the credit facilities include nonpayment of principal when due; nonpayment of interest, fees or other amounts; violation of covenants; cross payment default and cross acceleration (in each case, with respect to indebtedness (excluding securitization indebtedness) in excess of $50 million); and a change of control (the definition of which permitted our separation from Cendant).

Historically, Cendant borrowed under its existing asset-linked facility relating to certain of the assets of Cendant's hospitality services (including timeshare resorts) businesses, which borrowings amounted to $600 million and $550 million at June 30, 2006 and December 31, 2005, respectively. These Cendant borrowings have been reflected in our accompanying historical combined financial statements. Cendant has eliminated the then-outstanding balance of these borrowings at the time of our separation with a portion of our initial borrowings of $1,360 million.

Following the completion of the sale of Travelport, we used a portion of the proceeds contributed to us from such sale to pay down $450 million under the interim loan facility. The remainder of the proceeds from the sale of Travelport was used to repay in full the $310 million balance then outstanding under our revolving credit facility. We used the net proceeds from the sale of the notes to repay all outstanding borrowings under the interim loan facility, which was subsequently terminated, and our revolving credit facility.

As of December 31, 2006, our total debt outstanding, exclusive of debt outstanding under our vacation ownership securitization program described in detail below, was approximately $1,437 million, including zero under the revolving credit facility, $300 million under the term loan facility and zero under the interim loan facility. For a detailed description of our subsidiaries' indebtedness, see "— Other Indebtedness."

**Vacation Ownership Securitization Program**

In connection with our vacation ownership business, Wyndham Vacation Resorts, Wyndham Resort Development and their respective subsidiaries provide financing to purchasers of vacation ownership interests. A significant portion of the funding for such financing is provided through the sale of the vacation ownership loans and related assets into a securitization program.

Under the securitization program, we transfer loans originated in connection with our sale of vacation ownership interests to Sierra Deposit Company, LLC, a special purpose, wholly owned subsidiary. Pursuant to loan purchase agreements with Sierra Deposit Company, we transfer the loans to Sierra Deposit Company from Wyndham Consumer Finance, Inc., our consumer financing subsidiary, and from Wyndham Resort Development, which are collectively referred to as the Sellers.

Generally, loans purchased from the Sellers by Sierra Deposit Company are sold into a facility funded by the issuance of variable funding notes to a group of commercial paper conduits. From time to time, Sierra Deposit Company creates a new special purpose entity to issue a new series of term notes. The proceeds of the term notes are used, indirectly, to pay amounts owing on the variable funding notes, resulting in the release of loans which are then sold to the new special purpose entity and used to secure and pay the new series of term notes.

With respect to each outstanding series of notes, our consumer financing subsidiary acts as the servicer of the loans. Wyndham Worldwide has, with respect to each outstanding series of notes, provided a performance guarantee to the respective note trustees. Each performance guarantee guarantees the performance by the Sellers of their obligations under the loan purchase agreements and the servicer's performance under the respective note indentures. Our performance guarantees became effective on the date of our separation from Cendant. In addition, for each of the series of term notes listed below, except for Series 2006-1, Cendant provided a performance guarantee prior to our separation and such guarantees remain in effect; however, with respect to those series for which the Cendant guarantee remains in effect, the trustees have been instructed to look first to the performance guarantee provided by Wyndham Worldwide before seeking to enforce the performance guarantee provided by Cendant.

Currently, there are six outstanding series of notes payable from vacation ownership loans sold by Sierra Deposit Company. As of December 31, 2006, approximately $1,463 million was outstanding under these programs, which was secured by $1,844 million in assets.

- Series 2002-1, which are the variable funding notes issued to a group of commercial paper conduits. Effective November 13, 2006, the facility limit for this series was increased from $800 million to $1,000 million. The liquidity facility related to this series is subject to annual termination and, if not renewed, will result in an amortization of the variable funding notes and termination of the facility. The documents governing the Series 2002-1 also describe numerous other events, many tied to the performance of the loans, that may result in the occurrence of an amortization of the notes or an event of default and termination of the facility. At December 31, 2006, the outstanding principal amount under such series was $625 million.
- Series 2003-1, which were issued in March 2003 in four classes aggregating $303 million in initial principal amount. At December 31, 2006, the outstanding principal amount under such series was $41 million.
- Series 2003-2, which were issued in December 2003 in four classes aggregating $375 million in initial principal amount. At December 31, 2006, the outstanding principal amount under such series was $71 million.
- Series 2004-1, which were issued in May 2004 as a single class in the initial principal amount of $336 million. The payment of principal and interest on the Series 2004-1 notes is insured under the terms of a financial guaranty insurance policy. At December 31, 2006, the outstanding principal amount under such series was $82 million.

- Series 2005-1, which were issued in August 2005 as a single class in initial principal amount of $525 million. The payment of principal and interest on the Series 2005-1 notes is insured under the terms of a financial guaranty insurance policy. At December 31, 2006, the outstanding principal amount under such series was $239 million.
- Series 2006-1, which were issued in July 2006 as a single class in initial principal amount of $550 million. The payment of principal and interest on the Series 2006-1 notes is insured under the terms of a financial guaranty insurance policy. Approximately $500 million of the proceeds from these notes was used to reduce the principal and interest outstanding under the Series 2002-1 variable funding notes referenced above and the remaining proceeds will be used for general corporate purposes. At December 31, 2006, the outstanding principal amount under such series was $405 million.

**Other Indebtedness**

From time to time, our subsidiaries enter into bank borrowings in connection with our operations in order to, among other things, fund working capital. For example, to support our vacation ownership operations in the South Pacific, we currently have AUD $200 million, or $158 million, available under foreign credit facilities, portions of which are secured, that are collateralized by our vacation ownership contract receivables and related assets in that location. As of December 31, 2006, we had $103 million of secured borrowings outstanding under these facilities, collateralized by $158 million of underlying vacation ownership contract receivables and related assets. In addition, we lease vacation homes located in European holiday parks as part of our vacation exchange and rentals business. As of December 31, 2006, we had $148 million of vacation rentals capital lease obligations. We also maintain other unsecured debt facilities which arise through the ordinary course of operations.

## DESCRIPTION OF NOTES

The exchange notes will be issued under the indenture, dated as of December 5, 2006, between us and U.S. Bank National Association, as trustee (the "Trustee"). The indenture contains provisions that define your rights under the exchange notes and governs our obligations under the exchange notes. The indenture provides for the issuance of the exchange notes and sets forth the duties of the Trustee. The following description is only a summary of certain provisions of the indenture and the exchange notes, and is qualified in its entirety by reference to the provisions of the indenture and the exchange notes, including the definitions therein of certain terms. A copy of the indenture has been filed as an exhibit to the Current Report on Form 8-K we filed with the SEC on February 1, 2007 and is available from us upon request. See "Where You Can Find More Information."

You can find the definitions of certain terms used in this description under the subheading " — Certain Definitions." The terms of the exchange notes will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the indenture. It does not restate this agreement in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as a holder of exchange notes. Copies of the indenture are available as set forth below under " — Additional Information." Certain defined terms used in this description but not defined below under " — Certain Definitions" have the meanings assigned to them in the indenture.

The registered holder of an exchange note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

### General

The exchange notes:

- will be senior unsecured obligations of ours;
- will rank equally with all of our other senior unsecured indebtedness from time to time outstanding;
- will be structurally subordinated to all existing and future obligations of our subsidiaries including claims with respect to trade payables;
- will initially be limited to $800 million aggregate principal amount; and
- will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.

The exchange notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. We are not required to make any payment to a holder with respect to any tax, assessment or other governmental charge imposed (by withholding or otherwise) by any government or a political subdivision or taxing authority thereof or therein due and owing with respect to the exchange notes.

### Principal, Maturity and Interest

Each exchange note will bear interest at a rate of 6.00% per year. Interest will be payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2007, and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the exchange notes will accrue from and including the settlement date and will be paid to holders of record on the May 15 and November 15 immediately before the respective interest payment date.

The exchange notes will mature on December 1, 2016. On the maturity date of the exchange notes, the holders will be entitled to receive 100% of the principal amount of the notes. The exchange notes do not have the benefit of any sinking fund.

If any interest payment date falls on a day that is not a business day, then payment of interest may be made on the next succeeding business day and no interest will accrue because of such delayed payment. With respect to the exchange notes, when we use the term "business day" we mean any day except a Saturday, a Sunday or a day on which banking institutions in the applicable place of payment are authorized or required by law, regulation or executive order to close.

**Ranking**

The exchange notes will be senior unsecured obligations of ours and will rank equally with all of our existing and future senior unsecured obligations. As of December 31, 2006, we had approximately $300 million of indebtedness outstanding under our credit facilities.

We conduct our operations through Subsidiaries. As a result, distributions or advances from our Subsidiaries are a major source of funds necessary to meet our debt service and other obligations. Contractual provisions, laws or regulations, as well as our Subsidiaries' financial condition and operating requirements, may limit our ability to obtain cash required to pay our debt service obligations, including payments on the notes. The exchange notes will be "structurally" subordinated to all obligations of our Subsidiaries including claims with respect to trade payables. This means that in the event of bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of exchange notes will have no direct claim to participate in the assets of such subsidiary but may only recover by virtue of our equity interest in our subsidiaries (except to the extent we have a claim as a creditor of such subsidiary). As a result all existing and future liabilities of our subsidiaries, including trade payables and claims of lessors under leases, have the right to be satisfied in full prior to our receipt of any payment as any equity owner of our subsidiaries. As of December 31, 2006, our Subsidiaries had approximately $330 million of indebtedness outstanding, excluding debt outstanding under our vacation ownership securitization program.

**Further Issues**

The indenture provides that we may issue debt securities (the "debt securities") thereunder from time to time in one or more series and permits us to establish the terms of each series of debt securities at the time of issuance. The indenture does not limit the aggregate amount of debt securities that may be issued under the indenture.

The notes constitute a separate series of debt securities under the indenture, initially limited to $800 million. Under the indenture, we may, without the consent of the holders of the notes, "reopen" the series and issue additional notes from time to time in the future. This means that, in circumstances where the indenture provides for the holders of debt securities of any series to vote or take any action, any of the outstanding notes as well as any additional notes that we may issue by reopening the series, will vote or take action as a single class.

**Optional Redemption**

Prior to maturity, we may redeem some or all of the exchange notes, at any time and from time to time, at our option, on not less than 30 nor more than 60 days' prior notice, at a redemption price equal to the sum of: (1) 100% of the aggregate principal amount of the exchange notes being redeemed; (2) the Make-Whole Amount, if any, described below; and (3) any accrued and unpaid interest on the exchange notes to the date of redemption. Holders of record on a record date that is on or prior to a redemption date will be entitled to receive interest due on the interest payment date.

The term "Make-Whole Amount" means the excess, if any, of (i) the aggregate present value as of the date of the redemption of the principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable if redemption had not been made, determined by discounting, on a semi-annual basis, the remaining principal and interest at the Reinvestment Rate described below (determined on the third business day preceding the date fixed for redemption) from

the dates on which the principal and interest would have been payable if the redemption had not been made, to the date of redemption, over (ii) the aggregate principal amount of such exchange notes.

The term "Reinvestment Rate" means (i) the arithmetic mean of the yields under the heading "Week Ending" published in the most recent Federal Reserve Statistical Release H.15 under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity, as of the payment date of the principal being redeemed or paid, plus (ii) 0.25%. If no maturity exactly corresponds to the maturity, yields for the two published maturities most closely corresponding to the maturity would be so calculated and the Reinvestment Rate would be interpolated or extrapolated on a straight-line basis, rounding to the nearest month. The most recent Federal Reserve Statistical Release H.15 published prior to the date of determination of the Make-Whole Amount will be used for purposes of calculating the Reinvestment Rate.

The Make-Whole Amount will be calculated by an independent investment banking institution of national standing appointed by us. If we fail to make the appointment at least 30 business days prior to the date of redemption, or if the institution is unwilling or unable to make the calculation, the calculation will be made by an independent investment banking institution of national standing appointed by the Company.

If the Reinvestment Rate is not available as described above, the Reinvestment Rate will be calculated by interpolation or extrapolation of comparable rates selected by the independent investment banking institution.

In the case of any partial redemption, selection of the exchange notes for redemption will be made by the Trustee in compliance with the requirements of the principal U.S. national securities exchange, if any, on which the exchange notes are listed or, if they are not listed on a U.S. national securities exchange, by lot or by such other method as the Trustee in its sole discretion deems to be fair and appropriate.

Notice of any redemption will be mailed to each holder of exchange notes to be redeemed by first-class mail at least 30 and not more than 60 days prior to the date fixed for redemption. Any notice to holders of notes of such a redemption shall include the redemption price or the appropriate calculation of the redemption price.

**The Trustee and Transfer and Paying Agent**

U.S. Bank National Association, acting through its corporate trust office at 100 Wall Street, 16th Floor, New York, New York 10005 is the Trustee for the exchange notes and is the transfer and paying agent for the exchange notes. Principal and interest will be payable, and the exchange notes will be transferable, at the office of the paying agent. We may, however, pay interest by check mailed to registered holders of the exchange notes. At the maturity of the exchange notes, the principal, together with accrued interest thereon, will be payable in immediately available funds upon surrender of such exchange notes at the office of the Trustee.

No service charge will be made for any transfer or exchange of the exchange notes, but we may, except in specific cases not involving any transfer, require payment of a sufficient amount to cover any tax or other governmental charge payable in connection with the transfer or exchange.

Payments of principal of, any premium on, and any interest on individual exchange notes represented by a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee as the registered owner of the global security representing the exchange notes. Neither we, the Trustee, any paying agent, nor the transfer agent for the exchange notes will have any responsibility or liability for the records relating to or payments made on account of beneficial ownership interests of the global security for the exchange notes or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

We expect that the depositary for the exchange notes or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent global security representing the exchange notes, will immediately credit participants' accounts with payments in amounts proportionate to their beneficial

interests in the principal amount of the global security for the exchange notes as shown on the records of the depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in the global security held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." The payments will be the responsibility of those participants.

In specific instances, we or the holders of a majority of the then outstanding principal amount of the exchange notes may remove the Trustee and appoint a successor Trustee. The Trustee may become the owner or pledgee of the exchange notes with the same rights, subject to conflict of interest restrictions, it would have if it were not the Trustee. The Trustee and any successor trustee must be eligible to act as trustee under Section 310(a)(1) of the Trust Indenture Act of 1939 and shall have a combined capital and surplus of at least $50,000,000 and be subject to examination by federal or state authority. Subject to applicable law relating to conflicts of interest, the Trustee may also serve as trustee under other indentures relating to securities issued by us or our affiliated companies and may engage in commercial transactions with us and our affiliated companies.

**Change of Control**

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the exchange notes as described above, you will have the right to require us to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess thereof) of your exchange notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the indenture. In the Change of Control Offer, we will offer payment in cash equal to 101% of the aggregate principal amount of exchange notes repurchased plus accrued and unpaid interest, if any, on the exchange notes repurchased, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event, we will mail a notice to you describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the exchange notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the indenture and described in such notice. We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the exchange notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the indenture by virtue of such conflicts.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept for payment all exchange notes or portions of exchange notes properly tendered pursuant to the Change of Control Offer;
- deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of exchange notes properly tendered; and
- deliver or cause to be delivered to the trustee the exchange notes properly accepted together with an officers' certificate stating the aggregate principal amount of exchange notes or portions of exchange notes being purchased by us and the amount to be paid by the paying agent.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Below Investment Grade Rating Event" means the notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

"Change of Control" means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than us or one of our subsidiaries; (2) the adoption of a plan relating to our liquidation or dissolution; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above) becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors; or (4) the first day on which a majority of the members of our board of directors are not Continuing Directors.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (1) was a member of such Board of Directors on the date of the indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB− (or the equivalent) by S&P.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Rating Agencies" means (1) each of Moody's and S&P; and (2) if either of Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, as amended, selected by us (as certified by a resolution of our board of directors) as a replacement agency for Moody's or S&P, or both, as the case may be.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

**Merger, Consolidation or Sale of Assets**

Under the terms of the indenture, we are permitted to consolidate or merge with another entity or to sell all or substantially all of our assets to another entity, subject to our meeting all of the following conditions:

- the resulting entity (if other than us) must agree through a supplemental indenture to be legally responsible for the notes;
- immediately following the consolidation, merger, sale or conveyance, no Event of Default (as defined below) shall have occurred and be continuing;
- the surviving entity to the transaction must be a corporation organized under the laws of the United States or a state of the United States; and
- we must deliver certain certificates and documents to the Trustee.

In the event that we consolidate or merge with another entity or sell all or substantially all of our assets to another entity, the surviving entity will be substituted for us under the indenture, and we will be discharged from all of our obligations under the indenture.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of our assets. As a result, it may be unclear as to whether the merger, consolidation

or sale of assets covenant would apply to a particular transaction as described above absent a decision by a court of competent jurisdiction.

**Limitations on Liens**

We have agreed under the indenture that we will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or guarantee any Indebtedness secured by a Lien on any of our or any of our Subsidiaries' capital stock, properties or assets, unless we secure the notes at least equally and ratably to the Indebtedness secured by such Lien, for so long as such Indebtedness is so secured. The restrictions do not apply to Indebtedness that is secured by:

- Liens existing on the date the original notes were first issued (the "initial issuance date");
- Liens on any property or any Indebtedness of a person existing at the time the person becomes a Subsidiary (whether by acquisition, merger or consolidation) which were not incurred in anticipation thereof;
- Liens in favor of us or our Subsidiaries;
- Liens existing at the time of acquisition of the assets encumbered thereby which were not incurred in anticipation of such acquisition;
- purchase money Liens which secure Indebtedness that does not exceed the cost of the purchased property; and
- Liens on real property acquired after the initial issuance date which secure Indebtedness incurred to acquire such real property or improve such real property so long as (i) such Indebtedness is incurred on the date of acquisition of such real property or within 180 days of the acquisition of such real property; (ii) such Liens secure Indebtedness in an amount no greater than the purchase price or improvement price, as the case may be, of such real property so acquired; and (iii) such Liens do not extend to or cover any property of ours or any Restricted Subsidiary other than the real property so acquired.

The restrictions do not apply to extensions, renewals or replacements of any Indebtedness secured by the foregoing types of Liens; so long as the principal amount of Indebtedness secured thereby shall not exceed the amount of Indebtedness existing at the time of such extension, renewal or replacement.

Notwithstanding the foregoing restrictions, without securing the exchange notes as described above, we and the Restricted Subsidiaries may, directly or indirectly, incur, assume or guarantee any Indebtedness secured by Liens that this covenant would otherwise restrict if the sum of (i) the aggregate of all Indebtedness secured by such Liens and (ii) any Attributable Debt (as defined below) related to any permitted sale and leaseback arrangement, See "— Limitations on Sale and Leaseback Transactions," does not exceed the greater of (i) 25% of our total Consolidated Net Worth (as defined below) and (ii) $300 million.

**Limitations on Sale and Leaseback Transactions**

We have agreed under the indenture that neither we nor any Restricted Subsidiary will enter into any arrangement with any person to lease a Principal Property (except for any arrangements that exist on the date the notes are issued or that exist at the time any person that owns a Principal Property becomes a Restricted Subsidiary) which has been or is to be sold by us or the Restricted Subsidiary to the person unless:

- the sale and leaseback arrangement involves a lease for a term of not more than three years;
- the sale and leaseback arrangement is entered into between us and any Subsidiary or between our Subsidiaries;
- we or the Restricted Subsidiary would be entitled to incur Indebtedness secured by a Lien on the Principal Property at least equal in amount to the Attributable Debt permitted pursuant to the last

paragraph under "— Limitations on Liens" without having to secure equally and ratably the exchange notes;

- the proceeds of the sale and leaseback arrangement are at least equal to the fair market value (as determined by our Board of Directors in good faith) of the property and we apply within 180 days after the sale an amount equal to the greater of the net proceeds of the sale or the Attributable Debt associated with the property to (i) the retirement of long-term debt for borrowed money that is not subordinated to the notes and that is not debt to us or a Subsidiary, or (ii) the purchase or development of other comparable property; or
- the sale and leaseback arrangement is entered into within 180 days after the initial acquisition of the Principal Property subject to the sale and leaseback arrangement.

"Attributable Debt" means, with regard to a sale and leaseback arrangement of a Principal Property, an amount equal to the lesser of: (a) the fair market value of the property (as determined in good faith by our Board of Directors); or (b) the present value of the total net amount of rent payments to be made under the lease during its remaining term, discounted at the rate of interest set forth or implicit in the terms of the lease, compounded semi-annually. The calculation of the present value of the total net amount of rent payments is subject to adjustments to be specified in the indenture.

"Consolidated Net Worth" means, as of any date of determination, all items which in conformity with generally accepted accounting principles would be included under stockholders' equity on the consolidated balance sheet of us and our Subsidiaries at such date.

"Principal Property" means an asset or assets owned by us or any Restricted Subsidiary having a gross book value in excess of $50,000,000.

**SEC Reports**

At any time that we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any notes are outstanding, we will furnish to the Trustee and make available on our website copies of such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation (and not a foreign private issuer) subject to such Sections, within 15 days after the date specified for the filing with the SEC of such information, documents and reports under such Sections.

**Defaults and Remedies**

Holders of debt securities of any series issued under the indenture have specified rights if an Event of Default (as defined below) occurs in respect of such debt securities, as described below.

The term "Event of Default" in respect of the debt securities of any series means any of the following:

- We do not pay interest on any of the debt securities of that series within 30 days of its due date;
- We do not pay the principal of or any premium on any of the debt securities of that series when due and payable, at maturity, or upon acceleration or redemption;
- We remain in breach of a covenant or warranty in respect of the indenture or any debt securities of that series (other than a covenant included in the indenture solely for the benefit of debt securities of another series) for 60 days after we receive a written notice of default; the notice must be sent by either the Trustee or holders of at least 25% in principal amount of the outstanding notes;
- Indebtedness of ours or any of our Subsidiaries of at least $50,000,000 in aggregate principal amount is accelerated which acceleration has not been rescinded or annulled after 30 days notice thereof;
- We file for bankruptcy, or other events of bankruptcy, insolvency or reorganization specified in the indenture occur; or
- any other Event of Default for the debt securities of that series.

An Event of Default with respect to a series of debt securities does not necessarily constitute an Event of Default with respect to any other series of debt securities. If an Event of Default with respect to the debt securities of any series has occurred, the Trustee or the holders of at least 25% in principal amount of the debt securities of that series may declare the entire unpaid principal amount of (and premium, if any), and all the accrued interest on, such debt securities to be due and immediately payable. This is called a declaration of acceleration of maturity. There is no action on the part of the Trustee or any holder of the notes required for such declaration if the Event of Default is a specified event of bankruptcy, insolvency or reorganization. Holders of a majority in principal amount of the debt securities of any series may also waive certain past defaults under the indenture with respect to the debt securities of such series on behalf of all of the holders of debt securities of that series. A declaration of acceleration of maturity may be canceled, under specified circumstances, by the holders of at least a majority in principal amount of the notes and the Trustee.

Notwithstanding the foregoing, to the extent elected by us, the sole remedy for an Event of Default relating to the failure to comply with the reporting obligations in the indenture, which are described above under " — SEC Reports," and for any failure to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act of 1939, will for the first 60 days after the occurrence of such an Event of Default consist exclusively of the right to receive additional interest on the notes at an annual rate equal to 0.25% of the principal amount of the notes. This additional interest will be in addition to any additional interest that may accrue as a result of a registration default as described in the section entitled "The Exchange Offer — Registration Rights Agreement" and will be payable in the same manner as additional interest accruing as a result of a registration default. The additional interest will accrue on all outstanding notes from and including the date on which an Event of Default relating to a failure to comply with the reporting obligations in the indenture first occurs to but not including the 60th day thereafter (or such earlier date on which the Event of Default relating to the reporting obligations shall have been cured or waived). On such 60th day (or earlier, if the Event of Default relating to the reporting obligations is cured or waived prior to such 60th day), such additional interest will cease to accrue and, if the Event of Default relating to the reporting obligations has not been cured or waived prior to such 60th day, the notes will be subject to an acceleration of maturity as provided above. The provisions of this paragraph will not affect the rights of holders of notes in the event of the occurrence of any other Event of Default and will have no effect on the rights of holders of notes under the registration rights agreement; provided, however, that in no event will the rate of additional interest accruing pursuant to this paragraph and the registration rights agreement at any time exceed 1.00% per annum, in the aggregate. In the event we do not elect to pay additional interest upon an Event of Default in accordance with this paragraph, the notes will be subject to an acceleration of maturity as provided above.

If we elect to pay additional interest as the sole remedy for an Event of Default relating to the failure to comply with the reporting obligations in the indenture, which are described above under " — SEC Reports," and for any failure to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act of 1939 in accordance with the immediately preceding paragraph, we will notify all holders of notes and the Trustee and paying agent of such election on or before the close of business on the date on which such Event of Default first occurs.

Except in cases of default, where the Trustee has special duties, the Trustee is not required to take any action under the indenture at the request of holders unless the holders offer the Trustee protection from expenses and liability satisfactory to the Trustee. If an indemnity satisfactory to the Trustee is provided, the holders of a majority in principal amount of debt securities of any series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. The Trustee may refuse to follow those directions in certain circumstances specified in the indenture. No delay or omission in exercising any right or remedy will be treated as a waiver of the right, remedy or Event of Default.

Before holders are allowed to bypass the Trustee and bring a lawsuit or other formal legal action or take other steps to enforce their rights or protect their interests relating to their debt securities, the following must occur:

- such holders must give the Trustee written notice that an Event of Default has occurred and remains uncured;
- holders of at least 25% in principal amount of the debt securities of the series the holders of which have made the written request must make a written request that the Trustee take action because of the default and must offer the Trustee indemnity satisfactory to the Trustee against the cost and other liabilities of taking that action;
- the Trustee must have failed to take action for 60 days after receipt of the notice and offer of indemnity; and
- holders of a majority in principal amount of the debt securities of that series must not have given the Trustee a direction inconsistent with the above notice for a period of 60 days after the Trustee has received the notice.

Holders are, however, entitled at any time to bring a lawsuit for the payment of money due on the notes on or after the due date.

**Modification of the Indenture**

The indenture will provide that we and the Trustee may, without the consent of any holders of the debt securities, enter into supplemental indentures for the purposes, among other things, of:

- adding to our covenants;
- adding additional events of default;
- changing or eliminating any provisions of the indenture so long as there are no holders entitled to the benefit of the provisions;
- establishing the form or terms of any series of securities; or
- curing ambiguities or inconsistencies in the indenture or making any other provisions with respect to matters or questions arising under the indenture.

With specific exceptions, the indenture or the rights of the holders of the debt securities may be modified by us and the Trustee with the consent of the holders of a majority in aggregate principal amount of the debt securities of each series, but no modification may be made without the consent of the holder of each outstanding note that would:

- change the maturity of any payment of principal of, or any premium on, or any installment of interest on any debt securities;
- reduce the principal amount of any debt security, or the interest thereon, or any premium on any debt security upon redemption or upon repayment at the option of the holder;
- change our obligation to pay additional amounts;
- change any place of payment where, or the currency in which, any debt security or any premium or interest is payable;
- impair the right to sue for the enforcement of any payment on or with respect to any debt security; or
- reduce the percentage in principal amount of outstanding notes required to consent to any supplemental indenture, any waiver of compliance with provisions of the indenture or specific defaults and their consequences provided for in the indenture, or otherwise modify the sections in the indenture relating to these consents.

**Defeasance and Covenant Defeasance**

We may elect either (i) to defease and be discharged from any and all obligations with respect to the debt securities of any series (except as otherwise provided in the indenture) ("defeasance") or (ii) to be released from our obligations with respect to certain covenants that are described in the indenture ("covenant defeasance"), upon the deposit with the Trustee, in trust for such purpose, of money and/or government obligations that through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient, without reinvestment, to pay the principal of, premium, if any, and interest on the notes to maturity or redemption, as the case may be, and any mandatory sinking fund or analogous senior payments thereon. As a condition to defeasance or covenant defeasance, we must deliver to the Trustee an opinion of counsel to the effect that the holders of the notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred. Such opinion of counsel, in the case of defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the indenture.

We may exercise our defeasance option with respect to debt securities notwithstanding our prior exercise of our covenant defeasance option. If we exercise our defeasance option, payment of the notes may not be accelerated because of an Event of Default. If we exercise our covenant defeasance option, payment of the notes may not be accelerated by reference to any covenant from which we are released as described under clause (ii) of the immediately preceding paragraph. However, if acceleration were to occur for other reasons, the realizable value at the acceleration date of the money and government obligations in the defeasance trust could be less than the principal and interest then due on the notes, in that the required deposit in the defeasance trust is based upon scheduled cash flows rather than market value, which will vary depending upon interest rates and other factors.

**Notices**

Notices to holders of debt securities will be given by mail to the addresses of such holders as they appear in the security register.

**Title**

We, the Trustee and any agent of ours may treat the registered owner of any debt security as the absolute owner thereof (whether or not the debt security shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

**Replacement of Notes**

We will replace any mutilated note at the expense of the holders upon surrender to the Trustee. We will replace notes that become destroyed, lost or stolen at the expense of the holder upon delivery to the Trustee of satisfactory evidence of the destruction, loss or theft thereof. In the event of a destroyed, lost or stolen note, an indemnity or security satisfactory to us and the Trustee may be required at the expense of the holder of the note before a replacement exchange note will be issued.

**Governing Law**

The indenture is, and the notes exchange will be, governed by, and construed in accordance with, the laws of the State of New York.

**Book Entry, Delivery and Form**

The exchange notes will be issued in the form of one or more fully registered global securities (each a "Global Security") which will be deposited with, or on behalf of, The Depository Trust Company, New York, New York (the "Depositary") and registered in the name of Cede & Co., the Depositary's nominee. We will not issue notes in certificated form except in certain circumstances. Beneficial interests in the Global Securities will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in the Depositary (the "Depositary Participants"). Investors may elect to hold interests in the Global Securities through either the Depositary (in the United States), or Clearstream Luxembourg or Euroclear (in Europe) if they are participants in those systems, or indirectly through organizations that are participants in those systems. Clearstream Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream Luxembourg's and Euroclear's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of the Depositary. At the present time, Citibank, N.A. acts as U.S. depositary for Clearstream Luxembourg and JPMorgan Chase Bank acts as U.S. depositary for Euroclear (the "U.S. Depositaries"). Beneficial interests in the Global Securities will be held in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Except as set forth below, the Global Securities may be transferred, in whole but not in part, only to another nominee of the Depositary or to a successor of the Depositary or its nominee.

The Depositary has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary holds securities that its participants ("Direct Participants") deposit with the Depositary. The Depositary also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers (which may include the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. The Depositary is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the Depositary's book-entry system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to the Depositary and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Clearstream Luxembourg has advised us that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream Luxembourg holds securities for its participating organizations, known as Clearstream Luxembourg participants, and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg participants through electronic book-entry changes in accounts of Clearstream Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream Luxembourg provides to Clearstream Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries. As a professional depositary, Clearstream Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the Commission de Surveillance du Secteur Financier. Clearstream Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a Clearstream Luxembourg participant either directly or indirectly.

Distributions with respect to the exchange notes held beneficially through Clearstream Luxembourg will be credited to the cash accounts of Clearstream Luxembourg participants in accordance with its rules and procedures, to the extent received by the U.S. Depositary for Clearstream Luxembourg.

Euroclear has advised us that it was created in 1968 to hold securities for its participants, known as Euroclear participants, and to clear and settle transactions between Euroclear participants and between Euroclear participants and participants of certain other securities intermediaries through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear is owned by Euroclear Clearance System Public Limited Company and operated through a license agreement by Euroclear Bank S.A./N.V., known as the Euroclear operator. The Euroclear operator provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing and related services. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers.

Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, collectively referred to as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to exchange notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. Depositary for Euroclear.

If the Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue the exchange notes in definitive form in exchange for the entire Global Security representing such exchange notes. In addition, we may at any time, and in our sole discretion, determine not to have the exchange notes represented by the Global Security and, in such event, will issue exchange notes in definitive form in exchange for the Global Security representing such exchange notes. In any such instance, an owner of a beneficial interest in the Global Security will be entitled to physical delivery in definitive form of notes represented by such Global Security equal in principal amount to such beneficial interest and to have such notes registered in its name.

Title to book-entry interests in the exchange notes will pass by book-entry registration of the transfer within the records of Clearstream Luxembourg, Euroclear or the Depositary, as the case may be, in accordance with their respective procedures. Book-entry interests in the exchange notes may be transferred within Clearstream Luxembourg and within Euroclear and between Clearstream Luxembourg and Euroclear in accordance with procedures established for these purposes by Clearstream Luxembourg and Euroclear. Book-entry interests in the exchange notes may be transferred within the Depositary in accordance with procedures established for this purpose by the Depositary. Transfers of book-entry interests in the exchange notes among Clearstream Luxembourg and Euroclear and the Depositary may be effected in accordance with procedures established for this purpose by Clearstream Luxembourg, Euroclear and the Depositary.

**Global Clearance and Settlement Procedures**

Initial settlement for the exchange notes will be made in immediately available funds. Secondary market trading between Depositary Participants will occur in the ordinary way in accordance with the

Depositary's rules and will be settled in immediately available funds using the Depositary's Same-Day Funds Settlement System. Secondary market trading between Clearstream Luxembourg participants and Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the Depositary, on the one hand, and directly or indirectly through Clearstream Luxembourg or Euroclear participants, on the other, will be effected through the Depositary in accordance with the Depositary's rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time).

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving the exchange notes in the Depositary, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depositary. Clearstream Luxembourg participants and Euroclear participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of the notes received in Clearstream Luxembourg or Euroclear as a result of a transaction with a Depositary Participant will be made during subsequent securities settlement processing and dated the business day following the Depositary settlement date. Such credits, or any transactions in the exchange notes settled during such processing, will be reported to the relevant Euroclear participants or Clearstream Luxembourg participants on that business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of exchange notes by or through a Clearstream Luxembourg participant or a Euroclear participant to a Depositary Participant will be received with value on the business day of settlement in the Depositary but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in the Depositary.

Although the Depositary, Clearstream Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of the Depositary, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

**Certain Definitions**

The following definitions are applicable to the indenture:

"Indebtedness" of any person means, without duplication, (i) any obligation of such person for money borrowed, (ii) any obligation of such person evidenced by bonds, debentures, notes or other similar instruments and (iii) any reimbursement obligation of such person in respect of letters of credit or other similar instruments which support financial obligations which would otherwise become Indebtedness.

"Lien" means any pledge, mortgage, lien, encumbrance or other security interest.

"Restricted Subsidiary" means a Subsidiary of ours (other than a Securitization Entity) which (i) is owned, directly or indirectly, by us or by one or more of our Subsidiaries, or by us and one or more of our Subsidiaries, (ii) is incorporated under the laws of the United States or a state thereof and (iii) owns a Principal Property.

"Securitization Entity" means any Subsidiary or other person that is engaged solely in the business of effecting asset securitization transactions and related activities.

"Subsidiary" of any person means (i) a corporation a majority of the outstanding voting stock of which is at the time, directly or indirectly, owned by such person, by one or more Subsidiaries of such person, or

by such person and one or more Subsidiaries thereof or (ii) any other person (other than a corporation), including, without limitation, a partnership or joint venture, in which such person, one or more Subsidiaries thereof, or such person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other persons performing similar functions).

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax considerations to a holder of original notes relating to the exchange of original notes for exchange notes pursuant to the exchange offer. This summary is based upon existing U.S. federal income tax law, which is subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as original notes held by investors subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations (including private foundations) and partnerships and their partners), or to persons that hold the original notes as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, or non-U.S. tax considerations, Each prospective investor is urged to consult his tax advisor regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations of the acquisition, ownership, and disposition of the exchange notes.

**Exchange of Original Notes for Exchange Notes**

An exchange of original notes for exchange notes pursuant to the exchange offer will generally not be a taxable event for U.S. federal income tax purposes. Consequently, a holder of original notes will not recognize gain or loss, for U.S. federal income tax purposes, as a result of exchanging original notes for exchange notes pursuant to the exchange offer. The holding period of the exchange notes will be the same as the holding period of the original notes and the tax basis in the exchange notes will be the same as the adjusted tax basis in the original notes as determined immediately before the exchange.

## PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account under the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer for resales of exchange notes received in exchange for original notes that had been acquired as a result of market-making or other trading activities. We have agreed that, for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus, as it may be amended or supplemented, available to any broker-dealer for use in connection with any such resale. Any broker-dealers required to use this prospectus and any amendments or supplements to this prospectus for resales of the exchange notes must notify us of this fact by checking the box on the letter of transmittal requesting additional copies of these documents.

Notwithstanding the foregoing, we are entitled under the registration rights agreement to suspend the use of this prospectus by broker-dealers under specified circumstances. For example, we may suspend the use of this prospectus if:

- the SEC or any state securities authority requests an amendment or supplement to this prospectus or the related registration statement or additional information;
- the SEC or any state securities authority issues any stop order suspending the effectiveness of the registration statement or initiates proceedings for that purpose;
- we receive notification of the suspension of the qualification of the new notes for sale in any jurisdiction or the initiation or threatening of any proceeding for that purpose;
- the suspension is required by law; or
- an event occurs which makes any statement in this prospectus untrue in any material respect or which constitutes an omission to state a material fact in this prospectus.

If we suspend the use of this prospectus, the 180-day period referred to above will be extended by a number of days equal to the period of the suspension.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account under the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on those notes or a combination of those methods, at market prices prevailing at the time of resale, at prices related to prevailing market prices or at negotiated prices. Any resales may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from the selling broker-dealer or the purchasers of the new notes. Any broker-dealer that resells exchange notes received by it for its own account under the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an “underwriter” within the meaning of the Securities Act and any profit on any resale of exchange notes and any commissions or concessions received by these persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and certain transfer taxes and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

## LEGAL MATTERS

The validity of the exchange notes offered by this prospectus and certain legal matters in connection with the exchange offer will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

## EXPERTS

The financial statements included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the registration statement (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph relating to the fact that, prior to its separation from Cendant Corporation ("Cendant"; known as Avis Budget Group since August 29, 2006), the Company was comprised of the assets and liabilities used in managing and operating the lodging, vacation exchange and rental and vacation ownership businesses of Cendant; included in Notes 20 and 21 of the consolidated and combined financial statements is a summary of transactions with related parties; as discussed in Note 20 to the consolidated and combined financial statements, in connection with its separation from Cendant, the Company entered into certain guarantee commitments with Cendant and has recorded the fair value of these guarantees as of July 31, 2006; and the Company adopted the provisions for accounting for real estate time-sharing transactions, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational filing requirements of the Exchange Act, and, accordingly, are obligated to file reports, statements and other information with the SEC relating to our business, financial condition and other matters. Any such filings with the SEC are available to the public over the Internet on the SEC's website at http://www.sec.gov. You may read and copy any filed document at the SEC's public reference rooms in Washington, D.C. at 100 F Street, N.E., Judiciary Plaza, Washington, D.C. 20549 and at the SEC's regional offices in New York at 233 Broadway, New York, New York 10279 and in Chicago at Citicorp Center, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms.

We maintain an Internet site at http://www.wyndhamworldwide.com. Our website and the information contained on that site, or connected to that site, are not incorporated into and are not a part of this prospectus.

This prospectus contains summaries of the material terms of certain documents and refers you to certain documents that we have filed with the SEC. Copies of these documents, except for certain exhibits and schedules, will be made available to you without charge upon written or oral request to:

Wyndham Worldwide Corporation
Seven Sylvan Way
Parsippany, NJ 07054
Attention: Investor Relations
Phone: (973) 753-6000

**In order to obtain timely delivery of such materials, you must request information from us no later than five business days prior to the expiration of the exchange offer.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Wyndham Worldwide Corporation Board of Directors and Shareholders

We have audited the accompanying consolidated and combined balance sheets of Wyndham Worldwide Corporation and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated and combined statements of income, stockholders'/invested equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of Wyndham Worldwide Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated and combined financial statements, prior to its separation from Cendant Corporation ("Cendant"; known as Avis Budget Group since August 29, 2006), the Company was comprised of the assets and liabilities used in managing and operating the lodging, vacation exchange and rental and vacation ownership businesses of Cendant. Included in Notes 20 and 21 of the consolidated and combined financial statements is a summary of transactions with related parties. As discussed in Note 20 to the consolidated and combined financial statements, in connection with its separation from Cendant, the Company entered into certain guarantee commitments with Cendant and has recorded the fair value of these guarantees as of July 31, 2006. Also as discussed in Note 1 to the consolidated and combined financial statements, as of January 1, 2006, the Company adopted the provisions for accounting for real estate time-sharing transactions.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
March 7, 2007

**WYNDHAM WORLDWIDE CORPORATION**
**CONSOLIDATED AND COMBINED STATEMENTS OF INCOME**
**(In millions, except share data)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| **Net revenues** | | | |
| Vacation ownership interest sales | $ 1,461 | $ 1,379 | $ 1,245 |
| Service fees and membership | 1,437 | 1,288 | 1,105 |
| Franchise fees | 501 | 434 | 393 |
| Consumer financing | 291 | 234 | 176 |
| Other | 152 | 136 | 95 |
| Net revenues | 3,842 | 3,471 | 3,014 |
| **Expenses** | | | |
| Operating | 1,474 | 1,199 | 932 |
| Cost of vacation ownership interests | 317 | 341 | 316 |
| Marketing and reservation | 734 | 628 | 576 |
| General and administrative | 493 | 424 | 385 |
| Provision for loan losses | — | 128 | 86 |
| Separation and related costs | 99 | — | — |
| Depreciation and amortization | 148 | 131 | 119 |
| | 3,265 | 2,851 | 2,414 |
| **Operating income** | 577 | 620 | 600 |
| Interest expense | 67 | 29 | 34 |
| Interest income (including intercompany of $21, $30 and $16) | (32) | (35) | (21) |
| **Income before income taxes and minority interest** | 542 | 626 | 587 |
| Provision for income taxes | 190 | 195 | 234 |
| Minority interest, net of tax | — | — | 4 |
| **Income before cumulative effect of accounting change** | 352 | 431 | 349 |
| Cumulative effect of accounting change, net of tax | (65) | — | — |
| **Net income** | $ 287 | $ 431 | $ 349 |
| **Earnings per share:** | | | |
| **Basic** | | | |
| Income before cumulative effect of accounting change | $ 1.78 | $ 2.15 | $ 1.74 |
| Net income | 1.45 | 2.15 | 1.74 |
| **Diluted** | | | |
| Income before cumulative effect of accounting change | $ 1.77 | $ 2.15 | $ 1.74 |
| Net income | 1.44 | 2.15 | 1.74 |

See Notes to Consolidated and Combined Financial Statements.

**WYNDHAM WORLDWIDE CORPORATION**
**CONSOLIDATED AND COMBINED BALANCE SHEETS**
**(In millions, except share data)**

| | December 31, 2006 | December 31, 2005 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 269 | $ 99 |
| Trade receivables (net of allowance for doubtful accounts of $99 and $96) | 429 | 371 |
| Vacation ownership contract receivables, net | 257 | 239 |
| Inventory | 520 | 446 |
| Prepaid expenses | 168 | 95 |
| Deferred income taxes | 105 | 84 |
| Net intercompany funding to former Parent | — | 1,125 |
| Due from former Parent and subsidiaries | 65 | — |
| Other current assets | 239 | 109 |
| Total current assets | 2,052 | 2,568 |
| Long-term vacation ownership contract receivables, net | 2,123 | 1,835 |
| Non-current inventory | 434 | 190 |
| Property and equipment, net | 916 | 718 |
| Goodwill | 2,699 | 2,645 |
| Trademarks, net | 621 | 580 |
| Franchise agreements and other intangibles, net | 417 | 412 |
| Due from former Parent and subsidiaries | 37 | — |
| Other non-current assets | 221 | 219 |
| **Total assets** | $ 9,520 | $ 9,167 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Securitized vacation ownership debt | $ 178 | $ 154 |
| Current portion of long-term debt | 115 | 201 |
| Accounts payable | 377 | 239 |
| Deferred income | 545 | 271 |
| Due to former Parent and subsidiaries | 187 | — |
| Accrued expenses and other current liabilities | 575 | 430 |
| Total current liabilities | 1,977 | 1,295 |
| Long-term securitized vacation ownership debt | 1,285 | 981 |
| Long-term debt | 1,322 | 706 |
| Deferred income taxes | 782 | 823 |
| Deferred income | 269 | 262 |
| Due to former Parent and subsidiaries | 234 | — |
| Other non-current liabilities | 92 | 67 |
| Total liabilities | 5,961 | 4,134 |
| Commitments and contingencies (Note 14) | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, authorized 6,000,000 shares, none issued and outstanding | — | — |
| Common stock, $.01 par value, authorized 600,000,000 shares, issued 202,294,898 in 2006 and zero shares in 2005 | 2 | — |
| Additional paid-in capital | 3,566 | — |
| Retained earnings | 156 | — |
| Parent company's net investment | — | 4,925 |
| Accumulated other comprehensive income | 184 | 108 |
| Treasury stock, at cost — 11,877,600 in 2006 and zero shares in 2005 | (349) | — |
| Total stockholders' equity | 3,559 | 5,033 |
| **Total liabilities and stockholders' equity** | $ 9,520 | $ 9,167 |

See Notes to Consolidated and Combined Financial Statements.

**WYNDHAM WORLDWIDE CORPORATION**
**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**
**(In millions)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| **Operating Activities** | | | |
| Net income | $ 287 | $ 431 | $ 349 |
| Cumulative effect of accounting change, net of tax | 65 | — | — |
| Income before cumulative effect of accounting change | 352 | 431 | 349 |
| Adjustments to reconcile income before cumulative effect of accounting change to net cash provided by operating activities: | | | |
| Depreciation and amortization | 148 | 131 | 119 |
| Provision for loan losses | 259 | 128 | 86 |
| Deferred income taxes | 103 | 236 | 31 |
| Impairment of intangible assets | 11 | — | — |
| Net change in assets and liabilities, excluding the impact of acquisitions and dispositions: | | | |
| Trade receivables | (35) | (40) | (30) |
| Vacation ownership contract receivables | (594) | (462) | (496) |
| Inventory | (280) | (21) | 8 |
| Prepaid expenses | (68) | (1) | (19) |
| Accounts payable, accrued expenses and other current liabilities | 277 | 67 | 8 |
| Due to former Parent and subsidiaries | (36) | — | — |
| Deferred income | 48 | 13 | 2 |
| Other, net | (20) | 10 | 87 |
| **Net cash provided by operating activities** | 165 | 492 | 145 |
| **Investing Activities** | | | |
| Property and equipment additions | (191) | (134) | (116) |
| Net assets acquired, net of cash acquired, and acquisition-related payments | (105) | (154) | (181) |
| Net intercompany funding to former Parent and subsidiaries | (143) | (398) | (44) |
| Investments and development advances | (24) | (4) | (3) |
| Proceeds received from disposition of businesses, net | — | — | 41 |
| Increase in restricted cash | (3) | (15) | (32) |
| Other, net | (5) | 9 | 9 |
| **Net cash used in investing activities** | (471) | (696) | (326) |
| **Financing Activities** | | | |
| Proceeds from secured borrowings | 1,531 | 1,296 | 1,440 |
| Principal payments on secured borrowings | (1,223) | (1,000) | (1,032) |
| Proceeds from unsecured borrowings | 2,179 | — | 25 |
| Principal payments on unsecured borrowings | (1,910) | (11) | (210) |
| Proceeds from bond issuance | 796 | — | — |
| Dividends paid to former Parent | (1,360) | (59) | — |
| Capital contribution from former Parent | 795 | — | — |
| Repurchase of common stock | (329) | — | — |
| Issuance of common stock | 13 | — | — |
| Debt issuance costs | (16) | — | — |
| Other, net | (3) | (5) | (6) |
| **Net cash provided by financing activities** | 473 | 221 | 217 |
| Effect of changes in exchange rates on cash and cash equivalents | 3 | (12) | (17) |
| Net increase in cash and cash equivalents | 170 | 5 | 19 |
| Cash and cash equivalents, beginning of period | 99 | 94 | 75 |
| **Cash and cash equivalents, end of period** | $ 269 | $ 99 | $ 94 |
| **Supplemental Disclosure of Cash Flow Information** | | | |
| Interest payments[a] | $ 99 | $ 55 | $ 66 |
| Income tax payments, net[b] | 62 | 32 | 28 |

(a) Excludes interest paid on the Company's securitized debt of $64 million, $40 million, and $32 million, intercompany interest paid to former Parent and subsidiaries of $18 million, $20 million and $6 million and capitalized interest related to the development of vacation ownership inventory during 2006, 2005 and 2004, respectively.

(b) Excludes income tax related payments made to former Parent.

See Notes to Consolidated and Combined Financial Statements.

**WYNDHAM WORLDWIDE CORPORATION**
**CONSOLIDATED AND COMBINED STATEMENT OF STOCKHOLDERS'/INVESTED EQUITY**
**(In millions)**

| | Common Stock | | Additional Paid-in | Parent Company's | Retained | Accumulated Other | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Net Investment | Earnings | Comprehensive Income | Shares | Amount | Equity |
| **Balance as of January 1, 2004** | — | $ — | $ — | $ 4,103 | $ — | $ 180 | — | $ — | $ 4,283 |
| **Comprehensive income:** | | | | | | | | | |
| Net income | — | — | — | 349 | — | — | — | — | |
| Currency translation adjustment, net of tax of $33 | — | — | — | — | — | 33 | — | — | |
| Unrealized gains on cash flow hedges, net of tax of $1 | — | — | — | — | — | 1 | — | — | |
| **Total comprehensive income** | | | | | | | | | **383** |
| Capital contribution from former Parent | — | — | — | 13 | — | — | — | — | 13 |
| **Balance as of December 31, 2004** | — | — | — | 4,465 | — | 214 | — | — | 4,679 |
| **Comprehensive income:** | | | | | | | | | |
| Net income | — | — | — | 431 | — | — | — | — | |
| Currency translation adjustment, net of tax benefit of $19 | — | — | — | — | — | (106) | — | — | |
| Unrealized gains on cash flow hedges, net of tax of $2 | — | — | — | — | — | 3 | — | — | |
| Reclassification for gains on cash flow hedges, net of tax benefit of $2 | — | — | — | — | — | (3) | — | — | |
| **Total comprehensive income** | | | | | | | | | **325** |
| Dividends paid to former Parent | — | — | — | (59) | — | — | — | — | (59) |
| Capital contribution from former Parent | — | — | — | 88 | — | — | — | — | 88 |
| **Balance at December 31, 2005** | — | — | — | 4,925 | — | 108 | — | — | 5,033 |
| **Comprehensive income from January 1, 2006 to July 31, 2006:** | | | | | | | | | |
| Net income | — | — | — | 131 | — | — | — | — | |
| Currency translation adjustment, net of tax benefit of $27 | — | — | — | — | — | 79 | — | — | |
| Unrealized losses on cash flow hedges, net of tax benefit of $1 | — | — | — | — | — | (2) | — | — | |
| **Total comprehensive income from January 1, 2006 to July 31, 2006** | | | | | | | | | **208** |
| Assumption of former Parent corporate assets | — | — | — | 74 | — | — | — | — | 74 |
| Return of excess funding from former Parent | — | — | — | 25 | — | — | — | — | 25 |
| Tax receivables due from former Parent and subsidiaries | — | — | — | 24 | — | — | — | — | 24 |
| Deferred tax assets on contingent liabilities and guarantees | — | — | — | 71 | — | — | — | — | 71 |
| Guarantees under FIN 45 related to the Separation | — | — | — | (41) | — | — | — | — | (41) |
| Contingent liabilities — due to former Parent and subsidiaries | — | — | — | (483) | — | — | — | — | (483) |
| Cash transfer to former Parent | — | — | — | (1,360) | — | — | — | — | (1,360) |
| Elimination of asset — linked facility obligation by former Parent | — | — | — | 600 | — | — | — | — | 600 |
| Capital contribution from former Parent — proceeds from Travelport sale | — | — | — | 760 | — | — | — | — | 760 |
| Elimination of intercompany balance due to former Parent | — | — | — | (1,157) | — | — | — | — | (1,157) |
| Transfer of net investment to additional paid — in capital | — | — | 3,569 | (3,569) | — | — | — | — | — |
| **Comprehensive income from August 1, 2006 to December 31, 2006:** | | | | | | | | | |
| Net income | — | — | — | — | 156 | — | — | — | |
| Currency translation adjustment, net of tax of $16 | — | — | — | — | — | 5 | — | — | |
| Unrealized losses on cash flow hedges, net of tax benefit of $4 | — | — | — | — | — | (6) | — | — | |
| **Total comprehensive income from August 1, 2006 to December 31, 2006** | | | | | | | | | **155** |
| Issuance of common stock | 200 | 2 | (2) | — | — | — | — | — | — |
| Issuance of restricted stock units | 2 | — | — | — | — | — | — | — | — |
| Exercise of stock options | — | — | 13 | — | — | — | — | — | 13 |
| Deferred compensation | — | — | (68) | — | — | — | — | — | (68) |
| Additional capital contribution from former Parent — proceeds from Travelport sale | — | — | 38 | — | — | — | — | — | 38 |
| Adjustments to contingent liabilities due to former Parent and subsidiaries | — | — | 1 | — | — | — | — | — | 1 |
| Repurchases of WYN common stock | — | — | — | — | — | — | (12) | (349) | (349) |
| Equitable adjustment of stock based compensation | — | — | 9 | — | — | — | — | — | 9 |
| Adjustment to deferred tax assets assumed from former Parent | — | — | 8 | — | — | — | — | — | 8 |
| Excess deferred tax assets of expense awards | — | — | (2) | — | — | — | — | — | (2) |
| **Balance at December 31, 2006** | **202** | **$ 2** | **$ 3,566** | **$ —** | **$ 156** | **$ 184** | **(12)** | **$ (349)** | **$ 3,559** |

See Notes to Consolidated and Combined Financial Statements.

**WYNDHAM WORLDWIDE CORPORATION**
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**
**(Unless otherwise noted, all amounts are in millions, except per share amounts)**

## 1. Basis of Presentation

Wyndham Worldwide Corporation ("Wyndham" or "the Company"), a Delaware corporation, was incorporated on May 30, 2003 as Cendant Hotel Group. In connection with a plan by Cendant Corporation ("Cendant" or "former Parent"; known as Avis Budget Group since August 29, 2006) to separate into four independent, publicly traded companies — one each for Cendant's former hospitality services (including timeshare resorts), real estate services ("Realogy"), travel distribution services ("Travelport") and vehicle rental services ("Avis Budget Group") businesses ("Separation"), on July 13, 2006, Cendant Hotel Group changed its name to Wyndham Worldwide Corporation. On April 24, 2006, Cendant modified its previously announced Separation plan to explore the possible sale of Travelport. On June 30, 2006, Cendant entered into a definitive agreement to sell Travelport to an affiliate of the Blackstone Group for $4,300 million in cash and on August 22, 2006, the sale of Travelport closed. Pursuant to the plan of Separation, the Company received approximately $760 million of the proceeds from such sale, which could be subject to post-closing adjustments.

On July 13, 2006, Cendant's Board of Directors approved the distribution of all of the shares of common stock of Wyndham. In connection with the distribution, the Company filed with the Securities and Exchange Commission (the "SEC") an Information Statement, dated July 13, 2006 (the "Information Statement"), which describes for stockholders the details of the distribution and provides information on the business and management of Wyndham. The Company mailed the Information Statement to Cendant stockholders shortly after the July 21, 2006 record date for the distribution. Prior to July 31, 2006, Cendant transferred to Wyndham all of the assets and liabilities primarily related to the hospitality services (including timeshare resorts) businesses of Cendant and, on July 31, 2006, Cendant distributed all of the shares of Wyndham common stock to the holders of Cendant common stock issued and outstanding on July 21, 2006, the record date for the distribution. The Separation was effective on July 31, 2006. On August 1, 2006, the Company commenced "regular way" trading on the New York Stock Exchange under the symbol "WYN."

The Company's consolidated and combined results of operations, financial position and cash flows may not be indicative of its future performance and do not necessarily reflect what its consolidated results of operations, financial position and cash flows would have been had the Company operated as a separate, stand-alone entity during the periods presented prior to August 1, 2006, including changes in its operations and capitalization as a result of the Separation and distribution from Cendant.

Certain corporate and general and administrative expenses, including those related to executive management, tax, accounting, payroll, legal and treasury services, certain employee benefits and real estate usage for common space were allocated by Cendant to the Company through July 31, 2006 based on forecasted revenues or usage. Management believes such allocations were reasonable. However, the associated expenses recorded by the Company in the Consolidated and Combined Statements of Income may not be indicative of the actual expenses that would have been incurred had the Company been operating as a separate, stand-alone public company for the periods presented prior to August 1, 2006. Following the Separation and distribution from Cendant, the Company began performing these functions using internal resources or purchased services, certain of which are provided by Cendant or one of the separated companies during a transitional period pursuant to the Transition Services Agreement. Refer to Note 21 — Related Party Transactions for a detailed description of the Company's transactions with Cendant and its former subsidiaries.

In management's opinion, the Consolidated and Combined Financial Statements contain all normal recurring adjustments necessary for a fair presentation of annual results reported. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

***Business Description***

The Company operates in the following business segments:

- ***Lodging*** — franchises hotels in the upscale, middle and economy segments of the lodging industry and provides property management services to owners of luxury and upscale hotels.
- ***Vacation Exchange and Rentals***— provides vacation exchange products and services to owners of intervals of vacation ownership interests and markets vacation rental properties primarily on behalf of independent owners.
- ***Vacation Ownership*** — markets and sells vacation ownership interests ("VOIs") to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts.

**2. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The Consolidated and Combined Financial Statements include the accounts and transactions of Wyndham, as well as entities in which Wyndham directly or indirectly has a controlling financial interest and various entities in which Wyndham has investments recorded under the equity method of accounting. The Consolidated and Combined Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany balances and transactions have been eliminated in the Consolidated and Combined Financial Statements.

In connection with Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised 2003), "Consolidation of Variable Interest Entities" ("FIN 46"), when evaluating an entity for consolidation, the Company first determines whether an entity is within the scope of FIN 46 and if it is deemed to be a variable interest entity ("VIE"). If the entity is considered to be a VIE, the Company determines whether it would be considered the entity's primary beneficiary. The Company consolidates those VIEs for which it has determined that it is the primary beneficiary. The Company will consolidate an entity not deemed either a VIE or qualifying special purpose entity ("QSPE") upon a determination that its ownership, direct or indirect, exceeds 50% of the outstanding voting shares of an entity and/or that it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights. For entities where the Company does not have a controlling interest (financial or operating), the investments in such entities are classified as available-for-sale securities or accounted for using the equity or cost method, as appropriate. The Company applies the equity method of accounting when it has the ability to exercise significant influence over operating and financial policies of an investee in accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

**Revenue Recognition**

***Lodging***

The Company enters into agreements to franchise its lodging franchise systems to independent hotel owners. The Company's standard franchise agreement typically has a term of 15 to 20 years and provides a franchisee with certain rights to terminate the franchise agreement before the term of the agreement under certain circumstances. The principal source of revenues from franchising hotels is ongoing franchise fees, which are comprised of royalty fees and other fees relating to marketing and reservation services. Ongoing franchise fees typically are based on a percentage of gross room revenues of each franchised hotel and are accrued as earned and upon becoming due from the franchisee. An estimate of uncollectible ongoing franchise fees is charged to bad debt expense and included in operating expenses on the Consolidated and Combined Statements of Income. Lodging revenues also include initial franchise fees, which are recognized

as revenue when all material services or conditions have been substantially performed, which is either when a franchised hotel opens for business or when a franchise agreement is terminated as it has been determined that the franchised hotel will not open.

The Company's franchise agreements also require payment of fees for other services, including marketing and reservations. With such fees, the Company provides its franchised properties with a suite of operational and administrative services, including access to an international, centralized, brand-specific reservations system, advertising, promotional and co-marketing programs, referrals, technology, training and volume purchasing. The Company is contractually obligated to expend the marketing and reservation fees it collects from franchisees in accordance with the franchise agreements; as such, revenues earned in excess of costs incurred are accrued as a liability for future marketing or reservation costs. Costs incurred in excess of revenues are expensed. In accordance with the Company's franchise agreements, the Company includes an allocation of certain overhead costs required to carry out marketing and reservation activities within marketing and reservation expenses.

The Company also provides property management services for hotels under management contracts. The Company's management fees are comprised of base fees, which are typically calculated based upon a specified percentage of gross revenues from hotel operations, and incentive management fees, which are typically calculated based upon a specified percentage of a hotel's gross operating profit. Management fee revenue is recognized when earned in accordance with the terms of the contract. The Company incurs certain reimbursable costs on behalf of managed hotel properties and report reimbursements received from managed properties as revenue and the costs incurred on their behalf as expenses. Management fees and reimbursement revenue are recorded as a component of service fees and membership revenue on the Consolidated and Combined Statements of Income. The costs, which principally relate to payroll costs for operational employees who work at the managed hotels, are reflected as a component of operating expenses on the Consolidated and Combined Statements of Income. The reimbursements from hotel owners are based upon the costs incurred with no added margin; as a result, these reimbursable costs have little to no effect on the Company's operating income. Management fee revenue and revenue related to payroll reimbursements were $4 million and $69 million, in 2006, respectively, and $1 million and $17 million, respectively, for the period October 11, 2005 (date of Wyndham Hotels and Resorts brand acquisition, which includes management contracts) through December 31, 2005.

***Vacation Exchange and Rentals***

As a provider of vacation exchange services, the Company enters into affiliation agreements with developers of vacation ownership properties to allow owners of intervals to trade their intervals for certain other intervals within the Company's vacation exchange business and, for some members, for other leisure-related products and services. Additionally, as a marketer of vacation rental properties, generally the Company enters into contracts for exclusive periods of time with property owners to market the rental of such properties to rental customers. The Company's vacation exchange business derives a majority of its revenues from annual membership dues and exchange fees from members trading their intervals. Annual dues revenue represents the annual membership fees from members who participate in the Company's vacation exchange business. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with the Company's vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related products and services. The Company records revenue from annual membership dues as deferred income on the Consolidated and Combined Balance Sheets and recognizes it on a straight-line basis over the membership period during which delivery of publications, if applicable, and other services are provided to the members. Exchange fees are generated when members exchange their intervals for equivalent values of rights and services, which may include intervals at other properties within the Company's vacation exchange business or other leisure-related products and services. Exchange fees are recognized as revenue when the exchange requests have been confirmed to the member. The Company's vacation rentals business derives its revenue principally from fees, which generally range from approximately 40% to 60% of the gross rent charged to rental customers. The majority of the time, the Company acts on behalf of the owners of the rental properties to generate the

Company's fees. The Company provides reservation services to the independent property owners and receives the agreed-upon fee for the service provided. The Company remits the gross rental fee received from the renter to the independent property owner, net of the Company's agreed-upon fee. Revenue from such fees is recognized in the period that the rental reservation is made, net of expected cancellations. Upon confirmation of the rental reservation, the rental customer and property owner generally have a direct relationship for additional services to be performed. Cancellations for 2006 and 2005 each totaled less than 5% of rental transactions booked. The Company's revenue is earned when evidence of an arrangement exists, delivery has occurred or the services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. The Company also earns rental fees in connection with properties it owns or leases under capital leases and such fees are recognized when the rental customer's stay occurs, as this is the point at which the service is rendered.

***Vacation Ownership***

The Company markets and sells VOIs to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts. The Company's vacation ownership business derives the majority of its revenues from sales of VOIs and derives other revenues from consumer financing and resort management. The Company's sales of VOIs are either cash sales or Company-financed sales. In order for the Company to recognize revenues of VOI sales under the full accrual method of accounting described in Statement of Financial Accounting Standards ("SFAS") No. 66 "Accounting of Sales of Real Estate" for fully constructed inventory, a binding sales contract must have been executed, the statutory rescission period must have expired (after which time the purchasers are not entitled to a refund except for non-delivery by the Company), receivables must have been deemed collectible and the remainder of the Company's obligations must have been substantially completed. In addition, before the Company recognizes any revenues on VOI sales, the purchaser of the VOI must have met the initial investment criteria and, as applicable, the continuing investment criteria, by executing a legally binding financing contract. A purchaser has met the initial investment criteria when a minimum down payment of 10% is received by the Company. As a result of the adoption of SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions" ("SFAS No. 152") and Statement of Position No. 04-2, "Accounting for Real Estate Time-Sharing Transactions" ("SOP 04-2") on January 1, 2006, the Company must also take into consideration the fair value of certain incentives provided to the purchaser when assessing the adequacy of the purchaser's initial investment. In those cases where financing is provided to the purchaser by the Company, the purchaser is obligated to remit monthly payments under financing contracts that represent the purchaser's continuing investment. The contractual terms of Company-provided financing arrangements require that the contractual level of annual principal payments be sufficient to amortize the loan over a customary period for the VOI being financed, which is generally seven to ten years, and payments under the financing contracts begin within 45 days of the sale and receipt of the minimum down payment of 10%. If all of the criteria for a VOI sale to qualify under the full accrual method of accounting have been met, as discussed above, except that construction of the VOI purchased is not complete, the Company recognizes revenues using the percentage-of-completion method of accounting provided that the preliminary construction phase is complete and that a minimum sales level has been met (to assure that the property will not revert to a rental property). The preliminary stage of development is deemed to be complete when the engineering and design work is complete, the construction contracts have been executed, the site has been cleared, prepared and excavated, and the building foundation is complete. The completion percentage is determined by the proportion of real estate inventory costs incurred to total estimated costs. These estimated costs are based upon historical experience and the related contractual terms. The remaining revenue and related costs of sales, including commissions and direct expenses, are deferred and recognized as the remaining costs are incurred. Until a contract for sale qualifies for revenue recognition, all payments received are accounted for as restricted cash and deposits within other current assets and deferred income, respectively, on the Consolidated and Combined Balance Sheets. Commissions and other direct costs related to the sale are deferred until the sale is recorded. If a contract is cancelled before qualifying as a sale, non-recoverable expenses are charged to operating expense in the current period on the Consolidated and Combined Statements of Income.

The Company also offers consumer financing as an option to customers purchasing VOIs, which are typically collateralized by the underlying VOI. Generally, the financing terms are for seven to ten years. Prior to 2006, the provision for loan losses was presented as expense on the Combined Statements of Income. Upon the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, the provision for loan losses is now classified as a reduction of vacation ownership interest sales on the Consolidated Statement of Income. The interest income earned from the financing arrangements is earned on the principal balance outstanding over the life of the arrangement.

The Company also provides day-to-day-management services, including oversight of housekeeping services, maintenance and certain accounting and administrative services for property owners' associations and clubs. In some cases, the Company's employees serve as officers and/or directors of these associations and clubs in accordance with their by-laws and associated regulations. Management fee revenue is recognized when earned in accordance with the terms of the contract and is recorded as a component of service fees and membership on the Consolidated and Combined Statements of Income. The costs, which principally relate to the payroll costs for management of the associations, clubs and the resort properties where the Company is the employer, are reflected as a component of operating expenses on the Consolidated and Combined Statements of Income. Reimbursements are based upon the costs incurred with no added margin and thus presentation of these reimbursable costs has little to no effect on the Company's operating income. Management fee revenue and revenue related to reimbursements were $112 million and $141 million in 2006, respectively, $91 million and $124 million in 2005, respectively, and $95 million and $103 million in 2004, respectively. In 2006, 2005 and 2004, one of the associations that the Company manages paid RCI Global Vacation Network (vacation exchange and rentals) $13 million, $11 million and $9 million, respectively, for exchange services.

The Company records lodging-related marketing and reservation revenues, as well as property management services revenues for the Company's Lodging and Vacation Ownership segments, in accordance with Emerging Issues Task Force Issue 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," which requires that these revenues be recorded on a gross basis.

**Income Taxes**

The Company's operations were included in the consolidated federal tax return of Cendant up to the date of the Separation. In addition, the Company has filed consolidated and unitary state income tax returns with Cendant in jurisdictions where required or permitted. The income taxes associated with the Company's inclusion in Cendant's consolidated federal and state income tax returns are included in the due from former Parent and subsidiaries line item on the accompanying Consolidated and Combined Balance Sheets. The provision for income taxes is computed as if the Company filed its federal and state income tax returns on a stand-alone basis and, therefore, determined using the asset and liability method, under which deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates. These differences are based upon estimated differences between the book and tax basis of the assets and liabilities for the Company as of December 31, 2006 and 2005. The Company's tax assets and liabilities may be adjusted in connection with the finalization of Cendant's prior years' income tax returns.

The Company's deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Decreases to the valuation allowance are recorded as reductions to the Company's provision for income taxes and increases to the valuation allowance result in additional provision for income taxes. However, if the valuation allowance is adjusted in connection with an acquisition, such adjustment is recorded through goodwill rather than the provision for income taxes. The realization of the Company's deferred tax assets, net of the valuation allowance, is primarily dependent on estimated future taxable income. A change in the Company's estimate of future taxable income may require an addition to or reduction from the valuation allowance.

**Cash and Cash Equivalents**

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

**Restricted Cash**

Restricted cash consists of deposits received on sales of VOIs that are held in escrow until a certificate of occupancy is obtained, the legal rescission period has expired and the deed of trust has been recorded in governmental property ownership records, as well as separately held amounts based upon the terms of the securitizations. Such amounts were $147 million and $143 million as of December 31, 2006 and 2005, respectively, of which $57 million and $42 million, respectively, are recorded within other current assets and $90 million and $101 million, respectively, are recorded within other non-current assets on the Consolidated and Combined Balance Sheets.

**Receivable Valuation**

***Trade receivables***

The Company's vacation exchange and rentals and lodging businesses provide for estimated bad debts based on their assessment of the ultimate realizability of receivables, considering historical collection experience, the economic environment and specific customer information. When the Company determines that an account is not collectible, the account is written-off to the allowance for doubtful accounts. Such write-offs amounted to $57 million, $34 million and $36 million in 2006, 2005 and 2004, respectively. Bad debt expense is recorded in operating or marketing and reservation expenses on the Consolidated and Combined Statements of Income and amounted to $58 million, $51 million and $43 million in 2006, 2005 and 2004, respectively.

***Vacation ownership contract receivables***

Within the Company's vacation ownership business, the Company provides for estimated vacation ownership contract receivable cancellations and defaults at the time the VOI sales are recorded, by reducing VOI sales with a charge to the provision for loan losses on the Consolidated and Combined Statements of Income. Prior to 2006, the provision for loan losses was presented as expense on the Combined Statements of Income. Upon the adoption of SFAS No. 152 and SOP 04-2 on January 1, 2006, the provision for loan losses is now classified as a reduction of vacation ownership interest sales on the Consolidated Statement of Income. The Company considers factors including economic conditions, defaults, past due aging and historical write-offs of vacation ownership contract receivables to evaluate the adequacy of the allowance. The Company charges vacation ownership contract receivables to the loan loss allowance when they become 90, 120 or 150 days contractually past due depending on the percentage of the contract price already paid or are deemed uncollectible.

**Loyalty Programs**

The Company operates the TripRewards and RCI Elite Rewards loyalty programs. Members of both programs accumulate points by purchasing everyday products and services from the various businesses that participate in the program. TripRewards members also accumulate points by staying in hotels franchised under one of the Company's lodging brands (excluding Wyndham Hotels and Resorts).

Members may redeem their points for hotel stays, airline tickets, rental cars, resort vacation, electronics, sporting goods, movie and theme park tickets and gift certificates. The points cannot be redeemed for cash. The Company earns revenue from the TripRewards program when a member stays at a participating hotel, from a fee charged by the Company to the franchisee, which is based upon a percentage

of room revenue generated from such stay. This fee is incremental to the standard franchise, marketing and reservation fees charged by the Company. The Company earns revenue from the RCI Elite Rewards program based upon a percentage of the members' spending on the credit cards and such revenue is paid to the Company by a third-party issuing bank. The Company also incurs costs to support these programs, which primarily relate to marketing expenses to promote the programs, costs to administer the programs and costs of members' redemptions.

As members earn points through the Company's loyalty programs, the Company records a liability of the estimated future redemption costs, which is calculated based on (i) a cost per point and (ii) an estimated redemption rate of the overall points earned, which is determined through historical experience, current trends and the use of an independent third-party valuation firm. Revenues relating to the loyalty programs are recorded in other revenue in the Consolidated and Combined Statements of Income and amounted to $71 million, $56 million and $23 million while total expenses amounted to $56 million, $49 million and $23 million in 2006, 2005 and 2004, respectively. The points liability as of December 31, 2006 and 2005 amounted to $43 million and $39 million, respectively, and is included in accrued expenses and other current liabilities and other non-current liabilities in the Consolidated and Combined Balance Sheets.

**Inventory**

Inventory primarily consists of real estate and development costs of completed VOIs, VOIs under construction, land held for future VOI development, vacation ownership properties and vacation credits. Inventory is stated at the lower of cost, including capitalized interest, property taxes and certain other carrying costs incurred during the construction process, or net realizable value. Capitalized interest was $16 million, $7 million and $5 million in 2006, 2005 and 2004, respectively.

**Advertising Expense**

Advertising costs are generally expensed in the period incurred. Advertising expenses, recorded primarily within marketing and reservation expenses on the Consolidated and Combined Statements of Income, were $90 million, $66 million and $61 million in 2006, 2005 and 2004, respectively.

**Use of Estimates and Assumptions**

The preparation of the Consolidated and Combined Financial Statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Consolidated and Combined Financial Statements and accompanying notes. Although these estimates and assumptions are based on the Company's knowledge of current events and actions the Company may undertake in the future, actual results may ultimately differ from estimates and assumptions.

**Derivative Instruments**

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks primarily associated with fluctuations in foreign currency exchange rates and interest rates. As a matter of policy, the Company does not use derivatives for trading or speculative purposes. All derivatives are recorded at fair value either as assets or liabilities. Changes in fair value of derivatives not designated as hedging instruments and of derivatives designated as fair value hedging instruments are recognized currently in earnings and included either as a component of other revenues or interest expense, based upon the nature of the hedged item, in the Consolidated and Combined Statements of Income. The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments is recorded as a component of other comprehensive income. The ineffective portion is reported currently in earnings as a component of revenues or net interest expense, based upon the nature of the hedged item. Amounts included in other

comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings.

Certain derivative instruments used to manage interest rate risks of the Company prior to the Separation were entered into on behalf of the Company by Cendant. The fair value of the instruments was recorded on Cendant's Consolidated Balance Sheets and passed to the Company through the related party accounts, which are presented on the Consolidated and Combined Balance Sheets within the due from former Parent and subsidiaries line item. The derivatives that were designated as cash flow hedging instruments by Cendant did not qualify for hedge accounting treatment on the Consolidated and Combined Financial Statements as the derivative remained on Cendant's balance sheet and the underlying debt instrument resides on the Consolidated and Combined Financial Statements. Therefore, any changes in fair value of these instruments were recognized in the Consolidated and Combined Statements of Income.

**Property and Equipment**

Property and equipment (including leasehold improvements) are recorded at cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of depreciation and amortization on the Consolidated and Combined Statements of Income, is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements, also recorded as a component of depreciation and amortization, is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter. Useful lives are generally 30 years for buildings, up to 15 years for leasehold improvements, from 20 to 30 years for vacation rental properties and from three to seven years for furniture, fixtures and equipment.

The Company capitalizes the costs of software developed for internal use in accordance with Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Capitalization of software developed for internal use commences during the development phase of the project. The Company amortizes software developed or obtained for internal use on a straight-line basis, from three to five years, commencing when such software is substantially ready for use. The net carrying value of software developed or obtained for internal use was $82 million and $56 million as of December 31, 2006 and 2005, respectively.

**Impairment of Long-Lived Assets**

In connection with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), the Company is required to assess goodwill and other indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The Company assesses goodwill for such impairment by comparing the carrying value of its reporting units to their fair values. Each of the Company's reportable segments represents a reporting unit. The Company determines the fair value of its reporting units utilizing discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize. When available and as appropriate, the Company uses comparative market multiples and other factors to corroborate the discounted cash flow results. Other indefinite-lived intangible assets are tested for impairment and written down to fair value, if necessary, as required by SFAS No. 142. The Company performs its annual impairment testing in the fourth quarter of each year subsequent to completing its annual forecasting process. In performing this test, the Company determines fair value using the present value of expected future cash flows.

The Company evaluates the recoverability of its other long-lived assets, including amortizable intangible assets, if circumstances indicate an impairment may have occurred pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This analysis is performed by comparing the respective carrying values of the assets to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. Property and equipment is evaluated separately within each business. If such analysis indicates that the carrying value of these assets is not recoverable, the

carrying value of such assets is reduced to fair value through a charge to the Consolidated and Combined Statements of Income.

During the fourth quarter of 2006, the Company announced that it would change its Fairfield Resorts and Trendwest branding to Wyndham Vacation Resorts and WorldMark by Wyndham, respectively. As a result, the Company recorded an impairment charge of $11 million in its Vacation Ownership Segment relating to the rebranding initiatives. A third party valuation analysis was performed utilizing future cash flows of the underlying trademarks to arrive at the trademarks' fair value. The resulting impairment charge was recorded as a component of separation and related costs within the Consolidated and Combined Statements of Income. In addition, the remaining trademark value of $2 million will be amortized over the next 12 months. There were no impairments relating to intangible assets or other long-lived assets during 2005 or 2004.

**Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) consists of accumulated foreign currency translation adjustments, accumulated unrealized gains and losses on derivative instruments designated as cash flow hedges and pension related costs. Foreign currency translation adjustments exclude income taxes related to indefinite investments in foreign subsidiaries. Assets and liabilities of foreign subsidiaries having non-U.S.-dollar functional currencies are translated at exchange rates at the Consolidated and Combined Balance Sheet dates. Revenues and expenses are translated at average exchange rates during the periods presented. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars, net of hedging gains or losses and taxes, are included in accumulated other comprehensive income on the Consolidated and Combined Balance Sheets. Gains or losses resulting from foreign currency transactions are included in the Consolidated and Combined Statements of Income.

**Stock-Based Compensation**

On January 1, 2003, Cendant adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123. Cendant and the Company also adopted SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," in its entirety as of January 1, 2003, which amended SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting provisions. As a result, all employee stock awards have been expensed over their vesting periods based upon the fair value of the award on the date of grant. As Cendant elected to use the prospective transition method, Cendant allocated expense to the Company only for employee stock awards that were granted subsequent to December 31, 2002. See Note 16 — Stock-Based Compensation for more information.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which eliminates the alternative to measure stock-based compensation awards using the intrinsic value approach permitted by APB Opinion No. 25 and by SFAS No. 123, "Accounting for Stock-Based Compensation." The Company adopted SFAS No. 123(R) on January 1, 2006, which required the Company to measure all employee stock-based compensation awards using a fair value method and record the related expense in the financial statements. The Company elected to use the modified prospective transition method, which requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption and requires that prior periods not be restated. Because the Company was allocated stock-based compensation expense for all outstanding employee stock awards prior to the adoption of SFAS No. 123(R), the adoption of such standard did not have a material impact on the Company's results of operations.

In October 2005, the FASB issued FASB Staff Position ("FSP") No. 123R-2, *Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123R* ("FSP 123R-2"), to provide guidance on determining the grant date for an award as defined in SFAS No. 123(R). FSP 123R-2

stipulates that, assuming all other criteria in the grant date definition are met, a mutual understanding of the key terms and conditions of an award to an individual employee is presumed to exist upon the award's approval in accordance with the relevant corporate governance requirements, provided that the key terms and conditions of an award (i) cannot be negotiated by the recipient with the employer because the award is a unilateral grant and (ii) are expected to be communicated to an individual recipient within a relatively short time period from the date of approval. The Company has applied the principles set forth in FSP 123R-2 in connection with its adoption of SFAS No. 123(R) on January 1, 2006.

Paragraph 81 of SFAS No. 123(R) requires an entity to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to adopting SFAS No. 123(R) ("APIC Pool"). In November 2005, the FASB issued FSP No. 123R-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards* ("FSP 123R-3"), to provide an alternative transition election related to accounting for the tax effects of share-based payment awards to employees to the guidance provided in Paragraph 81 of SFAS No. 123(R). The Company elected to adopt the transition method described in FSP 123R-3. Utilizing the calculation method described in FSP 123R-3, the Company calculated its APIC Pool as of January 1, 2006 associated with stock options that were fully vested as of December 31, 2005. The impact on the APIC Pool for stock options that are partially vested at, or granted subsequent to, December 31, 2005 is being determined in accordance with SFAS No. 123(R).

In connection with the distribution of the shares of common stock of Wyndham to Cendant stockholders, on July 31, 2006, the Compensation Committee of Cendant's Board of Directors approved the full vesting of all Cendant equity awards (including Wyndham awards granted as an adjustment to such Cendant equity awards) on August 15, 2006. As a result of the acceleration of the vesting of these awards, the Company recorded non-cash compensation expense of $45 million during the third quarter of 2006. In connection with the acceleration of the equity awards, an APIC Pool detriment of $9 million was created as the tax deduction of the equity awards was lower than the deferred tax asset recognized. As of January 1, 2006, the Company had no APIC Pool. During 2006, the Company created an APIC Pool of approximately $2 million through other vesting activities. As a result of the write off of the $9 million excess deferred tax asset, the Company recorded a tax provision of $7 million on its Consolidated Statement of Income during the year ended December 31, 2006 and a reduction to additional paid-in capital of $2 million on its Consolidated Balance Sheet as of December 31, 2006.

**Recently Issued Accounting Pronouncements**

*Vacation Ownership Transactions.* In December 2004, the FASB issued SFAS No. 152 in connection with the issuance of the American Institute of Certified Public Accountants' SOP 04-2. SFAS No. 152 provides guidance on revenue recognition for vacation ownership transactions, accounting and presentation for the uncollectibility of vacation ownership contract receivables, accounting for costs of sales of vacation ownership interests and related costs, accounting for operations during holding periods and other transactions associated with vacation ownership operations.

The Company's revenue recognition policy for vacation ownership transactions has historically required a 10% minimum down payment (initial investment) as a prerequisite to recognizing revenue on the sale of a vacation ownership interest. SFAS No. 152 requires that the Company consider the fair value of certain incentives provided to the buyer when assessing whether such threshold has been achieved. If the buyer's investment has not met the minimum investment criteria of SFAS No. 152, the revenue associated with the sale of the vacation ownership interest and the related cost of sales and direct costs are deferred until the buyer's commitment satisfies the requirements of SFAS No. 152. In addition, certain costs previously included in the Company's percentage-of-completion calculation prior to the adoption of SFAS No. 152 are now expensed as incurred rather than deferred until the corresponding revenue is recognized.

SFAS No. 152 requires the Company to record the estimate of uncollectible vacation ownership contract receivables, without consideration of estimated inventory recoveries, at the time a vacation ownership transaction is consummated as a reduction of net revenue. Prior to the adoption of SFAS No. 152, the Company recorded such provisions within operating expense on the Consolidated and Combined

Statements of Income. SFAS No. 152 also requires a change in accounting for inventory and cost of sales such that cost of sales is allocated based on a relative sales value method, under which cost of sales is calculated as an estimated percentage of net sales.

SFAS No. 152 also requires that revenue in excess of costs associated with the rental of unsold units be accounted for as a reduction to the carrying value of vacation ownership inventory (which reduces the cost of such inventory when it is sold) and that costs in excess of revenues associated with the rental of unsold units be charged to expense as incurred. Prior to the adoption of SFAS No. 152, rental revenues and expenses were separately recorded in the Consolidated and Combined Statements of Income.

The Company adopted the provisions of SFAS No. 152 effective January 1, 2006, as required, and recorded an after tax charge of $65 million during the first quarter of 2006 as a cumulative effect of an accounting change, which consisted of (i) a pre-tax charge of $105 million representing the deferral of revenue, costs associated with sales of vacation ownership interests that were recognized prior to January 1, 2006 and the recognition of certain expenses that were previously deferred and (ii) an associated tax benefit of $40 million. Excluding the impact of the cumulative effect of an accounting change, the impact of SFAS No. 152 on the Company's 2006 results was a reduction of revenues of $208 million and an increase to net income of $6 million ($0.03 increase in diluted earnings per share). There was no impact to cash flows from the adoption of SFAS No. 152.

*Accounting Changes and Error Corrections.* In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154"). SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20, "Accounting Changes," previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 became effective for the Company on January 1, 2006. There was no impact to the Consolidated and Combined Financial Statements from the adoption of SFAS No. 154.

*Accounting for Servicing of Financial Assets.* In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets — an amendment of FASB Statement No. 140" ("SFAS No. 156"). SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract and requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 will become effective for the Company on January 1, 2007. The Company believes that the adoption of SFAS No. 156 will not have a material impact on its Consolidated and Combined Financial Statements.

*Variability to Be Considered in Applying FASB Interpretation No. 46(R).* In April 2006, the FASB issued FASB Staff Position ("FSP") FIN 46R-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)("FIN 46R-6"). FIN 46R-6 addresses certain implementation issues related to FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"). Specifically, FIN 46R-6 addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46R. The variability that is considered in applying FIN 46R affects the determination of (i) whether an entity is a VIE, (ii) which interests are "variable interests" in the entity, and (iii) which party, if any, is the primary beneficiary of the VIE. Such variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. The Company is required to apply the guidance in FIN 46R-6 prospectively to all entities (including newly created entities) and to all entities previously required to be analyzed under FIN 46R when a "reconsideration event" has occurred, beginning on July 1, 2006. The application of such guidance had no impact on the Consolidated and Combined Financial Statements.

*Accounting for Uncertainty in Income Taxes.* In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" ("FIN 48"), which is an interpretation of SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and

measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company will adopt the provisions of FIN 48 on January 1, 2007, as required. The Company's adoption of FIN 48 is expected to result in a decrease to stockholders' equity as of January 1, 2007 of between $15 million to $25 million.

*Fair Value Measurements.* In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 explains the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Company plans to adopt SFAS No. 157 on January 1, 2008, as required, and is currently assessing the impact of such adoption on its Consolidated and Combined Financial Statements.

*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.* In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of SFAS No. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires the Company to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in the funded status in the year in which the changes occur. The Company adopted SFAS No. 158 effective December 31, 2006, as required. The impact of such standard was immaterial on pension liabilities or accumulated other comprehensive income.

*Effects of Prior Year Misstatements.* In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 was issued in order to eliminate the diversity of practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years' financial statements. The Company adopted the provisions of SAB 108 effective December 31, 2006, as required. The adoption of such provisions did not impact the Consolidated and Combined Financial Statements.

**3. Earnings per Share**

The computation of basic and diluted earnings per share ("EPS") is based on the Company's net income (and other comparable earnings measures) divided by the basic weighted average number of common shares and diluted weighted average number of common shares, respectively. On July 31, 2006, the Separation from Cendant was completed in a tax-free distribution to the Company's stockholders of one share of Wyndham common stock for every five shares of Cendant common stock held on July 21, 2006. As a result, on July 31, 2006, the Company had 200,362,113 shares of common stock outstanding. This share amount has been utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the date of Separation.

The following table sets forth the computation of basic and diluted EPS:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Income before cumulative effect of accounting change | $ 352 | $ 431 | $ 349 |
| Cumulative effect of accounting change, net of tax | (65) | — | — |
| Net income | $ 287 | $ 431 | $ 349 |
| Basic weighted average shares outstanding | 198 | 200 | 200 |
| Stock options and restricted stock units | 1 | — | — |
| Diluted weighted average shares outstanding | 199 | 200 | 200 |
| *Basic earnings per share:* | | | |
| Income before cumulative effect of accounting change | $ 1.78 | $2.15 | $1.74 |
| Cumulative effect of accounting change, net of tax | (0.33) | — | — |
| Net income | $ 1.45 | $2.15 | $1.74 |
| *Diluted earnings per share:* | | | |
| Income before cumulative effect of accounting change | $ 1.77 | $2.15 | $1.74 |
| Cumulative effect of accounting change, net of tax | (0.33) | — | — |
| Net income | $ 1.44 | $2.15 | $1.74 |

The computations of diluted net income per common share available to common stockholders for the year ended December 31, 2006 do not include approximately 16 million stock options and stock-settled stock appreciation rights ("SSARs"), as the effect of their inclusion would have been anti-dilutive to earnings per share.

**4. Acquisitions**

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

**2006 Acquisitions**

*Baymont.* On April 7, 2006, the Company completed the acquisition of the Baymont Inn & Suites brand ("Baymont"), a system of 115 independently-owned franchised properties, for approximately $60 million in cash. The purchase price resulted in the recognition of $47 million of trademarks and $14 million of franchise agreements, both of which were assigned to the Company's Lodging segment. Management believes this acquisition solidifies the Company's presence in the growing midscale lodging segment.

*Other.* On July 20, 2006, the Company acquired a vacation ownership and resort management business for aggregate consideration of $43 million in cash. The goodwill resulting from the preliminary allocation of the purchase price for this acquisition aggregated $34 million, none of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Vacation Ownership segment. This acquisition also resulted in $12 million of other amortizable intangible assets (primarily customer lists).

**2005 Acquisitions**

*Wyndham.* On October 11, 2005, the Company acquired the franchise and property management business associated with the Wyndham Hotels and Resorts brand for $113 million in cash. The acquisition includes franchise agreements, management contracts and the worldwide rights to the Wyndham brand. This acquisition resulted in goodwill of $24 million, all of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Lodging segment. This acquisition also resulted in $85 million of other intangible assets, such as trademarks and franchise agreements. This acquisition added an upscale brand to the Company's lodging portfolio and also represented the Company's entry into hotel property management services.

*Other.* During 2005, the Company also acquired three other individually non-significant businesses for aggregate consideration of $36 million in cash. The goodwill resulting from the allocation of the purchase prices of these acquisitions aggregated $21 million, $1 million of which is expected to be deductible for tax purposes. The goodwill was allocated to the Vacation Exchange and Rentals ($4 million) and Vacation Ownership ($17 million) segments. These acquisitions also resulted in $1 million of other intangible assets.

**2004 Acquisitions**

*Two Flags Joint Venture LLC.* In 2002, the Company formed Two Flags Joint Venture LLC ("Two Flags") through the contribution of its domestic Days Inn trademark and related license agreements. The Company did not contribute any other assets to Two Flags. The Company then sold 49.9999% of Two Flags to Marriott in exchange for the contribution to Two Flags of the domestic Ramada trademark and related license agreements. The Company retained a 50.0001% controlling equity interest in Two Flags. Both Marriott and the Company had the right, but were not obligated, to cause the sale of Marriott's interest at any time after March 1, 2004 for approximately $200 million, which represented the projected fair market value of Marriott's interest at such time. On April 1, 2004, the Company exercised its right to purchase Marriott's interest in Two Flags for approximately $200 million. In connection with such transaction, the Company assumed a note payable of approximately $200 million, bearing interest at 10%, which was paid in September 2004. As a result, the Company now owns 100% of Two Flags and has exclusive rights to the domestic Ramada and Days Inn trademarks and the related license agreements. This acquisition added a well-known middle market brand to the Company's lodging portfolio.

Pursuant to the terms of the venture, the Company and Marriott shared income from Two Flags on a substantially equal basis. For the period January 1, 2004 through April 1, 2004 (the date on which the Company purchased Marriott's interest) the Company recorded pre-tax minority interest expense of $6 million in connection with Two Flags.

*Ramada International.* On December 10, 2004, the Company acquired Ramada International, which included the international franchise rights of the Ramada hotel chain for $38 million in cash. The allocation of the purchase price resulted in goodwill of $2 million, all of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Lodging segment. This acquisition also resulted in $33 million of other intangible assets. As a result of this acquisition, the Company obtained the worldwide rights to the Ramada trademark and a platform to expand direct franchising internationally.

*Landal GreenParks.* On May 5, 2004, the Company acquired Landal GreenParks, a Dutch vacation rental company that specializes in the rental of privately-owned vacation homes located in European holiday parks, for $81 million in cash, net of cash acquired of $22 million. As part of this acquisition, the Company

also assumed $78 million of debt. The allocation of the purchase price resulted in goodwill of $56 million, of which $7 million is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Vacation Exchange and Rentals segment. This acquisition also resulted in $41 million of other intangible assets. Management believed that this acquisition offered the Company increased access to both the Dutch and German consumer markets, as well as rental properties in high demand locations.

*Canvas Holidays Limited.* On October 8, 2004, the Company acquired Canvas Holidays Limited, a tour operator based in Scotland, for $51 million in cash. This acquisition resulted in goodwill of $25 million, none of which is expected to be deductible for tax purposes. Such goodwill was allocated to the Company's Vacation Exchange and Rentals segment. This acquisition also resulted in $8 million of other intangible assets. Management believed that this acquisition broadened the Company's product depth in the European vacation market.

*Other.* During 2004, the Company also acquired one other non-significant business for $8 million in cash. The goodwill resulting from the allocation of the purchase price of this acquisition was $4 million, none of which is expected to be deductible for tax purposes, and was allocated to the Vacation Exchange and Rentals segment. This acquisition also resulted in $1 million of other intangible assets.

**5. Intangible Assets**

Intangible assets consisted of:

| | As of December 31, 2006 | | | As of December 31, 2005 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| *Unamortized Intangible Assets* | | | | | | |
| Goodwill | $ 2,699 | | | $ 2,645 | | |
| Trademarks[a] | $ 619 | | | $ 580 | | |
| *Amortized Intangible Assets* | | | | | | |
| Franchise agreements[b] | $ 596 | $ 238 | $ 358 | $ 573 | $ 220 | $ 353 |
| Other[c] | 82 | 21 | 61 | 161 | 102 | 59 |
| | $ 678 | $ 259 | $ 419 | $ 734 | $ 322 | $ 412 |

(a) Comprised of various trade names (including the worldwide Wyndham Hotels and Resorts, Ramada, Days Inn, RCI, Landal GreenParks, Fairfield, Trendwest, and Baymont Inn & Suites trade names) that the Company has acquired and which distinguishes the Company's consumer services. These trade names are expected to generate future cash flows for an indefinite period of time.

(b) Generally amortized over a period ranging from 20 to 40 years with a weighted average life of 35 years.

(c) Includes customer lists and business contracts, generally amortized over a period ranging from 10 to 30 years with a weighted average life of 19 years, and trademarks, amortized over the next 12 months. During 2006, the Company wrote off $100 million of fully amortized customer lists at the Company's Vacation Exchange and Rentals business.

During the fourth quarter of 2006, the Company recorded an $11 million impairment charge due to a rebranding initiative for its Fairfield and Trendwest trademarks (see Note 2 — Summary of Significant Accounting Policies — Impairment of Long-Lived Assets for more information). The remaining $2 million of trademarks for Fairfield and Trendwest have been reclassified into Other Amortized Intangible Assets.

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

| | Balance as of January 1, 2006 | Goodwill Acquired during 2006 | Adjustments to Goodwill Acquired during 2005 | Foreign Exchange and Other | Balance as of December 31, 2006 |
|---|---|---|---|---|---|
| Lodging | $ 241 | $ — | $ 4(b) | $ — | $ 245 |
| Vacation Exchange and Rentals | 1,082 | — | — | 34(c) | 1,116 |
| Vacation Ownership | 1,322 | 34(a) | 1 | (19)(d) | 1,338 |
| Total Company | $ 2,645 | $ 34 | $ 5 | $ 15 | $ 2,699 |

(a) Relates to the acquisition of a vacation ownership and resort management business (see Note 4 — Acquisitions).

(b) Relates to the acquisition of the Wyndham Hotels and Resorts brand (see Note 4 — Acquisitions).

(c) Primarily relates to foreign exchange translation adjustments.

(d) Relates to the settlement of the ultimate tax basis of acquired assets with the tax authority.

Amortization expense relating to all intangible assets was as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Franchise agreements | $ 18 | $ 16 | $ 16 |
| Other | 17 | 16 | 15 |
| Total(*) | $ 35 | $ 32 | $ 31 |

(*) Included as a component of depreciation and amortization on the Consolidated and Combined Statements of Income.

Based on the Company's amortizable intangible assets as of December 31, 2006, the Company expects related amortization expense for the five succeeding fiscal years to approximate $24 million, $23 million and $22 million during 2007, 2008, and 2009, respectively, and $21 million during both 2010 and 2011.

**6. Franchising and Marketing/Reservation Activities**

Franchise fee revenue of $501 million, $434 million and $393 million on the Consolidated and Combined Statements of Income for 2006, 2005 and 2004, respectively, includes initial franchise fees of $7 million, $7 million and $6 million, respectively.

As part of the ongoing franchise fees, the Company receives marketing and reservation fees from its lodging franchisees, which generally are calculated based on a specified percentage of gross room revenues. Such fees totaled $223 million, $189 million and $171 million during 2006, 2005 and 2004, respectively, and are recorded within the franchise fees line item on the Consolidated and Combined Statements of Income. As provided for in the franchise agreements, all of these fees are to be expended for marketing purposes or the operation of an international, centralized, brand-specific reservation system for the respective franchisees. Additionally, the Company is required to provide certain services to its franchisees, including access to an international, centralized, brand-specific reservation system, advertising, promotional and co-marketing programs, referrals, technology, training and volume purchasing.

The number of franchised lodging outlets in operation by market sector is as follows:

| | *(Unaudited)* As of December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Upscale[a] | 82 | 101 | — |
| Middle[b] | 1,727 | 1,634 | 1,719 |
| Economy[c] | 4,647 | 4,613 | 4,680 |
| Managed, Non-Proprietary Hotels(d) | 17 | — | — |
| | 6,473 | 6,348 | 6,399 |

(a) Comprised of the Wyndham Hotels and Resorts lodging brand.

(b) Comprised of the Wingate Inn, Ramada Worldwide, Howard Johnson, Baymont Inn & Suites and AmeriHost Inn lodging brands.

(c) Comprised of the Days Inn, Super 8, Travelodge and Knights Inn lodging brands.

(d) Includes properties managed under a joint venture agreement with CHI Limited; thirteen of these properties are scheduled to be rebranded or cobranded either as Wyndham Hotels and Resorts or Ramada during 2007.

The number of franchised lodging outlets changed as follows:

| | *(Unaudited)* For the Years Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Beginning balance | 6,348 | 6,399 | 6,402 |
| Additions | 568 | 458 | 514 |
| Terminations | (443) | (509) | (517) |
| Ending balance | 6,473 | 6,348 | 6,399 |

In order to assist franchisees in converting to one of the Company's brands or in franchise expansion, the Company may also, at its discretion, provide development advances (over the period of the franchise agreement typically ranging from 15 to 20 years) to franchisees who are either new or who are expanding their operations. Provided the franchisee is in compliance with the terms of the franchise agreement, all or a portion of the amount of the development advance may be forgiven by the Company. Otherwise, the related principal is due and payable to the Company. In certain instances, the Company may earn interest on unpaid franchisee development advances, which was not significant during 2006, 2005 or 2004. The amount of such development advances recorded on the Consolidated and Combined Balance Sheets was $23 million and $21 million at December 31, 2006 and 2005, respectively. These amounts are classified within the other non-current assets line item on the Consolidated and Combined Balance Sheets. During 2006, 2005 and 2004, the Company recorded $3 million, $2 million and $3 million, respectively, of expense related to the forgiveness of these advances. Such amounts are recorded within the operating expense line item on the Consolidated and Combined Statements of Income.

**7. Income Taxes**

The income tax provision consists of the following for the year ended December 31:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Current** | | | |
| Federal | $ 74 | $ (39) | $ 154 |
| State | (6) | (26) | 29 |
| Foreign | 19 | 24 | 20 |
| | 87 | (41) | 203 |
| **Deferred** | | | |
| Federal | 117 | 186 | 22 |
| State | (2) | 52 | 5 |
| Foreign | (12) | (2) | 4 |
| | 103 | 236 | 31 |
| **Provision for income taxes** | $ 190 | $ 195 | $ 234 |

Prior to the Separation, the Company was part of a consolidated group and was included in the Cendant consolidated tax returns. The utilization of the Company's net operating loss carryforwards by other Cendant companies is reflected in the 2006 and 2005 current provision.

Pre-tax income for domestic and foreign operations consisted of the following for the year ended December 31:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Domestic | $ 493 | $ 543 | $ 493 |
| Foreign | 49 | 83 | 94 |
| Pre-tax income | $ 542 | $ 626 | $ 587 |

Current and non-current deferred income tax assets and liabilities, as of December 31, are comprised of the following:

| | 2006 | 2005 |
|---|---|---|
| *Current deferred income tax assets:* | | |
| Accrued liabilities and deferred income | $ 110 | $ 62 |
| Provision for doubtful accounts and vacation ownership contract receivables | 82 | 75 |
| Net operating loss carryforwards | 16 | 18 |
| Other | — | 8 |
| Valuation allowance(*) | (9) | (8) |
| Current deferred income tax assets | 199 | 155 |
| *Current deferred income tax liabilities:* | | |
| Prepaid expenses | 3 | 3 |
| Unamortized servicing rights | 4 | 5 |
| Installment sales of vacation ownership interests | 74 | 63 |
| Other | 13 | — |
| Current deferred income tax liabilities | 94 | 71 |
| **Current net deferred income tax asset** | $ 105 | $ 84 |
| *Non-current deferred income tax assets:* | | |
| Net operating loss carryforwards | $ 28 | $ 30 |
| Alternative minimum tax credit carryforward | 77 | 68 |
| Tax basis differences in assets of foreign subsidiaries | 100 | 117 |
| Accrued liabilities and deferred income | 31 | — |
| Other | 82 | 4 |
| Amortization | 5 | — |
| Valuation allowance(*) | (9) | (6) |
| Non-current deferred income tax assets | 314 | 213 |
| *Non-current deferred income tax liabilities:* | | |
| Depreciation and amortization | 384 | 464 |
| Installment sales of vacation ownership interests | 618 | 475 |
| Other | 94 | 97 |
| Non-current deferred income tax liabilities | 1,096 | 1,036 |
| **Non-current net deferred income tax liabilities** | $ 782 | $ 823 |

(*) The valuation allowance of $18 million as of December 31, 2006 primarily relates to state net operating loss carryforwards. The valuation allowance will be reduced when and if the Company determines that the deferred income tax assets are more likely than not to be realized. If determined to be realizable, $1 million of the valuation allowance would reduce goodwill.

As of December 31, 2006, the Company had federal net operating loss carryforwards of $50 million, which primarily expire in 2026. No provision has been made for U.S. federal deferred income taxes on $134 million of accumulated and undistributed earnings of foreign subsidiaries as of December 31, 2006 since it is the present intention of management to reinvest the undistributed earnings indefinitely in those foreign operations. The determination of the amount of unrecognized U.S. federal deferred income tax liability for unremitted earnings is not practicable.

The Company's effective income tax rate differs from the U.S. federal statutory rate as follows for the year ended December 31:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Federal statutory rate | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal tax benefits | (1.1) | 2.7 | 3.8 |
| Changes in tax basis differences in assets of foreign subsidiaries | — | (10.0) | — |
| Taxes on foreign operations at rates different than U.S. federal statutory rates | (1.6) | (1.1) | (1.8) |
| Taxes on repatriated foreign income, net of tax credits | 1.9 | 1.8 | 2.6 |
| Adjustment of estimated income tax accruals | — | 2.3 | 0.2 |
| Release of guarantee liability related to income taxes | (0.7) | — | — |
| Other | 1.6 | 0.5 | 0.1 |
| | 35.1% | 31.2% | 39.9% |

The increase in the 2006 effective tax rate is primarily the result of the absence of an increase in the tax basis of certain foreign assets during 2005, partially offset by a $15 million benefit recognized in 2006 resulting from a change in the Company's 2005 state effective tax rates. In March 2005, the Company entered into a foreign tax restructuring where certain of its foreign subsidiaries were considered liquidated for United States tax purposes. This liquidation resulted in a taxable transaction which resulted in an increase in the tax basis of the assets held by these subsidiaries to their fair market value. This resulted in the creation of a deferred tax asset and recognition of a deferred tax benefit during 2005.

The Company believes that its accruals for tax liabilities outlined in the Separation and Distribution Agreement are adequate for all remaining open years, based on its assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although the Company believes its recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, the Company's assessments can involve a series of complex judgments about future events and rely heavily on estimates and assumptions. While the Company believes that the estimates and assumptions supporting its assessments are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and recorded assets and liabilities. Based on the results of an audit or litigation, a material effect on the Company's income tax provision, net income, or cash flows in the period or periods for which that determination is made could result.

The Company is subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording related assets and liabilities. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities whereby the outcome of the audits is uncertain. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5, "Accounting for Contingencies" and are currently maintained on the Consolidated and Combined Balance Sheets.

During the fourth quarter of 2006, Cendant and the Internal Revenue Service ("IRS") settled the IRS examination for Cendant's taxable years 1998 through 2002 during which the Company was included in Cendant's tax returns. Accordingly, the Company reduced its contingent liabilities by $15 million to reflect Cendant's settlement with the IRS. Such reduction was recorded in general and administrative expenses on the Consolidated Statement of Income during the year ended December 31, 2006. The IRS has opened an examination for Cendant's taxable years 2003 through 2006 during which the Company was included in Cendant's tax returns. Although the Company and Cendant believe there is appropriate support for the positions taken on its tax returns, the Company and Cendant have recorded liabilities representing the best estimates of the probable loss on certain positions. The Company and Cendant believe that the accruals for tax liabilities are adequate for all open years, based on assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although the Company and Cendant

believe the recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, the Company's and Cendant's assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. While the Company and Cendant believe that the estimates and assumptions supporting the assessments are reasonable, the final determination of tax audits and any other related litigation could be materially different than that which is reflected in historical income tax provisions and recorded assets and liabilities. Based on the results of an audit or litigation, a material effect on the Company's income tax provision, net income, or cash flows in the period or periods for which that determination is made could result.

**8. Vacation Ownership Contract Receivables**

The Company generates vacation ownership contract receivables by extending financing to the purchasers of VOIs. Current and long-term vacation ownership contract receivables, net as of December 31, consisted of:

| | 2006 | 2005 |
|---|---|---|
| *Current vacation ownership contract receivables:* | | |
| Securitized | $ 201 | $ 180 |
| Other | 86 | 75 |
| | 287 | 255 |
| Less: Allowance for loan losses | (30) | (16) |
| Current vacation ownership contract receivables, net | $ 257 | $ 239 |
| *Long-term vacation ownership contract receivables:* | | |
| Securitized | $ 1,545 | $ 1,198 |
| Other | 826 | 758 |
| | 2,371 | 1,956 |
| Less: Allowance for loan losses | (248) | (121) |
| Long-term vacation ownership contract receivables, net | $ 2,123 | $ 1,835 |

Principal payments that are contractually due on the Company's vacation ownership contract receivables during the next twelve months are classified as current on the Consolidated and Combined Balance Sheets. Principal payments due on the Company's vacation ownership contract receivables during each of the five years subsequent to December 31, 2006 and thereafter are as follows:

| | Securitized | Other | Total |
|---|---|---|---|
| 2007 | $ 201 | $ 86 | $ 287 |
| 2008 | 206 | 92 | 298 |
| 2009 | 201 | 97 | 298 |
| 2010 | 190 | 99 | 289 |
| 2011 | 183 | 102 | 285 |
| Thereafter | 765 | 436 | 1,201 |
| | $ 1,746 | $ 912 | $ 2,658 |

The average interest rate on outstanding vacation ownership contract receivables was 12.7% and 13.1% as of December 31, 2006 and 2005, respectively.

The activity in the allowance for loan losses related to vacation ownership contract receivables is as follows:

| | Amount |
|---|---|
| Allowance for loan losses as of January 1, 2004 | $ (77) |
| Provision for loan losses | (86) |
| Contract receivables written-off, net | 44 |
| Allowance for loan losses as of December 31, 2004 | (119) |
| Provision for loan losses | (128)(*) |
| Contract receivables written-off, net | 110 |
| Allowance for loan losses as of December 31, 2005 | (137) |
| Increase due to adoption of SFAS No. 152 | (83) |
| Adjusted allowance for loan losses as of January 1, 2006 | (220) |
| Provision for loan losses | (259) |
| Contract receivables written-off, net | 201 |
| Allowance for loan losses as of December 31, 2006 | $ (278) |

(*) Includes a $12 million provision associated with estimated losses resulting from the 2005 Gulf Coast hurricanes.

The provision for loan losses during 2006 is not comparable to such provision during 2005 or 2004 as a result of the adoption of SFAS No. 152 as of January 1, 2006. SFAS 152 requires the Company to reflect the provision for loan losses on a gross basis including or excluding estimated recoveries. During 2005 and 2004, estimated recoveries were reflected as a reduction of the provision for loan losses. Accordingly, the provision for loan losses during 2006 included $115 million of estimated recoveries, which is now reflected as an increase to VOI inventory.

***Securitizations***

The Company pools qualifying vacation ownership contract receivables and sells them to bankruptcy-remote entities. Vacation ownership contract receivables qualify for securitization based primarily on the credit strength of the VOI purchaser to whom financing has been extended. Prior to September 1, 2003, sales of vacation ownership contract receivables were treated as off-balance sheet sales as the entities utilized were structured as bankruptcy-remote QSPEs pursuant to SFAS No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” Subsequent to September 1, 2003, newly originated as well as certain legacy vacation ownership contract receivables are securitized through bankruptcy-remote SPEs that are consolidated within the Consolidated and Combined Financial Statements.

*On Balance Sheet.* Vacation ownership contract receivables securitized through the on-balance sheet, bankruptcy-remote SPEs are consolidated within the Consolidated and Combined Financial Statements (see Note 13 — Long-Term Debt and Borrowing Arrangements). The Company continues to service the securitized vacation ownership contract receivables pursuant to servicing agreements negotiated on an arms-length basis based on market conditions. The activities of these bankruptcy-remote SPEs are limited to (i) purchasing vacation ownership contract receivables from the Company’s vacation ownership subsidiaries, (ii) issuing debt securities and/or borrowing under a conduit facility to affect such purchases and (iii) entering into derivatives to hedge interest rate exposure. The securitized assets of these bankruptcy-remote SPEs are not available to pay the general obligations of the Company. Additionally, the creditors of these SPEs have no recourse to the Company’s general credit. The Company has made representations and warranties customary for securitization transactions, including eligibility characteristics of the receivables and servicing responsibilities, in connection with the securitization of these assets (see Note 14 — Commitments and Contingencies). The Company does not recognize gains or losses resulting from these

securitizations at the time of sale to the on-balance sheet, bankruptcy-remote SPE. Income is recognized when earned over the contractual life of the vacation ownership contract receivables.

*Off-Balance Sheet.* Certain structures used by the Company to securitize vacation ownership contract receivables prior to September 1, 2003 were treated as off-balance sheet sales, with the Company retaining the servicing rights and a subordinated interest. These transactions did not qualify for inclusion in the Consolidated and Combined Financial Statements. As these securitization facilities are precluded from consolidation pursuant to generally accepted accounting principles, the debt issued by these entities and the collateralizing assets, which are serviced by the Company, are not reflected on the Consolidated and Combined Balance Sheets. However, the retained interest, amounting to $3 million and $13 million as of December 31, 2006 and 2005, respectively, was recorded within other non-current assets on the Consolidated and Combined Balance Sheets. The Company continues to service the securitized vacation ownership contract receivables pursuant to servicing agreements negotiated on an arms-length basis based on market conditions. The assets of these QSPEs are not available to pay the general obligations of the Company. Additionally, the creditors of these QSPEs have no recourse to the Company's general credit. However, the Company has made representations and warranties customary for securitization transactions, including eligibility characteristics of the receivables and servicing responsibilities, in connection with the securitization of these assets (see Note 14 — Commitments and Contingencies). Presented below is detailed information as of December 31, 2006 for these QSPEs (to which vacation ownership contract receivables were sold prior to the establishment of the on-balance sheet, bankruptcy-remote SPEs):

| | Assets Serviced[a] | Funding Capacity | Debt Issued[b] | Available Capacity[c] |
|---|---|---|---|---|
| Vacation Ownership QSPEs | $ 24 | $ 22 | $ 22 | $ — |

(a) Represents the balance of vacation ownership contract receivables as of December 31, 2006, of which $1 million is 60 days or more past due and which had an average balance of $31 million during 2006. There are no credit losses on securitized vacation ownership contract receivables, since the Company typically has repurchased such receivables from the QSPEs prior to delinquency, although it is not obligated to do so.

(b) Represents term notes.

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

The cash flow activity presented below covers the full year activity between the Company and securitization entities that were off-balance sheet during the periods presented:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Servicing fees received | $— | $ 1 | $ 3 |
| Other cash flows received on retained interests[a] | 3 | 9 | 34 |
| Purchase of delinquent or foreclosed loans[b] | — | (2) | (19) |
| Cash received upon release of reserve account | — | 1 | 6 |
| Purchases of upgraded/defective contracts[c] | — | (8) | (77) |

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

(b) The purchase of delinquent or foreclosed vacation ownership contract receivables is primarily at the Company's option and not based on a contractual relationship with the securitization entities.

(c) Represents the purchase of contracts that no longer meet the securitization criteria, primarily due to modifications to the original contract as a result of an upgrade by a current owner.

**9. Inventory**

Inventory, as of December 31, consisted of:

| | 2006 | 2005 |
|---|---|---|
| Land held for VOI development | $ 101 | $ 88 |
| VOI construction in process | 495 | 308 |
| Completed inventory and vacation credits | 358 | 240 |
| Total inventory | 954 | 636 |
| Less: Current portion | 520 | 446 |
| Non-current inventory | $ 434 | $ 190 |

Inventory that the Company expects to sell within the next twelve months is classified as current on the Consolidated and Combined Balance Sheets.

The inventory balance as of December 31, 2006 is not comparable to the balance at December 31, 2005 as a result of adopting SFAS No. 152 as of January 1, 2006. Such change had the effect of increasing the Company's inventory by $171 million for 2006 as compared to the prior inventory costing method applied prior to the adoption of the SFAS No. 152. In addition, changes in estimates related to relative sales value resulted in a reduction of cost of vacation ownership interests of $14 million during 2006.

**10. Property and Equipment, net**

Property and equipment, net, as of December 31, consisted of:

| | 2006 | 2005 |
|---|---|---|
| Land | $ 153 | $ 138 |
| Building and leasehold improvements | 367 | 288 |
| Capitalized software | 214 | 158 |
| Furniture, fixtures and equipment | 400 | 329 |
| Vacation rental property capital leases | 132 | 118 |
| Construction in progress | 153 | 67 |
| | 1,419 | 1,098 |
| Less: Accumulated depreciation and amortization | (503) | (380) |
| | $ 916 | $ 718 |

During 2006, 2005 and 2004, the Company recorded depreciation and amortization expense of $113 million, $99 million and $88 million, respectively, related to property and equipment.

**11. Other Current Assets**

Other current assets, as of December 31, consisted of:

| | 2006 | 2005 |
|---|---|---|
| Non-trade receivables, net | $ 68 | $ 47 |
| Restricted cash | 57 | 42 |
| Other | 114 | 20 |
| | $ 239 | $ 109 |

**12. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities, as of December 31, consisted of:

| | 2006 | 2005 |
|---|---|---|
| Accrued payroll and related | $ 149 | $ 105 |
| Accrued advertising and marketing | 86 | 69 |
| Accrued other | 340 | 256 |
| | $ 575 | $ 430 |

**13. Long-Term Debt and Borrowing Arrangements**

Securitized and long-term debt as of December 31 consisted of:

| | 2006 | 2005 |
|---|---|---|
| Securitized vacation ownership debt: | | |
| Term notes | $ 838 | $ 740 |
| Bank conduit facility[a] | 625 | 395 |
| Total securitized vacation ownership debt | 1,463 | 1,135 |
| Less: Current portion of securitized vacation ownership debt | 178 | 154 |
| Long-term securitized vacation ownership debt | $ 1,285 | $ 981 |
| Long-term debt: | | |
| 6.00% senior unsecured notes (due December 2016)[b] | $ 796 | $ — |
| Term loan (due July 2011) | 300 | — |
| Revolving credit facility (due July 2011)[c][d] | — | — |
| Interim loan facility (due July 2007)[d] | — | — |
| Vacation ownership asset-linked debt | — | 550 |
| Bank borrowings: | | |
| Vacation ownership | 103 | 113 |
| Vacation rentals | 73 | 68 |
| Vacation rentals capital leases | 148 | 139 |
| Other | 17 | 37 |
| Total long-term debt | 1,437 | 907 |
| Less: Current portion of long-term debt | 115 | 201 |
| Long-term debt | $ 1,322 | $ 706 |

(a) Represents a 364-day vacation ownership bank conduit facility, which the Company renewed and upsized to $1,000 million on November 13, 2006. The borrowings under this bank conduit facility have a maturity date of December 2009.

(b) These notes represent $800 million aggregate principal less $4 million of original issue discount.

(c) The revolving credit facility has a total capacity of $900 million, which includes availability for letters of credit. As of December 31, 2006, the Company had $30 million of letters of credit outstanding and as such, the total available capacity of the revolving credit facility was $870 million.

(d) The Company entered into this $800 million facility in July 2006. The outstanding borrowings under this facility of $350 million were repaid in December 2006 with a portion of the borrowings from the Company's issuance of 6.00% senior unsecured notes.

The Company's outstanding debt as of December 31, 2006 matures as follows:

| Year | Securitized Vacation Ownership Debt | Other | Total |
|---|---|---|---|
| 2007 | $ 178 | $ 115 | $ 293 |
| 2008 | 255 | 10 | 265 |
| 2009 | 537 | 9 | 546 |
| 2010 | 93 | 20 | 113 |
| 2011 | 85 | 382 | 467 |
| Thereafter | 315 | 901 | 1,216 |
| | $ 1,463 | $ 1,437 | $ 2,900 |

As debt maturities are based on the contractual payment terms of the underlying vacation ownership contract receivables, actual maturities may differ as a result of prepayments by the vacation ownership contract receivable obligors.

The Company's revolving credit facility and unsecured term loan contain various combinations of restrictive covenants, including performance triggers and advance rates linked to the quality of the underlying assets, financial reporting requirements, restrictions on dividends, mergers and changes of control and a requirement that the Company generate at least $400 million of net income before depreciation and amortization, interest expense (other than interest expense relating to securitized vacation ownership borrowings), income taxes and minority interest, determined quarterly for the preceding twelve month period. The 6.00% senior unsecured notes contain various covenants including limitations on liens, limitations on sale and leasebacks, and change of control restrictions. In addition, there are limitations on mergers, consolidations and sales of all or substantially all assets. Events of default in the notes include nonpayment of interest, nonpayment of principal, breach of a covenant or warranty, cross acceleration of debt in excess of $50 million, and bankruptcy related matters. As of December 31, 2006, the Company was in compliance with all financial covenants of its borrowing arrangements.

As of December 31, 2006, available capacity under the Company's borrowing arrangements was as follows:

| | Total Capacity | Outstanding Borrowings | Available Capacity |
|---|---|---|---|
| Securitized vacation ownership debt: | | | |
| Term notes | $ 838 | $ 838 | $ — |
| Bank conduit facility[a] | 1,000 | 625 | 375 |
| Total securitized vacation ownership debt | $ 1,838 | $ 1,463 | $ 375 |
| Long-term debt: | | | |
| 6.00% senior unsecured notes (due December 2016) | 796 | 796 | — |
| Term loan (due July 2011) | 300 | 300 | — |
| Revolving credit facility (due July 2011)[b] | 900 | — | 900 |
| Bank borrowings: | | | |
| Vacation ownership | 158 | 103 | 55 |
| Vacation rentals | 92 | 73 | 19 |
| Vacation rentals capital leases[c] | 148 | 148 | — |
| Other | 18 | 17 | 1 |
| Total long-term debt | $ 2,412 | $ 1,437 | 975 |
| Less: Issuance of letters of credit[b] | | | (30) |
| | | | $ 945 |

(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

(b) The capacity under the Company's revolving credit facility includes availability for letters of credit. As of December 31, 2006, the total capacity of $900 million was reduced by $30 million for the issuance of letters of credit.

(c) These leases are recorded as capital lease obligations with corresponding assets classified within property and equipment on the Consolidated and Combined Balance Sheets.

***Securitized Vacation Ownership Debt***

As previously discussed in Note 8 — Vacation Ownership Contract Receivables, the Company issues debt through the securitization of vacation ownership contract receivables. The debt issued through these securitizations includes fixed rate and floating rate term notes for which the weighted average interest rate was 4.7%, 4.0% and 3.3% for 2006, 2005 and 2004, respectively, and access to a $1,000 million bank conduit facility, which is also used to securitize vacation ownership contract receivables. This conduit facility bears interest at variable rates and had a weighted average interest rate of 5.7%, 4.3% and 1.4% during 2006, 2005 and 2004, respectively. As of December 31, 2006, the Company's securitized vacation ownership debt is collateralized by $1,844 million of underlying vacation ownership contract receivables and related assets.

Interest expense incurred in connection with the Company's securitized vacation ownership debt amounted to $70 million, $46 million and $36 million during 2006, 2005 and 2004, respectively, and is recorded within the operating expenses line item on the Consolidated and Combined Statements of Income as the Company earns consumer finance income on the related securitized vacation ownership contract receivables.

***Other***

*6.00% Senior Unsecured Notes.* The Company's 6.00% notes, with face value of $800 million, were issued in December 2006 for net proceeds of $796 million. The notes are redeemable at the Company's option at any time, in whole or in part, at the appropriate redemption prices plus accrued interest through

the redemption date. These notes rank equally in right of payment with all of the Company's other senior unsecured indebtedness.

*Term Loan.* On July 7, 2006, the Company entered into a five-year $300 million term loan facility which bears interest at a fixed rate of 6.00%. At December 31, 2006, the Company had $300 million outstanding under this term loan facility.

*Revolving Credit Facility.* The Company entered into a five-year $900 million revolving credit facility which currently bears interest at LIBOR plus 45 to 55 basis points. The pricing of this facility is dependent on the Company's credit ratings and the outstanding balance of borrowings on this facility. As of December 31, 2006, the Company had zero outstanding borrowings under this facility.

*Vacation Ownership Asset-Linked Debt.* The Company previously borrowed under a $600 million asset-linked facility through Cendant to support the creation of certain vacation ownership-related assets and the acquisition and development of vacation ownership properties. In connection with the Separation, Cendant eliminated the outstanding borrowings under this facility of $600 million on July 27, 2006. The weighted average interest rate on these borrowings was 5.5% during the period January 1, 2006 through July 27, 2006 and 5.1% and 2.6% during the years ended December 31, 2005 and 2004, respectively.

*Vacation Ownership Bank Borrowings.* The Company had outstanding bank borrowings of $103 million as of December 31, 2006 principally under a foreign credit facility used to support the Company's vacation ownership operations in the South Pacific. This facility bears interest at Australian Dollar LIBOR plus 55 basis points and had a weighted average interest rate of 6.5%, 6.3% and 3.3% during 2006, 2005 and 2004, respectively. These secured borrowings are collateralized by $158 million of underlying vacation ownership contract receivables and related assets.

*Vacation Rental Bank Borrowings.* As of December 31, 2006, the Company had bank debt outstanding of $73 million related to the Company's Landal GreenParks business. The bank debt is collateralized by $130 million of land and related vacation rental assets and had a weighted average interest rate of 3.7% during 2006 and 3.0% during both 2005 and 2004.

*Vacation Rental Capital Leases.* The Company leases vacation homes located in European holiday parks as part of its vacation exchange and rentals business. These leases are recorded as capital lease obligations under generally accepted accounting principles with corresponding assets classified within property, plant and equipment on the Consolidated and Combined Balance Sheets. The vacation rental capital lease obligations had a weighted average interest rate of 7.5% during 2006, 2005 and 2004.

*Other.* The Company also maintains other debt facilities which arise through the ordinary course of operations. This debt principally reflects $11 million of mortgage borrowings related to an office building.

Interest expense incurred in connection with the Company's long-term debt (excluding securitized vacation ownership debt) amounted to $72 million, $36 million and $38 million during 2006, 2005 and 2004, respectively, and is recorded within the interest expense line item on the Consolidated and Combined Statements of Income.

**14. Commitments and Contingencies**

**Commitments**

***Leases***

The Company is committed to making rental payments under noncancelable operating leases covering various facilities and equipment. Future minimum lease payments required under noncancelable operating leases as of December 31, 2006 are as follows:

| Year | Noncancelable Operating Leases |
|---|---|
| 2007 | $ 44 |
| 2008 | 39 |
| 2009 | 30 |
| 2010 | 25 |
| 2011 | 20 |
| Thereafter | 17 |
| | $ 175 |

During 2006, 2005 and 2004, the Company incurred total rental expense of $65 million, $55 million and $48 million, respectively.

***Purchase Commitments***

In the normal course of business, the Company makes various commitments to purchase goods or services from specific suppliers, including those related to vacation ownership resort development and other capital expenditures. None of the purchase commitments made by the Company as of December 31, 2006 (aggregating $531 million) were individually significant; the majority relate to commitments for the development of vacation ownership properties (aggregating $323 million, all of which relates to 2007).

***Letters of Credit***

As of December 31, 2006 and December 31, 2005, the Company had $30 million and $44 million, respectively, of irrevocable letters of credit outstanding, which mainly support development activity at the Company's vacation ownership business.

**Litigation**

The Company is involved in claims, legal proceedings and governmental inquiries related to contract disputes, business practices, intellectual property and other matters relating to the Company's business, including, without limitation, commercial, employment, tax and environmental matters. Such matters include, but are not limited to, allegations that (i) the Company's vacation ownership business violated alleged duties to members of its internal vacation exchange program through changes made to its reservations and availability policies, which changes diminished the value of vacation ownership interests purchased by members; (ii) its TripRewards loyalty program infringes on third-party patents; (iii) the Company's RCI Points exchange program, a global points-based exchange network that allows members to redeem points, is an unlicensed travel club and the unregistered sales of memberships in that program violate the Alberta Fair Trading Act and (iv) the Company's vacation ownership business alleged failure to perform its duties arising under its management agreements, as well as for construction defects and inadequate maintenance, which claims are made by property owners' associations from time to time. See

Note 20 — Separation Adjustments and Transactions with Former Parent and Subsidiaries regarding contingent litigation liabilities resulting from the Separation.

The Company believes that it has adequately accrued for such matters with a reserve of approximately $24 million, or, for matters not requiring accrual, believes that such matters will not have a material adverse effect on its results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur. As such, an adverse outcome from such unresolved proceedings for which claims are awarded in excess of the amounts accrued, if any, could be material to the Company with respect to earnings or cash flows in any given reporting period. However, the Company does not believe that the impact of such unresolved litigation should result in a material liability to the Company in relation to its consolidated and combined financial position or liquidity.

**Guarantees/Indemnifications**

***Standard Guarantees/Indemnifications***

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

***Other Guarantees/Indemnifications***

In the normal course of business, the Company's vacation ownership business provides guarantees to certain owners' associations for funds required to operate and maintain vacation ownership properties in excess of assessments collected from owners of the vacation ownership interests. The Company may be required to fund such excess as a result of unsold Company-owned vacation ownership interests or failure by owners to pay such assessments. These guarantees extend for the duration of the underlying subsidy agreements (which generally approximate one year and are renewable on an annual basis) or until a stipulated percentage (typically 80% or higher) of related vacation ownership interests are sold. The maximum potential future payments that the Company could be required to make under these guarantees was approximately $230 million as of December 31, 2006. The Company would only be required to pay this maximum amount if none of the owners assessed paid their assessments. Any assessments collected from the owners of the vacation ownership interests would reduce the maximum potential amount of future

payments to be made by the Company. Additionally, should the Company be required to fund the deficit through the payment of any owners' assessments under these guarantees, the Company would be permitted access to the property for its own use and may use that property to engage in revenue-producing activities, such as marketing or rental. Historically, the Company has not been required to make material payments under these guarantees, as the fees collected from owners of vacation ownership interests have been sufficient to support the operation and maintenance of the vacation ownership properties. As of December 31, 2006, the liability recorded by the Company in connection with these guarantees was $14 million.

**15. Accumulated Other Comprehensive Income**

The components of accumulated other comprehensive income are as follows:

| | Currency Translation Adjustments | Unrealized Gains on Cash Flow Hedges, Net | Accumulated Other Comprehensive Income/(Loss) |
|---|---|---|---|
| Balance, January 1, 2004, net of tax of $5 | $ 180 | $ — | $ 180 |
| Current period change | 33 | 1 | 34 |
| Balance, December 31, 2004, net of tax of $39 | 213 | 1 | 214 |
| Current period change | (106) | — | (106) |
| Balance, December 31, 2005, net of tax of $58 | 107 | 1 | 108 |
| Current period change | 84 | (8) | 76 |
| Balance, December 31, 2006, net of tax of $43 | $ 191 | $ (7) | $ 184 |

**16. Stock-Based Compensation**

The Company has a stock-based compensation plan available to grant non-qualified stock options, incentive stock options, SSARs, restricted stock, restricted stock units ("RSUs") and other stock or cash-based awards to key employees, non-employee directors, advisors and consultants. Under the Wyndham Worldwide Corporation 2006 Equity and Incentive Plan, which was approved by Cendant, the sole shareholder, and became effective on July 12, 2006, a maximum of 43.5 million shares of common stock may be awarded. As of December 31, 2006, approximately 17 million shares of availability remained.

***Incentive Equity Awards Conversion***

Prior to August 1, 2006, all employee stock awards (stock options and RSUs) were granted by Cendant. At the time of Separation, a portion of Cendant's outstanding equity awards were converted into equity awards of the Company at a ratio of one share of Company's common stock for every five shares of Cendant's common stock. As a result, the Company issued approximately 2 million RSUs and approximately 24 million stock options upon completion of the conversion of existing Cendant equity awards into Wyndham equity awards.

In connection with the distribution of the shares of common stock of Wyndham to Cendant stockholders, on July 31, 2006, the Compensation Committee of Cendant's Board of Directors approved a change to the date on which all Cendant equity awards (including Wyndham awards granted as an adjustment to such Cendant equity awards) would become fully vested. These equity awards vested on August 15, 2006 rather than August 30, 2006 (which was the previous date upon which such equity awards were to vest). As such, there were zero converted RSUs outstanding on December 31, 2006.

As a result of the acceleration of the vesting of all employee stock awards granted by Cendant, the Company recorded non-cash compensation expense of $45 million during the third quarter of 2006. In addition, the Company recorded a non-cash expense of $9 million related to equitable adjustments to the

accelerated awards in the third quarter of 2006. The $54 million of expense is recorded within separation and related costs on the Consolidated and Combined Statement of Income.

The activity related to the converted stock options from the date of Separation to December 31, 2006 consisted of the following:

| | Number of Options[c] | Weighted Average Exercise Price |
|---|---|---|
| Balance at August 1, 2006 | 23.7 | $ 39.84 |
| Exercised[a] | 0.6 | 30.70 |
| Canceled | 1.1 | 46.84 |
| Balance at December 31, 2006[b] | 22.0 | $ 39.87 |

(a) Stock options exercised during the five months ended December 31, 2006 had an intrinsic value of approximately $4 million.

(b) As of December 31, 2006, the Company's outstanding "in the money" stock options had aggregate intrinsic value of $60 million. All 22.0 million options outstanding are exercisable as of December 31, 2006.

(c) Options outstanding and exercisable as of December 31, 2006 have a weighted average remaining contractual life of 2.3 years.

The following table summarizes information as of December 31, 2006 regarding the Company's outstanding and exercisable stock options converted from Cendant stock options:

| Range of Exercise Prices | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| $10.00 - $19.99 | 2.7 | $ 19.72 |
| $20.00 - $29.99 | 3.3 | 23.85 |
| $30.00 - $39.99 | 4.0 | 37.42 |
| $40.00 - $49.99 | 8.2 | 42.87 |
| $50.00 & above | 3.8 | 64.74 |
| Total Options | 22.0 | $ 39.87 |

***Incentive Equity Awards Granted by the Company***

On May 2, 2006, Cendant approved the grant of incentive awards of approximately $79 million to the key employees and senior officers of Wyndham in the form of RSUs and SSARs, which were converted into equity awards relating to Wyndham's common stock on the day of the Separation from Cendant. The awards have a grant date of May 2, 2006 and vest ratably over a period of four years, with the exception of a portion of the SSARs which vest ratably over a period of three years. The number RSUs and SSARs granted were approximately 2.3 million and 500,000, respectively.

The activity related to the Company's incentive equity awards from the date of Separation through December 31, 2006 consisted of the following:

| | RSUs | | SSARs | |
|---|---|---|---|---|
| | Number of RSUs | Weighted Average Grant Price | Number of SSARs | Weighted Average Grant Price |
| Balance at August 1, 2006 | 2.3 | $ 31.85 | 0.5 | $ 31.85 |
| Granted | — | — | — | — |
| Vested/exercised | — | — | — | — |
| Canceled | (0.1) | 31.85 | — | — |
| Balance at December 31, 2006[a] | 2.2[b] | $ 31.81[b] | 0.5[c] | $ 31.85[c] |

(a) Aggregate unrecognized compensation expense related to SSARs and RSUs amounted to $68 million as of December 31, 2006. None of the 500,000 SSARs are exercisable as of December 31, 2006.

(b) Amounts include approximately 37,000 RSUs granted in October 2006 at a price of $29.50, which is not included in the table due to rounding. Approximately 2.1 million RSUs outstanding at December 31, 2006 are expected to vest.

(c) None of the approximately 500,000 SSARs are exercisable at December 31, 2006; however, since the SSARs were issued to the Company's top five officers, the Company assumes that all are expected to vest. SSARs outstanding at December 31, 2006 had an intrinsic value of approximately $80,000 and have a weighted average remaining contractual life of 9.4 years.

The grant date fair value of SSARs was $13.91. Such fair value was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected volatility of 34.4%, (ii) expected life of 6.25 years and (iii) risk free interest rate of 4.9%.

***Stock-Based Compensation***

During 2006 (through the date of separation), 2005 and 2004, Cendant allocated pre-tax stock-based compensation expense of $12 million, $16 million and $11 million ($7 million, $10 million and $7 million, after tax), respectively, to the Company. Such compensation expense relates only to the options and RSUs that were granted to Cendant's employees subsequent to January 1, 2003. The allocation was based on the estimated number of options and RSUs Cendant believed it would ultimately provide and the underlying vesting period of the awards. As Cendant measured its stock-based compensation expense using intrinsic value method during the periods prior to January 1, 2003, Cendant did not recognize compensation expense upon the issuance of equity awards to its employees.

During 2006, the Company also recorded stock-based compensation expense of $13 million ($8 million, after tax), related to the incentive equity awards granted by the Company.

**17. Employee Benefit Plans**

***Defined Contribution Benefit Plans***

Wyndham sponsors a domestic defined contribution savings plan that provides certain eligible employees of the Company an opportunity to accumulate funds for retirement (similar to the plan previously sponsored by Cendant). The Company matches the contributions of participating employees on the basis specified by the plan. The Company's cost for these plans was approximately $20 million, $17 million and $15 million during 2006, 2005 and 2004, respectively.

In addition, the Company contributes to several foreign employee benefit contributory plans, which were acquired with certain businesses within vacation exchange and rentals, which provide eligible employees within the vacation exchange and rentals business an opportunity to accumulate funds for retirement. The Company's contributory cost for these plans was approximately $7 million, $6 million and $5 million during 2006, 2005 and 2004, respectively.

***Defined Benefit Pension Plans***

The Company sponsors defined benefit pension plans for certain foreign subsidiaries. Under these plans, benefits are based on an employee's years of credited service and a percentage of final average compensation or as otherwise described by the plan. As of December 31, 2006, the Company's net pension liability is fully recognized as other non-current liabilities, which approximated $8 million ($7 million as of December 31, 2005). On December 31, 2006, the amounts recorded within accumulated other comprehensive income as an unrecognized prior service credit and unrecognized loss were $2 million and $1 million, respectively, as required by SFAS No. 158.

The Company's policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts that the Company determines to be appropriate. During 2006, 2005 and 2004, the Company's recorded pension expense was approximately $1 million, $2 million and $1 million, respectively.

**18. Financial Instruments**

**Risk Management**

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

***Foreign Currency Risk***

The Company uses foreign currency forward contracts to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated vendor costs. The Company primarily hedges its foreign currency exposure to the British pound, Euro and Canadian dollar. The majority of forward contracts utilized by the Company does not qualify for hedge accounting treatment under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The fluctuations in the value of these forward contracts do, however, largely offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. Forward contracts that are used to hedge certain forecasted disbursements and receipts up to 18 months are designated and do qualify as cash flow hedges. The amount of gains or losses reclassified from other comprehensive income to earnings resulting from ineffectiveness or from excluding a component of the forward contracts' gain or loss from the effectiveness calculation for cash flow hedges during 2006, 2005 and 2004 was not material. The impact of these forward contracts was not material to the Company's results of operations or financial position, nor is the amount of gains or losses the Company expects to reclassify from other comprehensive income to earnings over the next 12 months.

***Interest Rate Risk***

The debt used to finance much of the Company's operations is also exposed to interest rate fluctuations. The Company uses various hedging strategies and derivative financial instruments to create a desired mix of fixed and floating rate assets and liabilities. Derivative instruments currently used in these hedging strategies include swaps and interest rate caps.

The derivatives used to manage the risk associated with the Company's floating rate debt include freestanding derivatives and derivatives designated as cash flow hedges. In connection with its qualifying cash flow hedges, the Company recorded net a pre-tax loss of $13 million during 2006 and net pre-tax gains of $5 million and $2 million during 2005 and 2004, respectively, to other comprehensive income. The pre-tax amount of gains reclassified from other comprehensive income to earnings resulting from ineffectiveness or from excluding a component of the derivatives' gain or loss from the effectiveness calculation for cash flow hedges was insignificant during 2006, $5 million during 2005 and insignificant during 2004. The amount of losses the Company expects to reclassify from other comprehensive income to earnings during

the next 12 months is not material. These freestanding derivatives had a nominal impact on the Company's results of operations in 2006, 2005 and 2004.

***Credit Risk and Exposure***

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

As of December 31, 2006, there were no significant concentrations of credit risk with any individual counterparty or groups of counterparties. However, approximately 25% of the Company's outstanding vacation ownership contract receivables portfolio relates to customers who reside in California. With the exception of the financing provided to customers of its vacation ownership businesses, the Company does not normally require collateral or other security to support credit sales.

***Market Risk***

The Company is subject to risks relating to the geographic concentrations of (i) areas in which the Company is currently developing and selling vacation ownership properties, (ii) sales offices in certain vacation areas and (iii) customers of the Company's vacation ownership business; which in each case, may result in the Company's results of operations being more sensitive to local and regional economic conditions and other factors, including competition, natural disasters and economic downturns, than the Company's results of operations would be absent such geographic concentrations. Local and regional economic conditions and other factors may differ materially from prevailing conditions in other parts of the world. Florida, Nevada and California are examples of areas with concentrations of sales offices. For the twelve months ended December 31, 2006, approximately 16%, 13% and 13% of the Company's VOI sales revenue was generated in sales offices located in Florida, Nevada and California, respectively.

Included within the Consolidated and Combined Statements of Income is approximately 12%, 10% and 11% of net revenue generated from transactions in the state of Florida in 2006, 2005 and 2004, respectively, and approximately 10%, 8%, and 8% of net revenue generated from transactions in the state of California in 2006, 2005 and 2004, respectively.

**Fair Value**

The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate. The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, accounts payable and accrued expenses and other current liabilities approximate fair value due

to the short-term maturities of these assets and liabilities. The carrying amounts and estimated fair values of all other financial instruments as of December 31 are as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| **Assets** | | | | |
| Vacation ownership contract receivables, net | $ 2,380 | $ 2,380 | $ 2,074 | $ 2,074 |
| **Debt** | | | | |
| Total debt | 2,900 | 2,889 | 2,042 | 2,036 |
| **Derivatives(*)** | | | | |
| Foreign exchange forwards | (2) | (2) | 1 | 1 |
| Interest rate swaps and caps | (2) | (2) | 4 | 4 |

(*) Derivative instruments are in loss positions as of December 31, 2006 and gain positions as of December 31, 2005.

**19. Segment Information**

The reportable segments presented below represent the Company's operating segments for which separate financial information is available and which are utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management evaluates the operating results of each of its reportable segments based upon revenue and "EBITDA," which is defined as net income before depreciation and amortization, interest (excluding interest on securitized vacation ownership debt), income taxes, minority interest and cumulative effect of accounting change, net of tax, each of which is presented on the Consolidated and Combined Statements of Income. The Company's presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

**Year Ended or At December 31, 2006**

| | Lodging | Vacation Exchange and Rentals | Vacation Ownership | Corporate and Other(b) | Total |
|---|---|---|---|---|---|
| Net revenues(a) | $ 661 | $ 1,119 | $ 2,068 | $ (6) | $3,842 |
| EBITDA | 208 | 265 | 325 | (73)(c) | 725 |
| Depreciation and amortization | 31 | 76 | 39 | 2 | 148 |
| Segment assets | 1,362 | 2,375 | 5,590 | 193 | 9,520 |
| Capital expenditures | 20 | 60 | 81 | 30 | 191 |

**Year Ended or At December 31, 2005**

| | Lodging | Vacation Exchange and Rentals | Vacation Ownership | Corporate and Other(b) | Total |
|---|---|---|---|---|---|
| Net revenues(a) | $ 533 | $ 1,068 | $ 1,874 | $ (4) | $3,471 |
| EBITDA | 197 | 284 | 283 | (13) | 751 |
| Depreciation and amortization | 27 | 72 | 31 | 1 | 131 |
| Segment assets | 1,797 | 2,365 | 5,026 | (21) | 9,167 |
| Capital expenditures | 19 | 58 | 56 | 1 | 134 |

**Year Ended December 31, 2004**

| | Lodging | Vacation Exchange and Rentals | Vacation Ownership | Corporate and Other(b) | Total |
|---|---|---|---|---|---|
| Net revenues(a) | $ 443 | $ 921 | $ 1,661 | (11) | $3,014 |
| EBITDA | 189 | 286 | 265 | (21) | 719 |
| Depreciation and amortization | 26 | 63 | 30 | — | 119 |
| Capital expenditures | 15 | 47 | 49 | 5 | 116 |

(a) Transactions between segments are recorded at fair value and eliminated in consolidation. Inter-segment net revenues were not significant to the net revenues of any one segment.

(b) Includes the elimination of transactions between segments.

(c) Includes $99 million of separation and related costs and $32 million of a net benefit from the resolution of certain contingent liabilities.

Provided below is a reconciliation of EBITDA to income before income taxes and minority interest.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| EBITDA | $ 725 | $ 751 | $ 719 |
| Depreciation and amortization | 148 | 131 | 119 |
| Interest expense | 67 | 29 | 34 |
| Interest income | (32) | (35) | (21) |
| Income before income taxes and minority interest | $ 542 | $ 626 | $ 587 |

The geographic segment information provided below is classified based on the geographic location of the Company's subsidiaries.

| | United States | United Kingdom | All Other Countries | Total |
|---|---|---|---|---|
| **Year Ended or At December 31, 2006** | | | | |
| Net revenues | $2,997 | $ 223 | $ 622 | $3,842 |
| Total assets | 7,770 | 554 | 1,196 | 9,520 |
| Net property and equipment | 478 | 24 | 414 | 916 |
| **Year Ended or At December 31, 2005** | | | | |
| Net revenues | $2,714 | $ 211 | $ 546 | $3,471 |
| Total assets | 7,413 | 1,103 | 651 | 9,167 |
| Net property and equipment | 322 | 50 | 346 | 718 |
| **Year Ended December 31, 2004** | | | | |
| Net revenues | $2,385 | $ 174 | $ 455 | $3,014 |

**20. Separation Adjustments and Transactions with Former Parent and Subsidiaries**

***Transfer of Cendant Corporate Liabilities and Issuance of Guarantees to Cendant and Affiliates***

Pursuant to the Separation and Distribution Agreement, upon the distribution of the Company's common stock to Cendant shareholders, the Company entered into certain guarantee commitments with Cendant (pursuant to the assumption of certain liabilities and the obligation to indemnify Cendant, Realogy and Travelport for such liabilities) and guarantee commitments related to deferred compensation arrangements with each of Cendant and Realogy. These guarantee arrangements primarily relate to certain

contingent litigation liabilities, contingent tax liabilities, and Cendant contingent and other corporate liabilities, of which the Company assumed and is responsible for 37.5% of these Cendant liabilities. The amount of liabilities which were assumed by the Company in connection with the Separation approximated $434 million at December 31, 2006, reduced from approximately $524 million as measured at the date of separation (July 31, 2006). This amount was comprised of certain Cendant Corporate liabilities which were recorded on the books of Cendant as well as additional liabilities which were established for guarantees issued at the date of Separation related to certain unresolved contingent matters and certain others that could arise during the guarantee period. Regarding the guarantees, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, the Company would be responsible for a portion of the defaulting party or parties' obligation. The Company also provided a default guarantee related to certain deferred compensation arrangements related to certain current and former senior officers and directors of Cendant, Realogy and Travelport. These arrangements, which are discussed in more detail below, have been valued upon the Company's separation from Cendant with the assistance of third-party experts in accordance with Financial Interpretation No. 45 ("FIN 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and recorded as liabilities on the balance sheet. To the extent such recorded liabilities are not adequate to cover the ultimate payment amounts, such excess will be reflected as an expense to the results of operations in future periods.

The December 31, 2006 balance of $434 million is comprised of (i) $40 million for litigation matters, (ii) $229 million for tax liabilities, (iii) $134 million for other contingent and corporate liabilities including liabilities of previously sold businesses of Cendant and (iv) $31 million of liabilities where the calculated FIN 45 guarantee amount exceeded the Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies" liability assumed at the date of Separation (of which $29 million of the $31 million pertain to litigation liabilities). Of the $434 million, $187 million of these liabilities is recorded in current due to former Parent and subsidiaries and $234 million are recorded in long-term Due to former Parent and subsidiaries at December 31, 2006 on the Consolidated Balance Sheet. The Company is indemnifying Cendant for these contingent liabilities and therefore any payments would be made to the third party through the former Parent. The $31 million relating to the FIN 45 guarantees is recorded in other current liabilities at December 31, 2006 on the Consolidated Balance Sheet. In addition, the Company has a $65 million receivable due from former Parent relating to a refund of excess funding paid to the Company's former Parent resulting from the Separation and income tax refunds, which is recorded in current due from former Parent and subsidiaries on the Consolidated Balance Sheet. The Company has also recorded a $37 million receivable in non-current due from former Parent and subsidiaries on the Consolidated Balance Sheet, which represents the Company's right to receive proceeds from the ultimate sale of Cendant's preferred stock investment in and warrants of Affinion Group Holdings, Inc. (see Note 23 — Subsequent Events).

Following is a discussion of the liabilities on which the Company issued guarantees:

- ***Contingent litigation liabilities*** The Company has assumed 37.5% of liabilities for certain litigation relating to, arising out of or resulting from certain lawsuits in which Cendant is named as the defendant. The indemnification obligation will continue until the underlying lawsuits are resolved. The Company will indemnify Cendant to the extent that Cendant is required to make payments related to any of the underlying lawsuits. As the guarantee relates to matters in various stages of litigation, the maximum exposure cannot be quantified. Due to the inherent nature of the litigation process, the timing of payments related to these liabilities cannot be reasonably predicted, but is expected to occur over several years.
- ***Contingent tax liabilities*** The Company is liable for 37.5% of certain contingent tax liabilities and will pay to Cendant the amount of taxes allocated pursuant to the Tax Sharing Agreement for the payment of certain taxes. This liability will remain outstanding until tax audits related to the 2006 tax year are completed or the statutes of limitations governing the 2006 tax year have passed. The Company's maximum exposure cannot be quantified as tax regulations are subject to interpretation and the

outcome of tax audits or litigation is inherently uncertain. Additionally, the timing of payments related to these liabilities cannot be reasonably predicted, but is likely to occur over several years.

- ***Cendant contingent and other corporate liabilities*** The Company has assumed 37.5% of certain corporate liabilities of Cendant including liabilities relating to (i) Cendant's terminated or divested businesses, (ii) liabilities relating to the Travelport sale, if any, and (iii) generally any actions with respect to the separation plan or the distributions brought by any third party. The Company's maximum exposure to loss cannot be quantified as this guarantee relates primarily to future claims that may be made against Cendant, that have not yet occurred. The Company assessed the probability and amount of potential liability related to this guarantee based on the extent and nature of historical experience.
- ***Guarantee related to deferred compensation arrangements*** In the event that Cendant, Realogy and/or Travelport are not able to meet certain deferred compensation obligations under specified plans for certain current and former officers and directors because of bankruptcy or insolvency, the Company has guaranteed such obligations (to the extent relating to amounts deferred in respect of 2005 and earlier). This guarantee will remain outstanding until such deferred compensation balances are distributed to the respective officers and directors. The maximum exposure cannot be quantified as the guarantee, in part, is related to the value of deferred investments as of the date of the requested distribution. Additionally, the timing of payment, if any, related to these liabilities cannot be reasonably predicted because the distribution dates are not fixed.

***Transactions with Avis Budget Group, Realogy and Travelport***

Prior to the Company's Separation from Cendant, it entered into a Transition Services Agreement ("TSA") with Avis Budget Group, Realogy and Travelport to provide for an orderly transition to becoming an independent company. Under the TSA, each of the companies agreed to provide the Company with various services, including services relating to human resources and employee benefits, payroll, financial systems management, treasury and cash management, accounts payable services, telecommunications services and information technology services. In certain cases, services provided under the TSA may be provided by one of the separated companies following the date of such company's separation from Cendant. During 2006, the Company recorded $8 million of expenses and less than $1 million in other income in the Consolidated and Combined Statements of Income related to these agreements.

***Separation and Related Costs***

During 2006, the Company incurred costs of $99 million in connection with executing the Separation. Such costs consisted primarily of (i) the acceleration of vesting of Cendant equity awards and the related equitable adjustments of such awards (see Note 16 — Stock-Based Compensation), (ii) an impairment charge due to a rebranding initiative for the Company's Fairfield and Trendwest trademarks (see Note 2 — Summary of Significant Accounting Policies — Impairment of Long-Lived Assets) and (iii) consulting and payroll-related services.

**21. Related Party Transactions**

***Net Intercompany Funding to Former Parent***

The following table summarizes related party transactions occurring between the Company and Cendant:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net intercompany funding to former Parent, beginning balance | $ 1,125 | $ 661 | $ 577 |
| Corporate-related functions | (56) | (88) | (79) |
| Income taxes, net | (11) | 63 | (181) |
| Net interest earned on net intercompany funding to former Parent | 21 | 30 | 16 |
| Advances to former Parent, net | 123 | 459 | 328 |
| Acceleration of restricted stock units | 45 | — | — |
| Elimination of intercompany balance due to former Parent | (1,157) | — | — |
| Net intercompany funding to former Parent, ending balance | $ — | $ 1,125 | $ 661 |

***Corporate-Related Functions***

Prior to the date of Separation, the Company was allocated general corporate overhead expenses from Cendant for corporate-related functions based on a percentage of the Company's forecasted revenues. General corporate overhead expense allocations included executive management, tax, accounting, payroll, financial systems management, legal, treasury and cash management, certain employee benefits and real estate usage for common space. During 2006, 2005, and 2004, the Company was allocated $20 million, $36 million and $30 million, respectively, of general corporate expenses from Cendant, which are included within general and administrative expenses on the Consolidated and Combined Statements of Income. The 2006 amount includes allocations only from January 1, 2006 through the date of Separation (July 31, 2006).

Prior to the date of Separation, Cendant also incurred certain expenses on behalf of the Company. These expenses, which directly benefited the Company, were allocated to the Company based upon the Company's actual utilization of the services. Direct allocations included costs associated with insurance, information technology, revenue franchise audit (during 2005 only), telecommunications and real estate usage for Company-specific space for some but not all of the periods presented. During 2006, 2005, and 2004, the Company was allocated $36 million, $52 million and $49 million, respectively, of expenses directly benefiting the Company, which are included within general and administrative and operating expenses on the Consolidated and Combined Statements of Income. The 2006 amount includes allocations from January 1, 2006 through the date of Separation (July 31, 2006).

The Company believes the assumptions and methodologies underlying the allocations of general corporate overhead and direct expenses from Cendant were reasonable. However, such expenses were not indicative of, nor is it practical or meaningful for the Company to estimate for all historical periods presented, the actual level of expenses that would have been incurred had the Company been operating as a separate, stand-alone public company.

***Income Taxes, net***

Prior to the Separation, the Company was included in the consolidated federal and state income tax returns of Cendant and will be so included through the Separation date for the 2006 period then ended. Balances due to Cendant for this short period return and related tax attributes were estimated as of December 31, 2006 and will be adjusted in connection with the eventual filing of the short period tax return and the settlement of the related tax audits of these periods. The net income tax payable to Cendant, which

was $703 million as of December 31, 2005 and was recorded as a component of net intercompany funding to former Parent on the Combined Balance Sheet, was eliminated at the Separation date.

***Net Interest Earned on Net Intercompany Funding to Former Parent***

Prior to the Separation, Cendant swept cash from the Company's bank accounts while the Company maintained certain balances due to or from Cendant. Inclusive of unpaid corporate allocations, the Company had net amounts due from Cendant, exclusive of income taxes, of $1,828 million as of December 31, 2005, which was eliminated at the date of Separation. Prior to the Separation, certain of the advances between the Company and Cendant were interest-bearing. In connection with the interest-bearing balances, the Company recorded and net interest income of $21 million, $30 million and $16 million during 2006, 2005 and 2004, respectively.

***Related Party Agreements***

Prior to the Separation, the Company conducted the following business activities, among others, with Cendant's other business units or newly separated companies, as applicable: (i) provision of access to hotel accommodation and vacation exchange and rentals inventory to be distributed through Travelport; (ii) utilization of employee relocation services, including relocation policy management, household goods moving services and departure and destination real estate related services; (iii) utilization of commercial real estate brokerage services, such as transaction management, acquisition and disposition services, broker price opinions, renewal due diligence and portfolio review; (iv) utilization of corporate travel management services of Travelport; and (v) designation of Cendant's car rental brands, Avis and Budget, as the exclusive primary and secondary suppliers, respectively, of car rental services for the Company's employees. The majority of the related party agreement transactions were settled in cash. The majority of these commercial relationships have continued since the Separation under agreements formalized in connection with the Separation.

**22. Selected Quarterly Financial Data — (unaudited)**

Provided below is selected unaudited quarterly financial data for 2006 and 2005.

| | 2006 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Net revenues | | | | |
| Lodging | $ 144 | $ 176 | $ 189 | $ 152 |
| Vacation Exchange and Rentals | 282 | 261 | 310 | 266 |
| Vacation Ownership | 445 | 518 | 551 | 554 |
| Corporate and Other[a] | (1) | — | (3) | (2) |
| | $ 870 | $ 955 | $ 1,047 | $ 970 |
| EBITDA | | | | |
| Lodging | $ 41 | $ 53 | $ 67 | $ 47 |
| Vacation Exchange and Rentals | 77 | 32 | 97 | 59 |
| Vacation Ownership | 64 | 84 | 88 | 89 |
| Corporate and Other[a][b] | — | (3) | (76) | 6 |
| | 182 | 166 | 176 | 201 |
| Less: Depreciation and amortization | 34 | 36 | 37 | 41 |
| Interest expense | 10 | 23 | 17 | 17 |
| Interest income | (12) | (12) | (5) | (3) |
| Income before income taxes and minority interest | 150 | 119 | 127 | 146 |
| Provision for income taxes | 57 | 44 | 35 | 54 |
| Income before cumulative effect of accounting change | 93 | 75 | 92 | 92 |
| Cumulative effect of accounting change, net of tax | (65) | — | — | — |
| Net income | $ 28 | $ 75 | $ 92 | $ 92 |
| *Per share information:* | | | | |
| Basic | | | | |
| Income before cumulative effect of accounting change | $ 0.46 | $ 0.37 | $ 0.46 | $ 0.48 |
| Cumulative effect of accounting change, net of tax | (0.32) | — | — | — |
| Net income | $ 0.14 | $ 0.37 | $ 0.46 | $ 0.48 |
| Weighted average shares[c] | 200 | 200 | 200 | 193 |
| Diluted | | | | |
| Income before cumulative effect of accounting change | $ 0.46 | $ 0.37 | $ 0.45 | $ 0.48 |
| Cumulative effect of accounting change, net of tax | (0.32) | — | — | — |
| Net income | $ 0.14 | $ 0.37 | $ 0.45 | $ 0.48 |
| Weighted average shares[c] | 200 | 200 | 203 | 194 |

| | 2005 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Net revenues | | | | |
| Lodging | $ 112 | $ 129 | $ 148 | $ 144 |
| Vacation Exchange and Rentals | 287 | 263 | 283 | 235 |
| Vacation Ownership | 400 | 473 | 520 | 481 |
| Corporate and Other[a] | (4) | 2 | (3) | 1 |
| | $ 795 | $ 867 | $ 948 | $ 861 |
| EBITDA | | | | |
| Lodging | $ 40 | $ 47 | $ 65 | $ 45 |
| Vacation Exchange and Rentals | 86 | 58 | 94 | 46 |
| Vacation Ownership | 40 | 76 | 79 | 88 |
| Corporate and Other[a] | (7) | 1 | (5) | (2) |
| | 159 | 182 | 233 | 177 |
| Less: Depreciation and amortization | 32 | 33 | 33 | 33 |
| Interest expense | 9 | 9 | 9 | 2 |
| Interest income | (7) | (8) | (10) | (10) |
| Income before income taxes and minority interest | 125 | 148 | 201 | 152 |
| Provision for income taxes | (5) | 59 | 80 | 61 |
| Net income[d] | $ 130 | $ 89 | $ 121 | $ 91 |
| *Per share information:* | | | | |
| Basic | $ 0.65 | $ 0.44 | $ 0.60 | $ 0.45 |
| Diluted | 0.65 | 0.44 | 0.60 | 0.45 |
| Weighted average shares[c] | 200 | 200 | 200 | 200 |

(a) Includes the elimination of transactions between segments.

(b) Includes separation and related costs of $3 million, $5 million, $68 million and $23 million during the first, second, third and fourth quarter, respectively, and $32 million of a net benefit from the resolution of certain contingent liabilities during the fourth quarter.

(c) For all periods prior to the Company's separation date (July 31, 2006), weighted average shares were calculated as one share of Wyndham common stock outstanding for every five shares of Cendant common stock outstanding as of July 21, 2006, the record date for the distribution of Wyndham common stock.

(d) Net income for the fourth quarter includes costs incurred to combine the operations of the Company's vacation exchange and rentals business of $14 million.

**23. Subsequent Events**

***Preferred Stock Sale***

On January 31, 2007, Affinion Group Holdings, Inc. ("Affinion") redeemed a portion of the preferred stock investment owned by Avis Budget Group, of which the Company owned a 37.5% interest pursuant to the Separation agreement. The redemption resulted in approximately $40 million in proceeds for the Company and a gain on sale of approximately $12 million. As of December 31, 2006, the Company had a $37 million receivable in non-current due from former Parent and subsidiaries on the Consolidated Balance Sheet, which represented the Company's right to receive proceeds from the ultimate sale of Cendant's preferred stock investment in and warrants of Affinion. Subsequent to Affinion's redemption, such receivable was reduced to $10 million.

***Repayment of Debt and Cancellation of EURO Revolver***

On January 31, 2007, the Company repaid the outstanding borrowings of $73 million related to the its Landal GreenParks business and cancelled a related undrawn EUR 15 million revolving credit facility. The borrowings were paid off utilizing a portion of the proceeds from the Company's $800 million 6.00% senior unsecured bond issuance. These facilities will not be refinanced and cash flow and/or corporate debt will be utilized for the additional funding needs of Landal GreenParks in the future.

***Premium Yield Facility***

On February 12, 2007, the Company closed a securitization facility, Premium Yield Facility 2007-A, in the amount of $155 million, which bears interest at LIBOR plus 43 basis points and an additional bond insurance fee and matures in February 2020. Proceeds from this facility were used to pay down borrowings and for general corporate purposes.

***Share Repurchase Program***

On February 13, 2007, the Company's Board of Directors authorized a new stock repurchase program that enables the Company to purchase up to $400 million of its common stock. The Board of Directors' authorization included increased repurchase capacity for proceeds received from stock option exercises. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. Repurchases may be conducted in the open market or in privately negotiated transactions.


# Wyndham Worldwide Corporation

**Offer to Exchange**
**$800,000,000 aggregate principal amount of 6.00% Senior Notes due 2016**
**(CUSIP Nos. 98310W AA 6 and U98340 AA 7)**
**for**
**$800,000,000 aggregate principal amount of 6.00% Senior Notes due 2016**
**(CUSIP No. 98310W AB 4)**
**that have been registered under the Securities Act of 1933, as amended**

**PROSPECTUS**
, 2007

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 20. Indemnification of Directors and Officers.**

Wyndham Worldwide Corporation (the "Registrant") is a Delaware corporation. Section 102 of the Delaware General Corporation Law, as amended (the "DGCL"), allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides, among other things, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding — other than an action by or in the right of the corporation — by reason of the fact that the person is or was a director, officer, agent, or employee of the corporation, or is or was serving at our request as a director, officer, agent or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding. The power to indemnify applies (i) if such person is successful on the merits or otherwise in defense of any action, suit or proceeding or (ii) if such person acting in good faith and in a manner he reasonably believed to be in the best interest, or not opposed to the best interest, of the corporation, and with respect to any criminal action or proceeding had no reasonable cause to believe his or her conduct was unlawful. The power to indemnify applies to actions brought by or in the right of the corporation as well but only to the extent of defense expenses, including attorneys' fees but excluding amounts paid in settlement, actually and reasonably incurred and not to any satisfaction of judgment or settlement of the claim itself, and with the further limitation that in such actions no indemnification shall be made in the event of any adjudication of liability to the corporation, unless the court believes that in light of all the circumstances indemnification should apply.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful purchase or redemption of stock, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

The seventh paragraph of the Registrant's Amended and Restated Certificate of Incorporation provides that the Registrant shall indemnify its directors and officers to the fullest extent authorized or permitted by law. Article VIII of the Registrant's Amended and Restated By-Laws further provides that the decision to indemnify shall be made by the Registrant only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Article VIII.

Under separate indemnification agreements with the Registrant, each director and officer of the Registrant is indemnified against all liabilities relating to such individual's position as a director or officer of the Registrant to the fullest extent authorized or by law. The Registrant also maintains, at its expense, a policy of insurance that insures its directors and officers, subject to customary exclusions and deductions, against specified liabilities which may be incurred by such individuals in those capacities.

**Item 21. Exhibits and Financial Statement Schedules.**

See the "Exhibit Index" following the signature pages hereto.

**Item 22. Undertakings.**

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§ 230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one

business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(c) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

**SIGNATURES**

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Parsippany, State of New Jersey, on April 25, 2007.

WYNDHAM WORLDWIDE CORPORATION

By /s/ SCOTT G. McLESTER
Name: Scott G. McLester
Title: Executive Vice President and General Counsel

**POWER OF ATTORNEY**

Each person whose signature appears below hereby constitutes and appoints Scott G. McLester and Virginia M. Wilson, and each of them, such person's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities, to sign this registration statement on Form S-4 (including all pre-effective and post-effective amendments), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that any such attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ STEPHEN P. HOLMES<br>Stephen P. Holmes | Chairman and Chief Executive Officer (Principal Executive Officer) | April 25, 2007 |
| /s/ VIRGINIA M. WILSON<br>Virginia M. Wilson | Chief Financial Officer<br>(Principal Financial Officer) | April 25, 2007 |
| /s/ NICOLA ROSSI<br>Nicola Rossi | Chief Accounting Officer<br>(Principal Accounting Officer) | April 25, 2007 |
| /s/ MYRA J. BIBLOWIT<br>Myra J. Biblowit | Director | April 25, 2007 |
| /s/ JAMES E. BUCKMAN<br>James E. Buckman | Director | April 25, 2007 |
| /s/ GEORGE HERRERA<br>George Herrera | Director | April 25, 2007 |
| The Right Honourable Brian Mulroney | Director | April 25, 2007 |

| Signature | Title | Date |
|---|---|---|
| /s/ PAULINE D.E. RICHARDS<br>Pauline D.E. Richards | Director | April 25, 2007 |
| /s/ MICHAEL H. WARGOTZ<br>Michael H. Wargotz | Director | April 25, 2007 |

**EXHIBIT INDEX**

| Exhibit Numbers | Description |
|---|---|
| 2.1 | Separation and Distribution Agreement by and among Cendant Corporation, Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc., dated as of July 27, 2006 (filed as Exhibit 2.1 to the Registrant's Form 8-K filed July 31, 2006). |
| 2.2 | Amendment No. 1 to Separation and Distribution Agreement by and among Cendant Corporation, Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc., dated as of August 17, 2006 (filed as Exhibit 2.2 to the Registrant's Form 10-Q filed November 14, 2006). |
| 3.1 | Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Form 8-K filed July 19, 2006). |
| 3.2 | Amended and Restated By-Laws (filed as Exhibit 3.2 to the Registrant's Form 8-K filed July 19, 2006). |
| 3.3 | Certificate of Designations of Series A Junior Participating Preferred Stock (filed as Exhibit 3.3 to the Registrant's Form 8-K filed July 19, 2006). |
| 4.1 | Rights Agreement, dated as of July 13, 2006, by and between Wyndham Worldwide Corporation and Mellon Investor Services, LLC, as Rights Agent, including the form of Rights Certificate as Exhibit B thereto and the form of Summary of Rights as Exhibit C thereto (filed as Exhibit 4.1 to the Registrant's Form 8-K filed July 19, 2006). |
| 4.2 | Indenture, dated December 5, 2006, between Wyndham Worldwide Corporation and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Registrant's Form 8-K filed February 1, 2007). |
| 4.3 | Form of 6.00% Senior Notes due 2016 (filed as Exhibit 4.2 to the Registrant's Form 8-K filed February 1, 2007). |
| 4.4 | Registration Rights Agreement, dated December 5, 2006, among Wyndham Worldwide, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as initial purchasers and as representatives of the other initial purchasers named therein (filed as Exhibit 4.3 to the Registrant's Form 8-K filed February 1, 2007). |
| 5.1* | Opinion of Skadden, Arps, Slate, Meagher & Flom LLP. |
| 10.1 | Asset Purchase Agreement, dated as of September 13, 2005, by and among Cendant Corporation, as Buyer, and Wyndham Management Corporation, GH-Galveston, Inc, W-Isla, LLC, Performance Hospitality Management Company, Wyndham (Bermuda) Management Company, Ltd., Wyndham Hotels & Resorts (Aruba) N.V., WHC Franchise Corporation, Wyndham International Inc., Wyndham IP Corporation, Wyndham 58th Street, L.L.C., Grand Bay Management Company and Wyndham International Operating Partnership, L.P., as Sellers (filed as Exhibit 10.20 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.2 | Amendment Agreement, dated as of October 11, 2005, amending the Asset Purchase Agreement, dated as of September 13, 2005, by and among Cendant Corporation, as Buyer, and Wyndham Management Corporation, GH-Galveston, Inc, W-Isla, LLC, Performance Hospitality Management Company, Wyndham (Bermuda) Management Company, Ltd., Wyndham Hotels & Resorts (Aruba) N.V., WHC Franchise Corporation, Wyndham International Inc., Wyndham IP Corporation, Wyndham 58th Street, L.L.C., Grand Bay Management Company and Wyndham International Operating Partnership, L.P., as Sellers (filed as Exhibit 10.21 to the Registrant's Form 10-12B filed May 11, 2006). |

| Exhibit Numbers | Description |
|---|---|
| 10.3 | Amended and Restated FairShare Vacation Plan Use Management Trust Agreement, dated as of January 1, 1996, by and among Fairshare Vacation Owners Association, Fairfield Communities, Inc., Fairfield Myrtle Beach, Inc., such other subsidiaries of Fairfield Communities, Inc. and such other unrelated third parties as may from time to time desire to subject property to this Trust Agreement (filed as Exhibit 10.22 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.4 | First Amendment to the Amended and Restated FairShare Vacation Plan Use Management Trust Agreement, dated as of February 29, 2000, by and between the Fairshare Vacation Owners Association and Fairfield Communities, Inc. (filed as Exhibit 10.23 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.5 | Second Amendment to the Amended and Restated FairShare Vacation Plan Use Management Trust Agreement, dated as of February 19, 2003, by and between the Fairshare Vacation Owners Association and Fairfield Resorts, Inc., formerly known as Fairfield Communities, Inc. (filed as Exhibit 10.24 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.6 | Management Agreement, dated as of January 1, 1996, by and between Fairshare Vacation Owners Association and Fairfield Communities, Inc. (filed as Exhibit 10.25 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.7 | Form of Declaration of Vacation Owner Program of WorldMark, the Club (filed as Exhibit 10.26 to the Registrant's Form 10-12B filed May 11, 2006). |
| 10.8 | First Supplement to Indenture and Servicing Agreement, dated as of June 16, 2006, by and among Sierra 2003-1 Receivables Funding Company, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Servicer, U.S. Bank, National Association, as Trustee, and U.S. Bank, National Association, as Collateral Agent, to the Indenture and Servicing Agreement dated as of March 31, 2003 (filed as Exhibit 10.16(a) to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.9 | 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 (nka Wyndham Consumer Finance, Inc.), and Wachovia Bank, National Association, as Trustee, and Wachovia Bank, National Association, as Collateral Agent (Filed as Exhibit 10.5 to Cendant Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 dated May 9, 2003). |
| 10.10 | First Supplement to Indenture and Servicing Agreement, dated as of June 16, 2006, by and among Sierra 2003-2 Receivables Funding Company, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Servicer, U.S. Bank National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent, to the Indenture and Servicing Agreement dated as of December 5, 2003 (filed as Exhibit 10.17(a) to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.11 | Indenture and Servicing Agreement dated as of December 5, 2003, by and among Sierra 2003-2 Receivables Funding Company, LLC, as Issuer, and Fairfield Acceptance Corporation — Nevada (nka Wyndham Consumer Finance, Inc.), as Servicer, and Wachovia Bank, National Association, as Trustee, and Wachovia Bank, National Association, as Collateral Agent (Filed as Exhibit 10.70 to Cendant Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 dated March 1, 2004). |
| 10.12 | First Supplement to Indenture and Servicing Agreement, dated as of June 16, 2006, by and among Sierra Timeshare 2004-1 Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Servicer, U.S. Bank National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent, to the Indenture and Servicing Agreement dated as of May 27, 2004 (filed as Exhibit 10.18(a) to the Registrant's Form 10-12B/A filed June 26, 2006). |

| Exhibit Numbers | Description |
|---|---|
| 10.13 | Indenture and Servicing Agreement, dated as of May 27, 2004, by and among Cendant Timeshare 2004-1 Receivables Funding, LLC (nka Sierra Timeshare 2004-1 Receivables Funding, LLC), as Issuer, and Fairfield Acceptance Corporation — Nevada (nka Wyndham Consumer Finance, Inc.), as Servicer, and Wachovia Bank, National Association, as Trustee, and Wachovia Bank, National Association, as Collateral Agent (Filed as Exhibit 10.2 to Cendant Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004 dated August 2, 2004). |
| 10.14 | First Supplement to Indenture and Servicing Agreement, dated as of June 16, 2006, by and among Sierra Timeshare 2005-1 Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Servicer, Wells Fargo Bank National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent, to the Indenture and Servicing Agreement dated as of August 11, 2005 (filed as Exhibit 10.19(a) to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.15 | Indenture and Servicing Agreement, dated as of August 11, 2005, by and among Cendant Timeshare 2005-1 Receivables Funding, LLC (nka Sierra Timeshare 2005-1 Receivables Funding, LLC), as Issuer, Cendant Timeshare Resort Group-Consumer Finance, Inc. (nka Wyndham Consumer Finance, Inc.), as Servicer, Wells Fargo Bank, National Association, as Trustee, and Wachovia Bank, National Association, as Collateral Agent (Filed as Exhibit 10.1 to Cendant Corporation's Current Report on Form 8-K dated August 17, 2005). |
| 10.16 | Performance Guaranty, dated as of June 16, 2006, by Wyndham Worldwide Corporation in favor of Sierra 2003-1 Receivables Funding Company, LLC, as Issuer, Sierra Deposit Company, LLC, as Depositor, and U.S. Bank National Association, as Trustee and Collateral Agent (filed as Exhibit 10.27 to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.17 | Performance Guaranty, dated as of June 16, 2006, by Wyndham Worldwide Corporation in favor of Sierra 2003-2 Receivables Funding Company, LLC, as Issuer, Sierra Deposit Company, LLC, as Depositor, and U.S. Bank National Association, as Trustee and Collateral Agent (filed as Exhibit 10.28 to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.18 | Performance Guaranty, dated as of June 16, 2006, by Wyndham Worldwide Corporation in favor of Sierra Timeshare 2004-1 Receivables Funding, LLC, as Issuer, Sierra Deposit Company, LLC, as Depositor, and U.S. Bank National Association, as Trustee and Collateral Agent (filed as Exhibit 10.29 to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.19 | Performance Guaranty, dated as of June 16, 2006, by Wyndham Worldwide Corporation in favor of Sierra Timeshare 2005-1 Receivables Funding, LLC, as Issuer, Sierra Deposit Company, LLC, as Depositor, Wells Fargo Bank National Association, as Trustee, and U.S. Bank, National Association, as Collateral Agent (filed as Exhibit 10.30 to the Registrant's Form 10-12B/A filed June 26, 2006). |
| 10.20 | Employment Agreement with Stephen P. Holmes (filed as Exhibit 10.4 to the Registrant's Form 10-12B/A filed July 7, 2006). |
| 10.21 | Master Indenture and Servicing Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and among Sierra Timeshare Conduit Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Master Servicer, and U.S. Bank National Association, as successor to Wachovia Bank, National Association, as Trustee and Collateral Agent (filed as Exhibit 10.9 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.22 | Series 2002-1 Supplement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, to Master Indenture and Servicing Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006 by and among Sierra Timeshare Conduit Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Master Servicer, and U.S. |

| Exhibit Numbers | Description |
|---|---|
| | Bank National Association, successor to Wachovia Bank, National Association, as Trustee and Collateral Agent (filed as Exhibit 10.10 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.23 | Master Loan Purchase Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and between Wyndham Consumer Finance, Inc., as Seller, Wyndham Vacation Resorts, Inc., as Co-Originator, and Fairfield Myrtle Beach, Inc., as Co-Originator and Kona Hawaiian Vacation Ownership, LLC, as an Originator, and Shawnee Development, Inc., as an Originator, and Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Subsidiary, and Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Partnership and Sierra Deposit Company, LLC, as Purchaser (filed as Exhibit 10.11 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.24 | Series 2002-1 Supplement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, to Master Loan Purchase Agreement, dated as of August 29, 2002, and Amended and Restated as of July 7, 2006 by and between Wyndham Consumer Finance, Inc., as Seller, Wyndham Vacation Resorts, Inc., as Co-Originator, Fairfield Myrtle Beach, Inc., as Co-Originator, Kona Hawaiian Vacation Ownership, LLC, as an Originator, Shawnee Development, Inc., as an Originator, Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB subsidiary, and Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Partnership, and Sierra Deposit Company, LLC, as Purchaser (filed as Exhibit 10.12 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.25 | Master Loan Purchase Agreement, dated as of August 29, 2002, and Amended and Restated as of July 7, 2006, by and between Wyndham Resort Development Corporation, as Seller, and Sierra Deposit Company, LLC, as Purchaser (filed as Exhibit 10.13 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.26 | Series 2002-1 Supplement, dated as of August 29, 2002 and Amended as of July 7, 2006 to the Master Loan Purchase Agreement dated as of August 29, 2002, and Amended and Restated as of July 7, 2006 by and between Wyndham Resort Development Corporation, as Seller, and Sierra Deposit Company, LLC, as Purchaser (filed as Exhibit 10.14 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.27 | Master Pool Purchase Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and between Sierra Deposit Company, LLC, as Depositor, and Sierra Timeshare Conduit Receivables Funding, LLC, as Issuer (filed as Exhibit 10.15 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.28 | Credit Agreement, dated as of July 7, 2006, among Wyndham Worldwide Corporation, as Borrower, certain financial institutions as lenders, JPMorgan Chase Bank, N.A., as Administrative Agent, Citicorp USA, Inc., as Syndication Agent, Bank of America, N.A., The Bank of Nova Scotia and The Royal Bank of Scotland PLC, as Documentation Agents, and Credit Suisse, Cayman Islands Branch, as Co-Documentation Agent (filed as Exhibit 10.31 to the Registrant's Form 10-12B/A filed July 12, 2006) |
| 10.29 | Performance Guaranty, dated as of July 7, 2006, by Wyndham Worldwide Corporation in favor of Sierra Deposit Company, LLC, as Depositor, Sierra Timeshare Conduit Receivables Funding Company, LLC, as Issuer, and U.S. Bank National Association, as successor to Wachovia Bank, National Association, as Trustee and Collateral Agent (filed as Exhibit 10.33 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.30 | Indenture and Servicing Agreement, dated as of July 11, 2006, by and among Sierra Timeshare 2006-1 Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Servicer, Wells Fargo Bank, National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent (filed as Exhibit 10.34 to the Registrant's Form 10-12B/A filed July 12, 2006). |

| Exhibit Numbers | Description |
|---|---|
| 10.31 | Performance Guarantee, dated as of July 11, 2006, by Cendant Corporation and Wyndham Worldwide Corporation in favor of Sierra Timeshare 2006-1 Receivables Funding, LLC, as issuer, Sierra Deposit Company, LLC, as Depositor, Wells Fargo Bank, National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent (filed as Exhibit 10.35 to the Registrant's Form 10-12B/A filed July 12, 2006). |
| 10.32 | Employment Agreement with Franz S. Hanning (filed as Exhibit 10.1 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.33 | Employment Agreement with Kenneth N. May (filed as Exhibit 10.2 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.34 | Employment Agreement with Steven A. Rudnitsky (filed as Exhibit 10.3 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.35 | Employment Agreement with Virginia M. Wilson (filed as Exhibit 10.4 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.36 | Wyndham Worldwide Corporation 2006 Equity and Incentive Plan (filed as Exhibit 10.5 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.37 | Wyndham Worldwide Corporation Non-Employee Directors Deferred Compensation Plan (filed as Exhibit 10.6 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.38 | Wyndham Worldwide Corporation Savings Restoration Plan (filed as Exhibit 10.7 to the Registrant's Form 8-K filed July 19,2006). |
| 10.39 | Wyndham Worldwide Corporation Officer Deferred Compensation Plan (filed as Exhibit 10.8 to the Registrant's Form 8-K filed July 19, 2006). |
| 10.40 | Transition Services Agreement among Cendant Corporation, Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc., dated as of July 27, 2006 (filed as Exhibit 10.1 to the Registrant's Form 8-K filed July 31, 2006). |
| 10.41 | Tax Sharing Agreement among Cendant Corporation, Realogy Corporation, Wyndham Worldwide Corporation and Travelport Inc., dated as of July 28, 2006 (filed as Exhibit 10.2 to the Registrant's Form 8-K filed July 31, 2006). |
| 10.42 | Form of Award Agreement — Restricted Stock Units (filed as Exhibit 10.3 to the Registrant's Form 8-K filed July 31, 2006). |
| 10.43 | Form of Award Agreement — Stock Appreciation Rights (filed as Exhibit 10.4 to the Registrant's Form 8-K filed July 31, 2006). |
| 10.44 | First Amendment, dated as of November 13, 2006, to the Series 2002-1 Supplement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, to Master Indenture and Servicing Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and among Sierra Timeshare Conduit Receivables Funding, LLC, as Issuer, Wyndham Consumer Finance, Inc., as Master Servicer, and U.S. Bank National Association, as Trustee and Collateral Agent (filed as Exhibit 10.10(a) to the Registrant's Form 10-Q filed November 14, 2006). |

| Exhibit Numbers | Description |
|---|---|
| 10.45 | First Amendment, dated as of November 13, 2006, to the Master Loan Purchase Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and between Wyndham Consumer Finance, Inc., as Seller, Wyndham Vacation Resorts, Inc., as Co-Originator, and Fairfield Myrtle Beach, Inc., as Co-Originator and Kona Hawaiian Vacation Ownership, LLC, as an Originator, and Shawnee Development, Inc., as an Originator, and Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Subsidiary, and Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Partnership and Sierra Deposit Company, LLC as Purchaser (filed as Exhibit 10.11(a) to the Registrant's Form 10-Q filed November 14, 2006). |
| 10.46 | First Amendment, dated as of November 13, 2006, to the Series 2002-1 Supplement, dated as of August 20, 2002 and Amended and Restated as of July 7, 2006, to the Master Loan Purchase Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and between Wyndham Consumer Finance, Inc., as Seller, Wyndham Vacation Resorts, Inc., as Co-Originator, and Fairfield Myrtle Beach, Inc., as Co-Originator and Kona Hawaiian Vacation Ownership, LLC, as an Originator, and Shawnee Development, Inc., as an Originator, and Sea Gardens Beach and Tennis Resort, Inc., Vacation Break Resorts, Inc., Vacation Break Resorts at Star Island, Inc., Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Subsidiary, and Palm Vacation Group and Ocean Ranch Vacation Group, each as a VB Partnership and Sierra Deposit Company, LLC as Purchaser (filed as Exhibit 10.12(a) to the Registrant's Form 10-Q filed November 14, 2006). |
| 10.47 | First Amendment, dated as of November 13, 2006, to the Series 2002-1 Supplement, dated as of August 29, 2002 and Amended and Restated as of November 13, 2006, to the Master Loan Purchase Agreement, dated as of August 29, 2002 and Amended and Restated as of July 7, 2006, by and between Wyndham Resort Development Corporation, as Seller, and Sierra Deposit Company, LLC, as Purchaser (filed as Exhibit 10.14(a) to the Registrant's Form 10-Q filed November 14, 2006). |
| 10.48 | First Amendment to Wyndham Worldwide Corporation Non-Employee Directors Deferred Compensation Plan (filed as Exhibit 10.48 to the Registrant's Form 10-K filed March 7, 2007). |
| 12.1* | Statement Regarding Computation of Ratio of Earnings to Fixed Charges. |
| 21.1 | List of Subsidiaries of Wyndham Worldwide Corporation (filed as Exhibit 21.1 to the Registrant's Form 10-K filed March 7, 2007). |
| 23.1* | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm. |
| 23.2* | Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1). |
| 24.1* | Powers of Attorney (included on the signature page hereto). |
| 25.1* | Statement of Eligibility on Form T-1 of U.S. Bank National Association. |
| 99.1* | Form of Letter of Transmittal. |
| 99.2* | Form of Notice of Guaranteed Delivery. |
| 99.3* | Form of Letter to Clients. |
| 99.4* | Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees. |

* Filed herewith.

**Exhibit 5.1**

April 25, 2007

Wyndham Worldwide Corporation
Seven Sylvan Way
Parsippany, NJ 07054

Re: Wyndham Worldwide Corporation-Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as special counsel to Wyndham Worldwide Corporation, a Delaware corporation (the "Company"), in connection with the public offering of $800,000,000 aggregate principal amount of the Company's 6.00% Senior Notes due 2016 to be issued and authenticated pursuant to the Indenture referred to below (the "Exchange Notes"). The Exchange Notes are to be issued pursuant to an exchange offer (the "Exchange Offer") in exchange for a like principal amount of the issued and outstanding 6.00% Senior Notes due 2016 of the Company (the "Original Notes") under the Indenture, dated as of December 5, 2006, by and among the Company and U.S. Bank National Association, as Trustee (the "Trustee"), as contemplated by the Registration Rights Agreement, dated as of December 5, 2006, by and among the Company and the Initial Purchasers named therein (the "Registration Rights Agreement").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of:

(i) the Registration Statement on Form S-4 relating to the Exchange Notes filed with the Securities and Exchange Commission (the "Commission") on the date hereof under the Act (the "Registration Statement");

(ii) an executed copy of the Registration Rights Agreement;

(iii) an executed copy of the Indenture;

(iv) the Restated Certificate of Incorporation of the Company;

(v) the Restated By-Laws of the Company, as amended to date;

(vi) certain resolutions adopted by the Board of Directors of the Company relating to the Exchange Offer, the issuance of the Original Notes and the Exchange Notes, the Indenture and related matters;

(vii) the Statement of Eligibility and Qualification of the Trustee on Form T-1 under the Trust Indenture Act of 1939, as amended, filed as an exhibit to the Registration Statement; and

(viii) the form of the Exchange Notes.

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, facsimile, electronic or photostatic copies and the authenticity of the originals of such copies. In making our examination of documents executed or to be executed, we have assumed that the parties thereto, other than the Company, had or will have, the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents. As to any facts material to the opinion expressed herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and others.

Our opinion set forth herein is limited to Delaware corporate law and the laws of the State of New York that, in our experience, are normally applicable to transactions of the type contemplated by the Exchange Offer and, to the extent that judicial or regulatory orders or decrees or consents, approvals, licenses, authorizations, validations, filings, recordings or registrations with governmental authorities are relevant, to those required under such laws (all of the foregoing being referred to as "Opined on Law"). We do not express any opinion with respect to the law of any jurisdiction other than Opined on Law or as to the effect of any such non-opined on law on the opinion herein stated.

Based upon and subject to the foregoing and the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that when the Registration Statement, as finally amended (including all necessary post-effective amendments) has become effective under the Act, the Indenture has been qualified under the Trust Indenture Act and the Exchange Notes (in the form examined by us) have been duly executed and authenticated in accordance with the terms of the Indenture and have been issued and delivered upon consummation of the Exchange Offer against receipt of Original Notes surrendered in exchange therefor in accordance with the terms of the Indenture, the Registration Rights Agreement and the Exchange Offer, the Exchange Notes will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect relating to creditors' rights generally and (2) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

In rendering the opinion set forth above, we have assumed that the execution and delivery by the Company of the Indenture and the Exchange Notes, and the performance by the Company of its obligations thereunder do not and will not violate, conflict with or constitute a default under any agreement or instrument to which the Company or its properties are subject, except that we do not make this assumption with respect to those agreements and instruments which have been identified to us by the Company as being material to it and which are listed as exhibits in Part II of the Registration Statement. We do not express any opinion, however, as to whether the execution and delivery by the Company of the Indenture and the Exchange Notes, and the performance by the Company of its obligations thereunder, will constitute a violation of, or a default under, any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of the Company or any of its subsidiaries.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the prospectus included in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom LLP

**Exhibit 12.1**

**WYNDHAM WORLDWIDE CORPORATION**

**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| | | | (In millions) | | |
| **Earnings available to cover fixed charges:** | | | | | |
| Income before income taxes, minority interest and cumulative effect of accounting change | $ 542 | $ 626 | $ 587 | $ 500 | $ 510 |
| Plus: Fixed charges | 159 | 93 | 86 | 30 | 13 |
| Amortization of capitalized interest | 8 | 5 | 6 | 4 | — |
| Less: Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges(a) | — | — | — | 25 | 20 |
| Capitalized interest | 16 | 7 | 5 | 7 | — |
| Earnings available to cover fixed charges | $ 693 | $ 717 | $ 674 | $ 502 | $ 503 |
| **Fixed charges(b):** | | | | | |
| Interest, including amortization of deferred financing costs | $ 137 | $ 75 | $ 70 | $ 16 | $ 1 |
| Interest portion of rental payments | 22 | 18 | 16 | 14 | 12 |
| Total fixed charges | $ 159 | $ 93 | $ 86 | $ 30 | $ 13 |
| Ratio of earnings to fixed charges | 4.36x | 7.71x | 7.84x | 16.73x | 38.69x |

(a) Includes minority expense related to the Company's venture with Marriot International, Inc.

(b) Consists of interest expense on all indebtedness (including amortization of deferred financing costs) and the portion of operating lease rental expense that is representative of the interest factor.

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Registration Statement on Form S-4 of our report dated March 7, 2007, relating to the financial statements of Wyndham Worldwide Corporation and subsidiaries (the "Company"), (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the fact that, prior to its separation from Cendant Corporation ("Cendant"; known as Avis Budget Group since August 29, 2006), the Company was comprised of the assets and liabilities used in managing and operating the lodging, vacation exchange and rental and vacation ownership businesses of Cendant; included in Notes 20 and 21 of the consolidated and combined financial statements is a summary of transactions with related parties; as discussed in Note 20 to the consolidated and combined financial statements, in connection with its separation from Cendant, the Company entered into certain guarantee commitments with Cendant and has recorded the fair value of these guarantees as of July 31, 2006; and the Company adopted the provisions for accounting for real estate time-sharing transactions), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
April 25, 2007

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

# FORM T-1

**STATEMENT OF ELIGIBILITY UNDER**
**THE TRUST INDENTURE ACT OF 1939 OF A**
**CORPORATION DESIGNATED TO ACT AS TRUSTEE**
**Check if an Application to Determine Eligibility of**
**a Trustee Pursuant to Section 305(b)(2)**

# U.S. BANK NATIONAL ASSOCIATION

(Exact name of Trustee as specified in its charter)

**31-0841368**
I.R.S. Employer Identification No.

| | |
|---|---|
| 800 Nicollet Mall<br>Minneapolis, Minnesota | 55402 |
| (Address of principal executive offices) | (Zip Code) |

David Massa
U.S. Bank National Association
100 Wall Street
New York, NY 10005
(212) 361-4386
(Name, address and telephone number of agent for service)

# WYNDHAM WORLDWIDE CORPORATION

(Exact name of obligor as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of<br>incorporation or organization) | **20-0052541**<br>(I. R. S. Employer<br>Identification No.) |
| **Seven Sylvan Way**<br>**Parsippany, New Jersey**<br>(Address of principal executive offices) | **07054**<br>(Zip Code) |

**6.00% Senior Notes due 2016**

**TABLE OF CONTENTS**

**FORM T-1**

**Item 1. GENERAL INFORMATION.** Furnish the following information as to the Trustee.

a) *Name and address of each examining or supervising authority to which it is subject.*

Comptroller of the Currency
Washington, D.C.

b) *Whether it is authorized to exercise corporate trust powers.*

Yes

**Item 2. AFFILIATIONS WITH OBLIGOR.** *If the obligor is an affiliate of the Trustee, describe each such affiliation.*

None

**Items 3-15** *Items 3-15 are not applicable because to the best of the Trustee's knowledge, the obligor is not in default under any Indenture for which the Trustee acts as Trustee.*

**Item 16. LIST OF EXHIBITS:** *List below all exhibits filed as a part of this statement of eligibility and qualification.*

1. A copy of the Articles of Association of the Trustee.*
2. A copy of the certificate of authority of the Trustee to commence business.*
3. A copy of the certificate of authority of the Trustee to exercise corporate trust powers.*
4. A copy of the existing bylaws of the Trustee.*
5. A copy of each Indenture referred to in Item 4. Not applicable.
6. The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939.*
7. Report of Condition of the Trustee as of December 31, 2006, published pursuant to law or the requirements of its supervising or examining authority, attached as Exhibit 7.

* Incorporated by reference to Exhibit 25.1 to Amendment No. 2 to registration statement on S-4, Registration Number 333-128217 filed on November 15, 2005.

**SIGNATURE**

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, State of New York on the 24th of April, 2007.

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Paul J. Schmalzel
Paul J. Schmalzel
Vice President

**Exhibit 7**

**U.S. Bank National Association**
**Statement of Financial Condition**
**As of 12/31/2006**

**($000's)**

| | 12/31/2006 |
|---|---|
| **Assets** | |
| Cash and Due From Depository Institutions | $ 8,644,951 |
| Securities | 39,699,269 |
| Federal Funds | 3,512,083 |
| Loans & Lease Financing Receivables | 141,159,825 |
| Fixed Assets | 2,300,043 |
| Intangible Assets | 12,048,875 |
| Other Assets | 10,437,280 |
| **Total Assets** | **$ 217,802,326** |
| **Liabilities** | |
| Deposits | $ 135,903,121 |
| Fed Funds | 12,316,778 |
| Treasury Demand Notes | 0 |
| Trading Liabilities | 139,984 |
| Other Borrowed Money | 33,217,524 |
| Acceptances | 0 |
| Subordinated Notes and Debentures | 7,384,026 |
| Other Liabilities | 6,677,926 |
| **Total Liabilities** | **$ 195,639,359** |
| **Equity** | |
| Minority Interest in Subsidiaries | $ 1,544,842 |
| Common and Preferred Stock | 18,200 |
| Surplus | 11,976,937 |
| Undivided Profits | 8,622,988 |
| **Total Equity Capital** | **$ 22,162,967** |
| **Total Liabilities and Equity Capital** | **$ 217,802,326** |

To the best of the undersigned's determination, as of the date hereof, the above financial information is true and correct.

**U.S. Bank National Association**

**EXHIBIT 99.1**

# LETTER OF TRANSMITTAL
# WYNDHAM WORLDWIDE CORPORATION
## OFFER TO EXCHANGE
## $800,000,000 AGGREGATE PRINCIPAL AMOUNT OF
## 6.00% SENIOR SECURED NOTES DUE 2016
## (CUSIP NOS. 98310W AA 6 AND U98340 AA 7)
## FOR
## $800,000,000 AGGREGATE PRINCIPAL AMOUNT OF
## 6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NO. 98310W AB 4)
## THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
## PURSUANT TO THE PROSPECTUS, DATED APRIL , 2007

**THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2007, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.**

***Delivery To:*** *U.S. Bank National Association,* ***Exchange Agent***

*By Registered or Certified Mail:*
U.S. Bank National Association
Corporate Trust Services
EP-MN-WS-2N
60 Livingston Avenue
St. Paul, MN 55107
Attn: Specialized Finance

*For Information Call:*
(800) 934-6802

*By Facsimile Transmission*
*(for Eligible Institutions only):*
Attn: Specialized Finance
(651) 495-8158

*Confirm by Telephone:*
(800) 934-6802

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.**

The undersigned acknowledges that he or she has received and reviewed the Prospectus, dated April, 2007 (the "Prospectus"), of Wyndham Worldwide Corporation, a Delaware corporation (the "Company"), and this Letter of Transmittal (the "Letter"), which together constitute the Company's offer to exchange (the "Exchange Offer") an aggregate principal amount of up to $800,000,000 of the Company's 6.00% Senior Notes due 2016 (the "Exchange Notes") that have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Company's issued and outstanding 6.00% Senior Notes due 2016 (the "Original Notes") from the holders thereof.

For each Original Note accepted for exchange, the holder of such Original Note will receive a Exchange Note having a principal amount equal to that of the surrendered Original Note. The Exchange Notes will bear interest from the most recent date to which interest has been paid on the Original Notes or, if no interest has been paid on the Original Notes, from the issue date of the Original Notes. Accordingly, holders of Exchange Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer will receive interest

accruing from the most recent date to which interest has been paid or, if no interest has been paid, from December 5, 2006. Original Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Original Notes whose Original Notes are accepted for exchange will not receive any payment in respect of accrued interest on such Original Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer.

This Letter is to be completed by a holder of Original Notes either if certificates are to be forwarded herewith or if a tender of certificates for Original Notes, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in "The Exchange Offer — Book-Entry Transfer" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation (as defined below), which states that the Book-Entry Transfer Facility has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by this Letter and that the Company may enforce this Letter against such participant. Holders of Original Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Original Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Original Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Prospectus. See Instruction 1.

**Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.**

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Original Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Original Notes should be listed on a separate signed schedule affixed hereto.

| **DESCRIPTION OF ORIGINAL NOTES** | **1** | **2** | **3** |
|---|---|---|---|
| **Name(s) and Address(es) of Holder(s) (Please fill in, if blank)** | **Certificate Number(s)*** | **Aggregate Principal Amount of Original Note(s)** | **Principal Amount Tendered**** |
| | | | |
| | | | |
| | | | |
| | **Total** | | |

* Need not be completed if Original Notes are being tendered by book-entry transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Original Notes represented by the Original Notes indicated in column 2. See Instruction 2. Original Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiples of $1,000 in excess thereof. See Instruction 1.

☐ **CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution _____

Account Number _____ Transaction Code Number _____

By crediting the Original Notes to the Exchange Agent's account at the Book-Entry Transfer Facility's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting to the Exchange Agent a computer-generated Agent's Message in which the holder of the Original Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter, the participant in the Book-Entry Transfer Facility confirms on behalf of itself and the beneficial owners of such Original Notes all provisions of this Letter (including all representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter to the Exchange Agent.

☐ **CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution Which Guaranteed Delivery _____

**If Delivered by Book-Entry Transfer, Complete the Following:**

Account Number _____ Transaction Code Number _____

☐ **CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name: _____

Address: _____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Original Notes, it represents that the Original Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the Exchange Notes; however, by so acknowledging and by delivering such a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. If the undersigned is a broker-dealer that will receive Exchange Notes, it represents that the Original Notes to be exchanged for the Exchange Notes were acquired as a result of market-making activities or other trading activities. In addition, such broker-dealer represents that it is not acting on behalf of any person who could not truthfully make the foregoing representations.

**PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Original Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Original Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Original Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the undersigned's true and lawful agent and attorney-in-fact with respect to such tendered Original Notes, with full power of substitution, among other things, to cause the Original Notes to be assigned, transferred and exchanged. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Original Notes, and to acquire Exchange Notes issuable upon the exchange of such tendered Original Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Original Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, that neither the holder of such Original Notes nor any such other person is participating in, intends to participate in or has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes and that neither the holder of such Original Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Company and that neither the holder of such Original Notes nor such other person is acting on behalf of any person who could not truthfully make the foregoing representations and warranties.

The Securities and Exchange Commission (the "SEC") has taken the position that such broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes (other than a resale of Exchange Notes received in exchange for an unsold allotment from the original sale of the Original Notes) with the Prospectus. The Prospectus, as it may be amended or supplemented from time to time, may be used by certain broker-dealers (as specified in the Registration Rights Agreement referenced in the Prospectus) ("Participating Broker-Dealers") for a period of time, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date in connection with the sale or transfer of such Exchange Notes. The Company has agreed that, for such period of time, it will make the Prospectus (as it may be amended or supplemented) available to such a broker-dealer which elects to exchange Original Notes, acquired for its own account as a result of market-making or other trading activities, for Exchange Notes pursuant to the Exchange Offer for use in connection with any resale of such Exchange Notes. By accepting the Exchange Offer, each broker-dealer that receives Exchange Notes pursuant to the Exchange Offer acknowledges and agrees to notify the Company prior to using the Prospectus in connection with the sale or transfer of Exchange Notes and that, upon receipt of notice from the Company of the happening in any event which makes any statement in the Prospectus untrue in any material respect or which requires the making of any changes in the Prospectus in order to make the statements therein (in light of the circumstances under which they were made) not misleading, such broker-dealer will suspend use of the Prospectus until (i) the Company has amended or supplemented the Prospectus to correct such misstatement or omission and (ii) either the Company has furnished copies of the amended or supplemented Prospectus to such broker-dealer or, if the Company has not otherwise agreed to furnish such copies and declines to do so after such broker-dealer so requests, such broker-dealer has obtained a copy of such amended or supplemented Prospectus as filed with the SEC. Except as described above, the Prospectus may not be used for or in connection with an offer to resell, a resale or any other retransfer of Exchange Notes. A broker-dealer that acquired Original Notes in a transaction other than as part of its market-making activities or other trading activities will not be able to participate in the Exchange Offer.

The undersigned acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, that the Exchange Notes issued pursuant to the Exchange Offer in exchange for the Original Notes may be offered for resale, resold and otherwise transferred by holders thereof without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Exchange Notes. However, the SEC has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes and has no arrangement or understanding to participate in a distribution of Exchange Notes. If any holder is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the SEC and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Original Notes, it represents that the Original Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Original Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer — Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the Exchange Notes (and, if applicable, substitute certificates representing Original Notes for any Original Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Original Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the Exchange Notes (and, if applicable, substitute certificates representing Original Notes for any Original Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Original Notes."

**THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF ORIGINAL NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE ORIGINAL NOTES AS SET FORTH IN SUCH BOX ABOVE.**

**SPECIAL ISSUANCE INSTRUCTIONS**
**(See Instructions 3 and 4)**

To be completed ONLY if certificates for Original Notes not exchanged and/or Exchange Notes are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above, or if Original Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue Exchange Notes and/or Original Notes to:

Name(s) _____
**(Please Type or Print)**

_____
**(Please Type or Print)**

Address _____

_____
**(Zip Code)**

**(Complete Substitute Form W-9)**

☐ Credit unexchanged Original Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

_____
**Book-Entry Transfer Facility**
**Account Number, if applicable)**

**SPECIAL ISSUANCE INSTRUCTIONS**
**(See Instructions 3 and 4)**

To be completed ONLY if certificates for Original Notes not exchanged and/or Exchange Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above or to such person(s) at an address other than shown in the box entitled "Description of Original Notes" on this Letter above.

Mail Exchange Notes and/or Original Notes to:

Name(s) _____
**(Please Type or Print)**

_____
**(Please Type or Print)**

Address _____

_____
**(Zip Code)**

**IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR ORIGINAL NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.**

**PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.**

**PLEASE SIGN HERE**
**(TO BE COMPLETED BY ALL TENDERING HOLDERS)**
**(Complete Accompanying Substitute Form W-9 Below)**

Dated: _____ , 2007

X _____ _____ , 2007

X _____ _____ , 2007
**(Signature(s) of Owner)** **(Date)**

Area Code and Telephone Number _____

If a holder is tendering any Original Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Original Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): _____
**(Please Type or Print)**

Capacity: _____

Address: _____

_____
**(Including Zip Code)**

**SIGNATURE GUARANTEE**
**(If required by Instruction 3)**

Signature(s) Guaranteed by
an Eligible Institution: _____
**(Authorized Signature)**

_____
**(Title)**

_____
**(Name and Firm)**

Dated: _____ , 2007

**INSTRUCTIONS**

**FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER TO EXCHANGE**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NOS. 98310W AA 6 AND U98340 AA 7)**
**FOR**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NO. 98310W AB 4)**
**THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933**
**PURSUANT TO THE PROSPECTUS, DATED APRIL , 2007**

**1. Delivery of this Letter and Notes; Guaranteed Delivery Procedures.**

This Letter is to be completed by holders of Original Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer — Book-Entry Transfer" section of the Prospectus and an Agent's Message is not delivered. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to and received by the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by the Letter of Transmittal and that the Company may enforce the Letter of Transmittal against such participant. Certificates for all physically tendered Original Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile hereof or Agent's Message in lieu thereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Original Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiples of $1,000 in excess thereof.

Holders whose certificates for Original Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Original Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution, (ii) prior to 5:00 p.m., New York City time, on the Expiration Date, the Exchange Agent (as defined below) must receive from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Original Notes and the amount of Original Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Original Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Original Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter (or facsimile thereof or Agent's Message in lieu thereof) with any required signature guarantees and all other documents required by this Letter, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Original Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Original Notes are sent by mail, it is suggested that the mailing be registered mail,

properly insured, with return receipt requested, made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

**2. Partial Tenders (not applicable to holders who tender by book-entry transfer).**

If less than all of the Original Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Original Notes to be tendered in the box above entitled "Description of Original Notes — Principal Amount Tendered." A reissued certificate representing the balance of nontendered Original Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. **All of the Original Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.**

**3. Signatures on this Letter; Bond Powers and Endorsements; Guarantee of Signatures.**

If this Letter is signed by the registered holder of the Original Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Original Notes are owned of record by two or more joint owners, all of such owners must sign this Letter.

If any tendered Original Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Original Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the Exchange Notes are to be issued, or any untendered Original Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by a person acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

**Endorsements on certificates for Original Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm that is a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchanges Medallion Program (each an "Eligible Institution").**

**Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Original Notes are tendered: (i) by a registered holder of Original Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Original Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.**

**4. Special Issuance and Delivery Instructions.**

Tendering holders of Original Notes should indicate in the applicable box the name and address to which Exchange Notes issued pursuant to the Exchange Offer and or substitute certificates evidencing Original Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In

the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Original Notes by book-entry transfer may request that Original Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder may designate hereon. If no such instructions are given, such Original Notes not exchanged will be returned to the name and address of the person signing this Letter.

**5. Transfer Taxes.**

The Company will pay all transfer taxes, if any, applicable to the transfer of Original Notes to it or its order pursuant to the Exchange Offer. If, however, Exchange Notes and/or substitute Original Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Original Notes tendered hereby, or if tendered Original Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Original Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

**Except as provided in this Instruction 5, it will not be necessary for transfer tax stamps to be affixed to the Original Notes specified in this letter.**

**6. Waiver of Conditions.**

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

**7. No Conditional Tenders.**

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Original Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Original Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Original Notes nor shall any of them incur any liability for failure to give any such notice.

**8. Mutilated, Lost, Stolen or Destroyed Original Notes.**

Any holder whose Original Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

**9. Withdrawal Rights.**

Tenders of Original Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal of a tender of Original Notes to be effective, a written notice of withdrawal must be received by the Exchange Agent at the address set forth above prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having tendered the Original Notes to be withdrawn (the "Depositor"), (ii) identify the Original Notes to be withdrawn (including certificate number or numbers and the principal amount of such Original Notes), (iii) contain a statement that such holder is withdrawing his election to have such Original Notes exchanged, (iv) be signed by the holder in the same manner as the original signature on the Letter by which such Original Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer to have the Trustee with respect to the Original Notes register the transfer of such Original Notes in the name of the person withdrawing the tender and (v) specify the name in which such Original Notes are registered, if different from that of the Depositor. If Original Notes have been tendered pursuant to the procedure for book-entry transfer set forth in

"The Exchange Offer — Book-Entry Transfer" section of the Prospectus, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Original Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Original Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Original Notes so withdrawn are validly retendered. Any Original Notes that have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Original Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures set forth in "The Exchange Offer — Book-Entry Transfer" section of the Prospectus, such Original Notes will be credited to an account maintained with the Book-Entry Transfer Facility for the Original Notes) promptly after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Original Notes may be retendered by following the procedures described above at any time on or prior to 5:00 p.m., New York City time, on the Expiration Date.

**10. Requests for Assistance or Additional Copies.**

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, and requests for Notices of Guaranteed Delivery and other related documents may be directed to the Exchange Agent, at the address and telephone number indicated above.

**11. Backup Withholding; Tax Identification Number; Purpose of Form W-9.**

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS LETTER OF TRANSMITTAL IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

Federal income tax law generally requires that a tendering holder, who is a U.S. person for U.S. federal income tax purposes (a "U.S. Holder"), whose Original Notes are accepted for exchange must provide the Company (as payor) with such holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which in the case of a tendering holder who is an individual, is his or her social security number.

To prevent backup withholding on interest payments on the Exchange Notes, each tendering XXX U.S. Holder of Original Notes must either (x) provide his, her or its correct TIN by completing the copy of the substitute IRS Form W-9 attached to this Letter, certifying that (1) he, she or it is a "United States person" (as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")), (2) the TIN provided is correct (or that such U.S. Holder is awaiting a TIN) and (3) that the U.S. Holder is exempt from backup withholding because (i) the holder has not been notified by the Internal Revenue Service (the "IRS") that he, she or it is subject to backup withholding as a result of a failure to report all interest or dividends, or (ii) the IRS has notified the U.S. Holder that he, she or it is no longer subject to backup withholding or (y) otherwise establish an exemption. If you do not provide your TIN to the Exchange Agent, backup withholding may begin and continue until you furnish your TIN. If you do not provide the exchange agent with the correct TIN or an adequate basis for exemption, you may be subject to a $50 penalty imposed by the IRS, and the Exchange Agent may be required to withhold 29% (until 2010, at which time the rate is currently scheduled to be 31%) of the amount of any reportable payments made after the exchange to such tendering holder of Exchange Notes. If withholding results in an overpayment of taxes, a refund may be obtained if the required information is furnished to the IRS.

To prevent backup withholding, Foreign Holders (as defined below) should (i) submit a properly completed IRS Form W-8 BEN or other Form W-8 to the Exchange Agent, certifying under penalties of perjury to the holder's foreign status or (ii) otherwise establish an exemption. IRS Forms W-8 may be obtained from the Exchange Agent.

Certain holders (including, among others, corporations and certain foreign individuals) are exempt recipients not subject to these backup withholding requirements. See the enclosed copy of the IRS Substitute Form W-9, Request for Taxpayer Identification Number and Certification, and the Instructions to Form W-9. To avoid possible erroneous backup withholding, exempt U.S. Holders, while not required to file Substitute Form W-9, should complete and return the Substitute Form W-9 and check the "Exempt" box on its face.

For the purposes of these instructions, a U.S. person is (i) an individual who is a citizen or resident alien of the United States, (ii) a corporation (including an entity taxable as a corporation) created under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. Partnerships should consult their tax advisors regarding their treatment for purposes of these instructions. A "Foreign Holder" is any holder that is not a U.S. Holder.

See the enclosed **Guidelines for Request for Taxpayer Identification Number and Certification on Substitute Form W-9** for additional information and instructions.

**REQUESTER'S NAME: U.S. BANK NATIONAL ASSOCIATION**

**SUBSTITUTE**
**FORM W-9**

**Department of the Treasury**
**Internal Revenue Service**
**(IRS)**

**Payer's Request for Taxpayer Identification Number (TIN)**

**Please fill in your name and address below.**

Name

Business Name
(if different from above)

Address (number and street)

City, State and Zip Code

**Part 1** — PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT OR, IF YOU DO NOT HAVE A TIN, WRITE "APPLIED FOR" AND SIGN THE CERTIFICATION BELOW.

**Social Security Number**
**OR**
**Taxpayer Identification Number**

☐ **Exempt from backup withholding**

**Part 2** — **Certification** — Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),

(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

(3) I am a U.S. person (as defined for U.S. federal income tax purposes).

**Certification Instructions** — You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). If you are exempt from backup withholding, check the box in Part 1 and see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9".

Signature: _____ Date: _____

**YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" ON SUBSTITUTE FORM W-9.**

**CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER**

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that until I provide a taxpayer identification number, all reportable payments made to me will be subject to backup withholding, but will be refunded if I provide a certified taxpayer identification number within 60 days.

Signature: _____ Dated: _____

**THE IRS DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING.**

**GUIDELINES FOR REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

**What Name and Number to Give the Requester**

***Name***

If you are an individual, you must generally enter the name shown on your Social Security card. However, if you have changed your last name, for instance, due to marriage, without informing the Social Security Administration of the name change, enter your first name, the last name shown on your Social Security card, and your new last name. If the account is in joint names, list first and then circle the name of the person or entity whose number you enter in Part I of the form.

Sole Proprietor — You must enter your individual name as shown on your Social Security card. You may enter your business, trade or "doing business as" name on the business name line.

Limited Liability Company (LLC) — If you are a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Treasury regulations § 301.7701-3, enter the owner's name. Enter the LLC's name on the business name line. A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Other Entities — Enter the business name as shown on required federal income tax documents. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade or "doing business as" name on the business name line.

***Taxpayer Identification Number (TIN)***

You must enter your taxpayer identification number in the appropriate box. If you are a resident alien and you do not have and are not eligible to get a Social Security number, your taxpayer identification number is your IRS individual taxpayer identification number (ITIN). Enter it in the Social Security number box. If you do not have an individual taxpayer identification number, see **How to Get a TIN** below. If you are a sole proprietor and you have an employer identification number, you may enter either your Social Security number or employer identification number. However, using your employer identification number may result in unnecessary notices to the requester, and the IRS prefers that you use your Social Security number. If you are an LLC that is disregarded as an entity separate from its owner under Treasury regulations § 301.7701-3, and are owned by an individual, enter the owner's Social Security number. If the owner of a disregarded LLC is a corporation, partnership, etc., enter the owner's employer identification number. See the chart below for further clarification of name and TIN combinations.

Social Security numbers (SSN's) have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers (EIN's) have nine digits separated by only one hyphen: i.e. 00-0000000.

The table below will help determine the number to give the requester.

**GUIDELINES FOR REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

| For this type of account: | | Give Name and TIN of: |
|---|---|---|
| 1. | Individual | The individual |
| 2. | Two or more individuals (joint account) | The actual owner of the account or, if combined funds, the first individual on the account(1) |
| 3. | Custodian account of a minor (Uniform Gift to Minors Act) | The minor(2) |
| 4. | a. The usual revocable savings trust (grantor is also trustee) | The grantor-trustee(1) |
| | b. The so-called trust account that is not a legal or valid trust under state law | The actual owner(1) |
| 5. | Sole proprietorship | The owner(3) |
| 6. | A valid trust, estate or pension trust | Legal entity(4) |

| For this type of account: | | Give Name and TIN of: |
|---|---|---|
| 7. | Corporation | The corporation |
| 8. | Association, club, religious, charitable, educational or other tax-exempt organization | The organization |
| 9. | Partnership | The partnership |
| 10. | A broker or registered nominee | The broker or nominee |
| 11. | Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments | The public entity |

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a Social Security number, that person's number must be furnished.
(2) Circle the minor's name and furnish the minor's Social Security number.
(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your Social Security number or employer identification number (if you have one).
(4) List first and circle the name of the legal trust, estate or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**Note:** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**How to Get a TIN**

If you do not have a taxpayer identification number, apply for one immediately. To apply for a Social Security number, get **Form SS-5, Application for a Social Security Number Card,** from your local Social Security Administration office. Get **Form W-7** to apply for an individual taxpayer identification number or **Form SS-4, Application for Employer Identification Number,** to apply for an employer identification number. You can get Forms W-7 and SS-4 from the IRS.

If you do not have a taxpayer identification number, write "Applied For" in the space for the taxpayer identification number, sign and date the form (including the Certificate of Awaiting Taxpayer Identification Number), and give it to the requester. For interest and dividend payments and certain payments made with respect to readily tradable instruments, you will generally have 60 days to get a taxpayer identification number and give it to the requester before you are subject to backup withholding. Other payments are subject to backup withholding without regard to the 60-day rule, until you provide your taxpayer identification number.

**Note:** *Writing "Applied For" means that you have already applied for a taxpayer identification number or that you intend to apply for one soon.*

**GUIDELINES FOR REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

**Exemption From Backup Withholding**

***Payees Exempt From Backup Withholding***

Individuals (including sole proprietors and LLCs disregarded as entities separate from their individual owners) are NOT automatically exempt from backup withholding.

For interest and dividends, the following payees are generally exempt from backup withholding:

**1)** An organization exempt from tax under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), an individual retirement account (IRA), or a custodial account under section 403(b)(7) of the Code if the account satisfies the requirements of section 401(f)(2) of the Code.

**2)** The United States or any of its agencies or instrumentalities.

**3)** A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.

**4)** A foreign government or any of its political subdivisions, agencies or instrumentalities.

**5)** An international organization or any of its agencies or instrumentalities.

**6)** A corporation.

**7)** A foreign bank of central issue.

**8)** A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.

**9)** A real estate investment trust.

**10)** An entity registered at all times during the tax year under the Investment Company Act of 1940.

**11)** A common trust fund operated by a bank under section 584(a) of the Code.

**12)** A financial institution (as defined for purposes of section 3406 of the Code).

**13)** A middleman known in the investment community as a nominee or who is listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List.

**14)** A trust exempt from tax under section 664 of the Code or described in section 4947 of the Code.

For broker transactions, persons listed in items 1-12, above, as well the persons listed in items 15-16, below, are exempt from backup withholding.

**15)** A futures commission merchant registered with the Commodity Futures Trading Commission.

**16)** A person registered under the Investment Advisors Act of 1940 who regularly acts as a broker.

**Payments Exempt From Backup Withholding**

Dividends and patronage dividends that are generally exempt from backup withholding include:

- Payments to nonresident aliens subject to withholding under section 1441 of the Code.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Payments made by an ESOP pursuant to section 404(k) of the Code.

Interest payments that are generally exempt from backup withholding include:

- Payments of interest on obligations issued by individuals. Note, however, that such a payment may be subject to backup withholding if the amount of interest paid during a taxable year in the course of the payor's trade or business is $600 or more, and you have not provided your correct taxpayer identification number or you have provided an incorrect taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852 of the Code).
- Payments described in section 6049(b)(5) of the Code to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451 of the Code.
- Payments made by certain foreign organizations.

Payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N of the Code, and the Treasury regulations thereunder.

**If you are exempt from backup withholding, you should still complete and file Substitute Form W-9 to avoid possible erroneous backup withholding. Enter your**

**correct taxpayer identification number in Part 1, write "Exempt" in Part 2, and sign and date the form and return it to the requester.**

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed **Form W-8.**

**Privacy Act Notice.** — Section 6109 of the Code requires you to give your correct taxpayer identification number to persons who must file information returns with the IRS to report interest, dividends and certain other income paid to you. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia to carry out their tax laws. You must provide your taxpayer identification number whether or not you are required to file a tax return. Payers must generally withhold at the applicable rate on payments of taxable interest, dividends and certain other items to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

**Penalties**

**(1) Failure to Furnish Taxpayer Identification Number.** — If you fail to furnish your correct taxpayer identification number to a requester, you are subject to a penalty of $50.00 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**(2) Civil Penalty for False Information With Respect to Withholding.** — If you make a false statement with no reasonable basis which results in no backup withholding, you are subject to a $500.00 penalty.

**(3) Criminal Penalty for Falsifying Information.** — Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**FOR ADDITIONAL INFORMATION, CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE**

**EXHIBIT 99.2**

# NOTICE OF GUARANTEED DELIVERY
# OF
# WYNDHAM WORLDWIDE CORPORATION

## FOR THE TENDER OF
## 6.00% SENIOR NOTES DUE 2016
## (INCLUDING THOSE IN BOOK-ENTRY FORM)
## (CUSIP NOS. 98310W AA 6 AND U98340 AA 7)

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Wyndham Worldwide Corporation (the "Company") made pursuant to the Prospectus, dated April , 2007 (the "Prospectus"), if certificates for the outstanding 6.00% Senior Secured Notes due 2016 of the Company (the "Original Notes") are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach U.S. Bank National Association, as exchange agent (the "Exchange Agent"), prior to 5 p.m., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to the Exchange Agent as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Original Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) must also be received by the Exchange Agent prior to 5 p.m., New York City time, on the Expiration Date. Any Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date. Where the Expiration Date has been extended, tenders pursuant to the Exchange Offer as of the previously scheduled Expiration Date may not be withdrawn after the date of the previously scheduled Expiration Date. Capitalized terms not defined herein shall have the respective meanings ascribed to them in the Prospectus and the Letter of Transmittal.

***Delivery To: U.S. Bank National Association, Exchange Agent***

*By Registered or Certified Mail:*
U.S. Bank National Association
Corporate Trust Services
EP-MN-WS-2N
60 Livingston Avenue
St. Paul, MN 55107
Attn: Specialized Finance

*For Information Call:*
(800) 934-6802
*By Facsimile Transmission*
*(for Eligible Institutions only):*
Attn: Specialized Finance (651) 495-8158

*Confirm by Telephone:*
(800) 934-6802

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF THIS INSTRUMENT VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.**

**THIS INSTRUMENT IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.**

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Original Notes set forth below pursuant to the guaranteed delivery procedure described in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Original Notes Tendered:*

$ _____

* Must be in denominations of principal amount of $1,000 and any integral multiple thereof.

Certificate Nos. (if available) _____

If Original Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number:

Account Number _____

Total Principal Amount Represented by
Original Notes Certificate(s):

$ _____

**PLEASE SIGN HERE**

_____ _____
Date

_____ _____
**Signature(s) of Holder(s) or Authorized Signatory** Date

Area Code and Telephone Number: _____

_____

Must be signed by the holder(s) of Original Notes as their name(s) appear(s) on certificates for Original Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. If Original Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

**Please Print Name(s) and Address(es)**

Name(s): _____

_____

Capacity: _____

_____

Address(es): _____

_____

Account: _____

_____

**ALL AUTHORITY HEREIN CONFERRED OR AGREED TO BE CONFERRED SHALL SURVIVE THE DEATH OR INCAPACITY OF THE UNDERSIGNED AND EVERY OBLIGATION OF THE UNDERSIGNED HEREUNDER SHALL BE BINDING UPON THE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS OF THE UNDERSIGNED.**

**GUARANTEE**
**(NOT TO BE USED FOR SIGNATURE GUARANTEES)**

The undersigned, a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the Exchange York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program, hereby guarantees that the certificates representing the principal amount of Original Notes tendered hereby in proper form for transfer, or timely confirmation of the book-entry transfer of such Original Notes into the Exchange Agent's account at The Depository Trust Company pursuant to the procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures" section of the Prospectus, together with one or more properly and duly executed Letters of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) and any required signature guarantee and any other documents required by the Letter of Transmittal, will be received by the Exchange Agent at the address set forth above, no later than three Exchange York Stock Exchange trading days after the Expiration Date.

| | |
|---|---|
| Name of Firm | Authorized Signature |
| Address | Title |
| Zip Code | Name: (Please Type or Print) |
| Area Code and Tel. No. | Dated: |

**NOTE: DO NOT SEND THE ORIGINAL NOTES WITH THIS FORM. ORIGINAL NOTES SHOULD BE SENT ONLY WITH A COPY OF YOUR PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL.**

**INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY**

1. *Delivery of This Notice of Guaranteed Delivery.* A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth herein prior to 5 p.m., New York City time, on the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and risk of the Holder and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered or certified mail properly insured, with return receipt requested, is recommended. In all cases sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedure, see Instruction 1 of the Letter of Transmittal.

2. *Signatures of This Notice of Guaranteed Delivery.* If this Notice of Guaranteed Delivery is signed by the registered Holder(s) of the Original Notes referred to herein, the signature must correspond with the name(s) written on the face of the Original Notes without alteration, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a participant of the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Original Notes, the signature must correspond with the name shown on the security position listing as the owner of the Original Notes.

If this Notice of Guaranteed Delivery is signed by a person other than the registered Holder(s) of any Original Notes listed or a participant of the Book-Entry Transfer Facility, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered Holder(s) appears on the Original Notes or signed as the name of the participant shown on the Book-Entry Transfer Facility's security position listing.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing.

3. *Requests For Assistance Or Additional Copies.* Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offer.

**EXHIBIT 99.3**

**WYNDHAM WORLDWIDE CORPORATION**

**OFFER TO EXCHANGE**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NOS. 98310W AA 6 AND U98340 AA 7)**
**FOR**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NO. 98310W AB 4)**
**THAT HAVE BEEN REGISTERED UNDER**
**THE SECURITIES ACT OF 1933, AS AMENDED,**
**PURSUANT TO THE PROSPECTUS, DATED APRIL , 2007**

**To Our Clients:**

Enclosed for your consideration is a Prospectus, dated April , 2007 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer of Wyndham Worldwide Corporation (the "Company") to exchange (the "Exchange Offer") their 6.00% Senior Secured Notes due 2016 that have been registered under the Securities Act of 1933, as amended, for its outstanding 6.00% Senior Secured Notes due 2016 (the "Original Notes"), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated December 5, 2006, among the Company, as issuer, the guarantors from time to time party thereto and the initial purchasers of the Original Notes.

This material is being forwarded to you as the beneficial owner of the Original Notes held by us for your account but not registered in your name. A TENDER OF SUCH ORIGINAL NOTES MAY ONLY BE MADE BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Original Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Original Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5 p.m., New York City time, on , 2007, unless extended by the Company. Any Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Original Notes.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer — Conditions to the Exchange Offer."

3. Any transfer taxes incident to the transfer of Original Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5 p.m., New York City time, on , 2007, unless extended by the Company.

If you wish to have us tender your Original Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR INFORMATION ONLY AND MAY NOT BE USED DIRECTLY BY YOU TO TENDER ORIGINAL NOTES.

**INSTRUCTIONS WITH RESPECT TO**
**THE EXCHANGE OFFER**

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Wyndham Worldwide Corporation with respect to its Original Notes.

This will instruct you to tender the Original Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

The undersigned expressly agrees to be bound by the enclosed Letter of Transmittal and that such Letter of Transmittal may be enforced against the undersigned.

☐ Please tender the Original Notes held by you for my account as indicated below:

**6.00% Senior Secured Notes due 2016**

$ _____
(Aggregate Principal Amount of Original Notes)

☐ Please do not tender any Original Notes held by you for my account.

Dated: _____, 2007

Signature(s): _____

Print Name(s) here: _____

Print Address(es): _____

Area Code and Telephone Number(s): _____

Tax Identification or Social Security Number(s): _____

None of the Original Notes held by us for your account will be tendered unless we receive written instructions from you to do so. Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all the Original Notes held by us for your account.

**EXHIBIT 99.4**

**WYNDHAM WORLDWIDE CORPORATION**

**OFFER TO EXCHANGE**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NOS. 98310W AA 6 AND U98340 AA 7)**
**FOR**
**$800,000,000 AGGREGATE PRINCIPAL AMOUNT OF**
**6.00% SENIOR SECURED NOTES DUE 2016 (CUSIP NO. 98310W AB 4)**
**THAT HAVE BEEN REGISTERED UNDER**
**THE SECURITIES ACT OF 1933, AS AMENDED,**
**PURSUANT TO THE PROSPECTUS, DATED APRIL , 2007**

**To: Brokers, Dealers, Commercial Banks,**
**Trust Companies and Other Nominees**

Wyndham Worldwide Corporation (the "Company") is offering, upon and subject to the terms and conditions set forth in the Prospectus, dated April , 2007 (the "Prospectus"), and the enclosed letter of transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") their 6.00% Senior Secured Notes due 2016 that have been registered under the Securities Act of 1933, as amended, for their outstanding 6.00% Senior Secured Notes due 2016 (the "Original Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated December 5, 2006, among the Company, as issuer and the initial purchasers of the Original Notes.

We are requesting that you contact your clients for whom you hold Original Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Original Notes registered in your name or in the name of your nominee, or who hold Original Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated April , 2007;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Original Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis;

4. A form of letter which may be sent to your clients for whose account you hold Original Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

6. Return envelopes addressed to U.S. Bank National Association, the Exchange Agent for the Exchange Offer.

**YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 5 P.M., NEW YORK CITY TIME, ON , 2007, UNLESS EXTENDED BY THE COMPANY (THE "EXPIRATION DATE"). ORIGINAL NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME BEFORE THE EXPIRATION DATE.**

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent, and certificates representing the Original

Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If a registered holder of Original Notes desires to tender Original Notes, but such Original Notes are not immediately available, or time will not permit such holder's Original Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under the caption "The Exchange Offer — Guaranteed Delivery Procedures."

The Company will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Prospectus and the related documents to the beneficial owners of Original Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid all stock transfer taxes applicable to the exchange of Original Notes pursuant to the Exchange Offer, except as set forth in Instruction 5 of the Letter of Transmittal.

Any inquiries you may have with respect to Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to U.S. Bank National Association, the Exchange Agent for the Exchange Offer, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

Wyndham Worldwide Corporation

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

Enclosures