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

Form 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from ____ to ____

Commission File No. **001-32876**

Wyndham Worldwide Corporation

(Exact name of registrant as specified in its charter)

Delaware	**20-0052541**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
22 Sylvan Way	**07054**
Parsippany, New Jersey	*(Zip Code)*
(Address of principal executive offices)	

(973) 753-6000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares outstanding of the issuer's common stock was 140,266,725 shares as of September 30, 2012.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Wyndham Worldwide Corporation
Parsippany, New Jersey

We have reviewed the accompanying consolidated balance sheet of Wyndham Worldwide Corporation and subsidiaries (the "Company") as of September 30, 2012, the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011 and the related consolidated statements of cash flows and equity for the nine-month periods ended September 30, 2012 and 2011. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 17, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2011 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
October 24, 2012

WYNDHAM WORLDWIDE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net revenues				
Service and membership fees	$ 566	$ 584	$ 1,558	$ 1,579
Vacation ownership interest sales	373	320	987	855
Franchise fees	168	160	449	395
Consumer financing	106	105	311	310
Other	52	43	135	114
Net revenues	1,265	1,212	3,440	3,253
Expenses				
Operating	495	490	1,389	1,358
Cost of vacation ownership interests	45	35	115	115
Consumer financing interest	23	21	69	67
Marketing and reservation	197	182	554	472
General and administrative	172	157	481	422
Asset impairment	—	—	—	13
Restructuring	—	—	—	6
Depreciation and amortization	45	43	136	133
Total expenses	977	928	2,744	2,586
Operating income	288	284	696	667
Other income, net	—	(2)	(9)	(9)
Interest expense	32	34	98	103
Early extinguishment of debt	2	—	108	12
Interest income	(2)	(19)	(7)	(22)
Income before income taxes	256	271	506	583
Provision for income taxes	97	96	187	222
Net income	159	175	319	361
Net loss attributable to noncontrolling interest	—	—	1	—
Net income attributable to Wyndham shareholders	$ 159	$ 175	$ 320	$ 361
Earnings per share				
Basic	$ 1.13	$ 1.10	$ 2.20	$ 2.17
Diluted	1.11	1.08	2.16	2.12
Cash dividends declared per share	$ 0.23	$ 0.15	$ 0.69	$ 0.45

See Notes to Consolidated Financial Statements.

WYNDHAM WORLDWIDE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income	$ 159	$ 175	$ 319	$ 361
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments	19	(53)	12	(25)
Unrealized gain on cash flow hedges	1	1	4	3
Other comprehensive income/(loss), net of tax	20	(52)	16	(22)
Comprehensive income	179	123	335	339
Net loss attributable to noncontrolling interest	—	—	1	—
Comprehensive income attributable to Wyndham shareholders	$ 179	$ 123	$ 336	$ 339

See Notes to Consolidated Financial Statements.

WYNDHAM WORLDWIDE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 232	$ 142
Trade receivables, net	376	409
Vacation ownership contract receivables, net	320	297
Inventory	372	351
Prepaid expenses	107	121
Deferred income taxes	160	153
Other current assets	262	257
Total current assets	1,829	1,730
Long-term vacation ownership contract receivables, net	2,590	2,551
Non-current inventory	725	759
Property and equipment, net	1,166	1,117
Goodwill	1,537	1,479
Trademarks, net	737	730
Franchise agreements and other intangibles, net	451	401
Other non-current assets	320	256
Total assets	$ 9,355	$ 9,023
Liabilities and Equity		
Current liabilities:		
Securitized vacation ownership debt	$ 206	$ 196
Current portion of long-term debt	64	46
Accounts payable	272	278
Deferred income	389	402
Due to former Parent and subsidiaries	12	10
Accrued expenses and other current liabilities	665	631
Total current liabilities	1,608	1,563
Long-term securitized vacation ownership debt	1,716	1,666
Long-term debt	2,465	2,107
Deferred income taxes	1,122	1,065
Deferred income	186	182
Due to former Parent and subsidiaries	29	37
Other non-current liabilities	210	171
Total liabilities	7,336	6,791
Commitments and contingencies (Note 12)		
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 215,159,866 shares in 2012 and 212,286,217 shares in 2011	2	2
Treasury stock, at cost – 74,602,746 shares in 2012 and 65,228,133 shares in 2011	(2,450)	(2,009)
Additional paid-in capital	3,814	3,818
Retained earnings	510	293
Accumulated other comprehensive income	144	128
Total stockholders' equity	2,020	2,232
Noncontrolling interest	(1)	—
Total equity	2,019	2,232
Total liabilities and equity	$ 9,355	$ 9,023

See Notes to Consolidated Financial Statements.

WYNDHAM WORLDWIDE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating Activities		
Net income	$ 319	$ 361
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	136	133
Provision for loan losses	320	255
Deferred income taxes	40	63
Stock-based compensation	31	31
Excess tax benefits from stock-based compensation	(27)	(17)
Asset impairment	—	13
Loss on early extinguishment of debt	107	12
Non-cash interest	17	21
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Trade receivables	42	71
Vacation ownership contract receivables	(247)	(151)
Inventory	68	71
Prepaid expenses	19	(2)
Other current assets	(12)	17
Accounts payable, accrued expenses and other current liabilities	5	31
Due to former Parent and subsidiaries, net	(3)	(14)
Deferred income	(17)	(27)
Other, net	10	(8)
Net cash provided by operating activities	808	860
Investing Activities		
Property and equipment additions	(123)	(153)
Net assets acquired, net of cash acquired	(204)	(27)
Development advances	(3)	(4)
Equity investments and loans	(45)	(11)
Proceeds from asset sales	—	26
Decrease in securitization restricted cash	10	13
Increase in escrow deposit restricted cash	(11)	—
Other, net	(1)	(3)
Net cash used in investing activities	(377)	(159)
Financing Activities		
Proceeds from securitized borrowings	1,265	1,243
Principal payments on securitized borrowings	(1,204)	(1,163)
Proceeds from long-term debt	1,818	1,771
Principal payments on long-term debt	(1,793)	(1,778)
Proceeds from note issuances	941	245
Repurchase of notes	(757)	—
Repayment/repurchase of convertible notes	(45)	(262)
Proceeds from call options	33	155
Repurchase of warrants	—	(112)
Dividends to shareholders	(102)	(76)
Repurchase of common stock	(476)	(673)
Proceeds from stock option exercises	13	11
Excess tax benefits from stock-based compensation	27	17
Debt issuance costs	(15)	(21)
Net share settlement of incentive equity awards	(44)	(30)
Other, net	(1)	(1)
Net cash used in financing activities	(340)	(674)
Effect of changes in exchange rates on cash and cash equivalents	(1)	(8)
Net increase in cash and cash equivalents	90	19
Cash and cash equivalents, beginning of period	142	156
Cash and cash equivalents, end of period	$ 232	$ 175

See Notes to Consolidated Financial Statements.

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WYNDHAM WORLDWIDE CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(In millions)
(Unaudited)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Balance as of December 31, 2011	147	$ 2	$ (2,009)	$ 3,818	$ 293	$ 128	$ —	$ 2,232
Net income	—	—	—	—	320	—	(1)	319
Other comprehensive income	—	—	—	—	—	16	—	16
Exercise of stock options	—	—	—	13	—	—	—	13
Issuance of shares for RSU vesting	2	—	—	—	—	—	—	—
Net share settlement of incentive equity awards	—	—	—	(44)	—	—	—	(44)
Change in deferred compensation	—	—	—	31	—	—	—	31
Repurchase of common stock	(10)	—	(473)	—	—	—	—	(473)
Settlement of warrants	1	—	32	(32)	—	—	—	—
Change in excess tax benefit on equity awards	—	—	—	26	—	—	—	26
Dividends	—	—	—	—	(103)	—	—	(103)
Other	—	—	—	2	—	—	—	2
Balance as of September 30, 2012	140	$ 2	$ (2,450)	$ 3,814	$ 510	$ 144	$ (1)	$ 2,019

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Balance as of December 31, 2010	173	$ 2	$ (1,107)	$ 3,892	$ (25)	$ 155	$ —	$ 2,917
Net income	—	—	—	—	361	—	—	361
Other comprehensive income	—	—	—	—	—	(22)	—	(22)
Exercise of stock options	—	—	—	10	—	—	—	10
Issuance of shares for RSU vesting	2	—	—	—	—	—	—	—
Net share settlement of incentive equity awards	—	—	—	(30)	—	—	—	(30)
Change in deferred compensation	—	—	—	31	—	—	—	31
Repurchase of warrants	—	—	—	(112)	—	—	—	(112)
Repurchase of common stock	(22)	—	(677)	—	—	—	—	(677)
Change in excess tax benefit on equity awards	—	—	—	17	—	—	—	17
Dividends	—	—	—	—	(76)	—	—	(76)
Other	—	—	—	—	—	—	—	—
Balance as of September 30, 2011	153	$ 2	$ (1,784)	$ 3,808	$ 260	$ 133	$ —	$ 2,419

See Notes to Consolidated Financial Statements.

WYNDHAM WORLDWIDE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise noted, all amounts are in millions, except share and per share amounts)
(Unaudited)

1. Basis of Presentation

Wyndham Worldwide Corporation ("Wyndham" or the "Company") is a global provider of hospitality services and products. The accompanying Consolidated Financial Statements include the accounts and transactions of Wyndham, as well as the entities in which Wyndham directly or indirectly has a controlling financial interest. The accompanying Consolidated 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 Financial Statements.

In presenting the Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In management's opinion, the Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These financial statements should be read in conjunction with the Company's 2011 Consolidated Financial Statements included in its Annual Report filed on Form 10-K with the Securities and Exchange Commission ("SEC") on February 17, 2012.

Business Description

The Company operates in the following business segments:

- **Lodging**—franchises hotels in the upper upscale, upscale, upper midscale, midscale, economy and extended stay segments of the lodging industry and provides hotel management services for full-service and limited-service hotels.
- **Vacation Exchange and Rentals**—provides vacation exchange services and products to owners of intervals of vacation ownership interests ("VOIs") and markets vacation rental properties primarily on behalf of independent owners.
- **Vacation Ownership**—develops, markets and sells VOIs to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts.

Recently Issued Accounting Pronouncements

Fair Value Measurement. In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance which generally provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011 and shall be applied on a prospective basis. The Company adopted the guidance on January 1, 2012, as required. There was no material impact on the Consolidated Financial Statements resulting from the adoption.

Testing Goodwill for Impairment. In September 2011, the FASB issued guidance on testing goodwill for impairment, which amends existing guidance by giving an entity the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is concluded that the fair value of a reporting unit is, more likely than not, less than its carrying amount, then it would be necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company adopted the guidance on January 1, 2012, as required. There was no material impact on the Consolidated Financial Statements resulting from the adoption.

Intangibles-Goodwill and Other. In July 2012, the FASB issued guidance on the testing of indefinite-lived intangible assets for impairment, which is intended to reduce the cost and complexity of the impairment test for indefinite-lived intangible assets by providing an entity with the option to first assess qualitatively whether it is necessary to perform the impairment test that is currently in place. An entity would not be required to quantitatively calculate the fair value of an indefinite-lived intangible asset unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This guidance is effective for interim and annual impairment tests beginning after September 15, 2012, with early adoption permitted. The Company will adopt the guidance on October 1, 2012, as required, and it believes the adoption of this guidance will not have a material impact on the Consolidated Financial Statements resulting from the adoption.

2. Earnings Per Share

The computation of basic and diluted earnings per share ("EPS") is based on net income available to Wyndham stockholders divided by the basic weighted average number of common shares and diluted weighted average number of common shares, respectively.

The following table sets forth the computation of basic and diluted EPS (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income attributable to Wyndham shareholders	$ 159	$ 175	$ 320	$ 361
Basic weighted average shares outstanding	141	159	145	166
Stock options, SSARs and RSUs (a)	2	3 (c)	2	3 (c)
Warrants (b)	1	—	1	1
Diluted weighted average shares outstanding	144 (d)	162 (e)	148 (d)	170 (e)
Earnings per share:				
Basic	$ 1.13	$ 1.10	$ 2.20	$ 2.17
Diluted	1.11	1.08	2.16	2.12

(a) Includes unvested dilutive restricted stock units ("RSUs") which are subject to future forfeitures.

(b) Represents the dilutive effect of warrants to purchase shares of the Company's common stock related to the May 2009 issuance of the Company's convertible notes.

(c) Excludes 3 million stock options and stock-settled stock appreciation rights ("SSARs") for both the three and nine months ended September 30, 2011, as it would have been anti-dilutive to EPS.

(d) Excludes 607,000 performance vested restricted stock units ("PSUs"), as the Company has not met the required performance metrics.

(e) Excludes 350,000 PSUs, as the Company has not met the required performance metrics.

Dividend Payments

During each of the quarterly periods ended March 31, June 30 and September 30, 2012, the Company paid cash dividends of $0.23 per share ($102 million in the aggregate). During each of the quarterly periods ended March 31, June 30 and September 30, 2011, the Company paid cash dividends of $0.15 per share ($76 million in the aggregate).

Stock Repurchase Program

The following table summarizes stock repurchase activity under the current stock repurchase program:

	Shares	Cost	Average Price
As of December 31, 2011	40.1	$ 1,197	$ 29.83
For the nine months ended September 30, 2012	10.0	473	47.35
As of September 30, 2012	50.1	$ 1,670	33.33

The Company had $658 million remaining availability in its program as of September 30, 2012. The total capacity of this program will increase by proceeds received from any future stock option exercises.

3. Acquisitions

Assets acquired and liabilities assumed in business combinations were recorded on the Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company have been included in the Consolidated Statements of Income since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations 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 will be recorded by the Company as further adjustments to the purchase price allocations. Although, in certain circumstances, the Company has substantially integrated the operations of its acquired businesses, additional future costs relating to such integration may occur. 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 Statements of Income as expenses.

Shell Vacations, LLC. On September 13, 2012, the Company completed the acquisition of Shell Vacations, LLC and its subsidiaries ("Shell"), a U.S. vacation ownership club and property management business. Management believes this acquisition strengthens the Company's vacation ownership portfolio and enhances its fee-for-service business model. The preliminary allocation of the purchase price is summarized as follows:

	Amount
Cash consideration	$ 180
Less: cash acquired	6
Net cash consideration	174
Fair value of assets acquired in excess of liabilities assumed	148
Excess purchase price over fair value of assets acquired and liabilities assumed	$ 26

The net cash consideration of $174 million is comprised of $96 million (net of cash acquired) for the equity of Shell and $78 million related to debt secured with VOI contract receivables repaid at closing. In addition, the Company assumed $79 million of debt. Acquisition-related costs in the amount of $1 million are included in general and administrative expenses in the accompanying Consolidated Statements of Income for three and nine month periods ended September 30, 2012.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed in connection with the Company's acquisition of Shell and is subject to revision upon receipt of final information:

	Amount
Vacation ownership contracts receivables	$ 128
Inventory	41
Customer relationships [(a)]	35
Trademarks [(b)]	4
Management contracts [(c)]	20
Goodwill	26
Property and equipment	22
Other current and non-current assets	35
Total assets acquired	311
Other current liabilities	43
Assumed debt	79
Other non-current liabilities	9
Total liabilities assumed	131
Net assets acquired	$ 180

(a) Represents customer relationships with a weighted average life of 15 years; included within Franchise agreements and other intangibles, net on the Consolidated Balance Sheet.

(b) Represents trademarks with a weighted average life of 15 years.

(c) Represents management contracts with a weighted average life of 15 years; included within Franchise agreements and other intangibles, net on the Consolidated Balance Sheet.

The goodwill, all of which is expected to be deductible for tax purposes, was assigned to the Company's Vacation Ownership segment. This acquisition was not material to the Company's results of operations, financial position or cash flows.

Smoky Mountain Property Management Group. On August 1, 2012, the Company completed the acquisition of Smoky Mountain Property Management Group ("Smoky Mountain"), a U.S. vacation rental business, for $30 million in cash, net of cash acquired. The preliminary purchase price allocation resulted in the recognition of $24 million of goodwill and $15 million of definite-lived intangible assets with a weighted average life of 12 years, all of which were assigned to the Company's Vacation Exchange and Rentals segment. This acquisition is consistent with the Company's strategy to grow its fee-for-service U.S. rentals business. This acquisition was not material to the Company's results of operations, financial position or cash flows.

Equity Investment. During 2012, the Company invested $41 million in cash and recorded $9 million of contingent consideration related to a joint venture that owns a Wyndham branded hotel. This investment was not material to the Company's results of operations, financial position or cash flows.

4. Intangible Assets

Intangible assets consisted of:

	As of September 30, 2012			As of December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Unamortized Intangible Assets:						
Goodwill	$ 1,537			$ 1,479		
Trademarks	$ 737			$ 730		
Amortized Intangible Assets:						
Franchise agreements	$ 595	$ 337	$ 258	$ 595	$ 324	$ 271
Other	252	59	193	180	50	130
	$ 847	$ 396	$ 451	$ 775	$ 374	$ 401

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

	Balance at December 31, 2011	Goodwill Acquired During 2012 (*)	Foreign Exchange	Balance at September 30, 2012
Lodging	$ 300	$ —	$ —	$ 300
Vacation Exchange and Rentals	1,179	24	8	1,211
Vacation Ownership	—	26	—	26
Total Company	$ 1,479	$ 50	$ 8	$ 1,537

(*) Relates to acquisitions completed during the third quarter of 2012 (see Note 3 - Acquisitions).

Amortization expense relating to amortizable intangible assets was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Franchise agreements	$ 4	$ 5	$ 13	$ 15
Other	3	3	9	9
Total (*)	$ 7	$ 8	$ 22	$ 24

(*) Included as a component of depreciation and amortization on the Consolidated Statements of Income.

Based on the Company's amortizable intangible assets as ofSeptember 30, 2012, the Company expects related amortization expense as follows:

	Amount
Remainder of 2012	$ 8
2013	33
2014	32
2015	32
2016	31
2017	30

5. Vacation Ownership Contract Receivables

The Company generates vacation ownership contract receivables by extending financing to the purchasers of its VOIs. Current and long-term vacation ownership contract receivables, net consisted of:

	September 30, 2012		December 31, 2011
Current vacation ownership contract receivables:			
Securitized	$ 248		$ 262
Non-securitized	123	(a)	76
	371		338
Less: Allowance for loan losses	51		41
Current vacation ownership contract receivables, net	$ 320		$ 297
Long-term vacation ownership contract receivables:			
Securitized	$ 2,128		$ 2,223
Non-securitized	897	(a)	681
	3,025		2,904
Less: Allowance for loan losses	435		353
Long-term vacation ownership contract receivables, net	$ 2,590		$ 2,551

(a) Includes $26 million and $100 million of current and long-term vacation ownership contract receivables, respectively, related to Shell.

During the three and nine months ended September 30, 2012, the Company's securitized vacation ownership contract receivables generated interest income of $76 million and $229 million, respectively. During the three and nine months ended September 30, 2011, such amounts were $79 million and $244 million, respectively.

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 Balance Sheets. During the nine months ended September 30, 2012 and 2011, the Company originated vacation ownership contract receivables of $822 million and $730 million, respectively, and received principal collections of $575 million and $579 million, respectively. The weighted average interest rate on outstanding vacation ownership contract receivables was 13.4% and 13.3% at September 30, 2012 and December 31, 2011, respectively.

The activity in the allowance for loan losses on vacation ownership contract receivables was as follows:

	Amount
Allowance for loan losses as of December 31, 2011	$ 394
Provision for loan losses	320
Contract receivables write-offs, net	(228)
Allowance for loan losses as of September 30, 2012	$ 486

	Amount
Allowance for loan losses as of December 31, 2010	$ 362
Provision for loan losses	255
Contract receivables write-offs, net	(232)
Allowance for loan losses as of September 30, 2011	$ 385

In accordance with the guidance for accounting for real estate timesharing transactions, the Company recorded a provision for loan losses of $124 million and $320 million as a reduction of net revenues during the three and nine months ended September 30, 2012, respectively, and $96 million and $255 million during the three and nine months ended September 30, 2011, respectively.

Credit Quality for Financed Receivables and the Allowance for Credit Losses

The basis of the differentiation within the identified class of financed VOI contract receivable is the consumer's FICO score. A FICO score is a branded version of a consumer credit score widely used within the U.S. by the largest banks and lending institutions. FICO scores range from 300 – 850 and are calculated based on information obtained from one or more of the three major U.S. credit reporting agencies that compile and report on a consumer's credit history. The Company updates its records for all active VOI contract receivables with a balance due on a rolling monthly basis so as to ensure that all VOI contract receivables are scored at least every six months. The Company groups all VOI contract receivables into five different categories: FICO scores ranging from 700 to 850, 600 to 699, Below 600, No Score (primarily comprised of consumers for whom a score is not readily available, including consumers declining access to FICO scores and non U.S. residents) and Asia Pacific (comprised of receivables in the Company's Wyndham Vacation Resort Asia Pacific business for which scores are not readily available).

The following table details an aged analysis of financing receivables using the most recently updated FICO scores (based on the policy described above):

	As of September 30, 2012					
	700+	600-699	<600	No Score	Asia Pacific	Total
Current	$ 1,459	$ 1,068	$ 290	$ 90	$ 311	$ 3,218
31 - 60 days	13	24	24	3	5	69
61 - 90 days	8	12	15	1	2	38
91 - 120 days	14	32	21	2	2	71
Total	$ 1,494	$ 1,136	$ 350	$ 96	$ 320	$ 3,396

	As of December 31, 2011					
	700+	600-699	<600	No Score	Asia Pacific	Total
Current	$ 1,424	$ 985	$ 320	$ 77	$ 290	$ 3,096
31 - 60 days	15	23	24	3	3	68
61 - 90 days	8	14	15	1	2	40
91 - 120 days	8	11	17	1	1	38
Total	$ 1,455	$ 1,033	$ 376	$ 82	$ 296	$ 3,242

The Company ceases to accrue interest on VOI contract receivables once the contract has remained delinquent for greater than 90 days. At greater than 120 days, the VOI contract receivable is written off to the allowance for loan losses. In accordance with its policy, the Company assesses the allowance for loan losses using a static pool methodology and thus does not assess individual loans for impairment separate from the pool.

6. Inventory

Inventory consisted of:

	September 30, 2012		December 31, 2011
Land held for VOI development	$ 137		$ 136
VOI construction in process	171		149
Completed inventory and vacation credits [a][b]	789		825
Total inventory	1,097	[c]	1,110
Less: Current portion	372		351
Non-current inventory	$ 725		$ 759

[a] Includes estimated recoveries of $198 million and $164 million as of September 30, 2012 and December 31, 2011, respectively. Vacation credits relate to both the Company's vacation ownership and vacation exchange and rentals businesses.

[b] Includes $70 million and $73 million as of September 30, 2012 and December 31, 2011, respectively, related to the Company's vacation exchange and rentals business.

[c] Includes $41 million related to Shell.

Inventory that the Company expects to sell within the next twelve months is classified as current on the Consolidated Balance Sheets.

7. Long-Term Debt and Borrowing Arrangements

The Company's indebtedness consisted of:

	September 30, 2012		December 31, 2011	
Securitized vacation ownership debt: [a]				
Term notes	$ 1,702		$ 1,625	
Bank conduit facility	220		237	
Total securitized vacation ownership debt	1,922		1,862	
Less: Current portion of securitized vacation ownership debt	206		196	
Long-term securitized vacation ownership debt	$ 1,716		$ 1,666	
Long-term debt: [b]				
Revolving credit facility (due July 2016)	$ 270		$ 218	
$230 million 3.50% convertible notes (due May 2012)	—		36	
$43 million 9.875% senior unsecured notes (due May 2014)	42		243	[d]
$357 million 6.00% senior unsecured notes (due December 2016)	361	[c]	811	[e]
$300 million 2.95% senior unsecured notes (due March 2017)	298		—	
$250 million 5.75% senior unsecured notes (due February 2018)	248		247	
$250 million 7.375% senior unsecured notes (due March 2020)	248		247	
$250 million 5.625% senior unsecured notes (due March 2021)	246		245	
$650 million 4.25% senior unsecured notes (due March 2022)	644		—	
Vacation rentals capital leases	104		102	
Other	68	[f]	4	
Total long-term debt	2,529		2,153	
Less: Current portion of long-term debt	64		46	
Long-term debt	$ 2,465		$ 2,107	

[a] Represents non-recourse debt that is securitized through bankruptcy-remote special purpose entities ("SPEs"), the creditors of which have no recourse to the Company for principal and interest. These outstanding borrowings are collateralized by $2,517 million and $2,638 million of underlying gross vacation ownership contract receivables and related assets as of September 30, 2012 and December 31, 2011, respectively.

(b) The carrying amounts of the senior unsecured notes are net of unamortized discount of $18 million as of September 30, 2012.

(c) Includes $5 million of unamortized gains from the settlement of a derivative.

(d) Aggregate principal balance as of December 31, 2011 was $250 million.

(e) Aggregate principal balance as of December 31, 2011 was $800 million.

(f) Includes $65 million related to Shell, of which $53 million is current.

2012 Debt Issuances

2.95% Senior Unsecured Notes. During March 2012, the Company issued senior unsecured notes, with face value of $300 million and bearing interest at a rate of 2.95%, for net proceeds of $298 million. Interest began accruing on March 7, 2012 and is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2012. The notes will mature on March 1, 2017 and are redeemable at the Company's option at any time, in whole or in part, at the stated 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.

4.25% Senior Unsecured Notes. During March 2012, the Company issued senior unsecured notes, with face value of $650 million and bearing interest at a rate of 4.25%, for net proceeds of $643 million. Interest began accruing on March 7, 2012 and is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2012. The notes will mature on March 1, 2022 and are redeemable at the Company's option at any time, in whole or in part, at the stated 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.

Sierra Timeshare 2012-1 Receivables Funding, LLC. During March 2012, the Company closed a series of term notes payable, Sierra Timeshare 2012-1 Receivables Funding LLC, in the initial principal amount of $450 million at an advance rate of 87.5%. These borrowings bear interest at a weighted average coupon rate of 3.01% and are secured by vacation ownership contract receivables. As of September 30, 2012, the Company had $328 million of outstanding borrowings under these term notes.

Sierra Timeshare 2012-2 Receivables Funding, LLC. During July 2012, the Company closed a series of term notes payable, Sierra Timeshare 2012-2 Receivables Funding LLC, with an initial principal amount of $300 million at an advance rate of 90%. These borrowings bear interest at a weighted average coupon rate of 2.66% and are secured by vacation ownership contract receivables. As of September 30, 2012, the Company had $271 million of outstanding borrowings under these term notes.

Sierra Timeshare Conduit Receivables Funding II, LLC. During August 2012, the Company renewed its securitized timeshare receivables conduit facility for a two-year period through August 2014. The facility bears interest at variable rates based on commercial paper rates and LIBOR rates plus a spread and has a capacity of $650 million.

3.50% Convertible Notes

During the second quarter of 2012, the Company repaid its convertible notes with a carrying value of $45 million ($12 million for the convertible notes and $33 million for a related bifurcated conversion feature). Concurrent with the repayment, the Company settled call options for proceeds of $33 million. As a result of these transactions, the Company made a net payment of $12 million.

Concurrent with the issuance of its convertible notes, the Company entered into warrant transactions ("Warrants") with certain counterparties. The Warrants were separate contracts entered into by the Company and were not part of its convertible notes. During the third quarter, the Company net share settled all of the outstanding warrants by issuing 613,000 shares of its common stock. As of September 30, 2012, there were no warrants outstanding.

Early Extinguishment of Debt

During the first quarter of 2012, the Company repurchased a portion of its 9.875% senior unsecured notes and 6.00% senior unsecured notes through tender offers totaling $650 million. In connection with these tender offers, the Company incurred a loss of $2 million and $108 million during the three and nine months ended September 30, 2012, respectively, which is included within early extinguishment of debt on the Consolidated Statements of Income.

During each of the first two quarters of 2011, the Company repurchased a portion of its convertible notes and settled a portion of the related call options. In connection with these transactions, the Company incurred a loss of $12 million during the nine months ended September 30, 2011, which is included within early extinguishment of debt on the Consolidated Statement of Income.

Maturities and Capacity

The Company’s outstanding debt as of September 30, 2012 matures as follows:

	Securitized Vacation Ownership Debt	Other	Total
Within 1 year	$ 206	$ 64	$ 270
Between 1 and 2 years	244	65	309
Between 2 and 3 years	378	11	389
Between 3 and 4 years	204	281	485
Between 4 and 5 years	198	670	868
Thereafter	692	1,438	2,130
	$ 1,922	$ 2,529	$ 4,451

Debt maturities of the securitized vacation ownership debt are based on the contractual payment terms of the underlying vacation ownership contract receivables. As such, actual maturities may differ as a result of prepayments by the vacation ownership contract receivable obligors.

As of September 30, 2012, available capacity under the Company’s borrowing arrangements was as follows:

	Securitized Bank Conduit Facility[(a)]	Revolving Credit Facility
Total Capacity	$ 650	$ 1,000
Less: Outstanding Borrowings	220	270
Available Capacity	$ 430	$ 730 [(b)]

(a) The capacity of this facility is subject to the Company’s ability to provide additional assets to collateralize additional securitized borrowings.

(b) The capacity under the Company’s revolving credit facility includes availability for letters of credit. As of September 30, 2012, the available capacity of $730 million was further reduced to $720 million due to the issuance of $10 million of letters of credit.

Interest Expense

The Company incurred non-securitized interest expense of $32 million and $98 million during the three and nine months ended September 30, 2012, respectively. Such amounts consisted primarily of $33 million and $102 million of interest on long-term debt, partially offset by $1 million and $4 million of capitalized interest during the three and nine months ended September 30, 2012, respectively, and are recorded within interest expense on the Consolidated Statements of Income. Cash paid related to interest on the Company's non-securitized debt was $104 million during the nine months ended September 30, 2012.

The Company incurred non-securitized interest expense of $34 million and $103 million during the three and nine months ended September 30, 2011, respectively. Such amounts consisted primarily of $37 million and $112 million of interest on long-term debt, partially offset by $3 million and $9 million of capitalized interest during the three and nine months ended September 30, 2011, respectively, and are recorded within interest expense on the Consolidated Statements of Income. Cash paid related to interest on the Company's non-securitized debt was $95 million during the nine months ended September 30, 2011.

Interest expense incurred in connection with the Company’s securitized vacation ownership debt during the three and nine months ended September 30, 2012 was $23 million and $69 million, respectively, and $21 million and $67 million during the three and nine months ended September 30, 2011, respectively, and is recorded within consumer financing interest on the Consolidated Statements of Income. Cash paid related to interest on the Company's securitized vacation ownership debt was $56 million and $57 million during the nine months ended September 30, 2012 and 2011, respectively.

8. Transfer and Servicing of Financial Assets

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. Vacation ownership contract receivables are securitized through bankruptcy-remote SPEs that are consolidated within the Consolidated Financial Statements. As a result, the Company does not recognize gains or losses resulting from these securitizations at the time of sale to the SPEs. Interest income is recognized when earned over the contractual life of the vacation ownership contract receivables. The Company services the securitized vacation ownership contract receivables pursuant to servicing agreements negotiated on an arms-length basis based on market conditions. The activities of these 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 fund such purchases; and (iii) entering into derivatives to hedge interest rate exposure. The bankruptcy-remote SPEs are legally separate from the Company. The receivables held by the bankruptcy-remote SPEs are not available to creditors of the Company and legally are not assets of the Company. Additionally, the creditors of these SPEs have no recourse to the Company for principal and interest.

The assets and liabilities of these vacation ownership SPEs are as follows:

	September 30, 2012	December 31, 2011
Securitized contract receivables, gross [(a)]	$ 2,376	$ 2,485
Securitized restricted cash [(b)]	122	132
Interest receivables on securitized contract receivables [(c)]	19	20
Other assets [(d)]	—	1
Total SPE assets [(e)]	2,517	2,638
Securitized term notes [(f)]	1,702	1,625
Securitized conduit facilities [(f)]	220	237
Other liabilities [(g)]	6	11
Total SPE liabilities	1,928	1,873
SPE assets in excess of SPE liabilities	$ 589	$ 765

(a) Included in current ($248 million and $262 million as of September 30, 2012 and December 31, 2011, respectively) and non-current ($2,128 million and $2,223 million as of September 30, 2012 and December 31, 2011, respectively) vacation ownership contract receivables on the Consolidated Balance Sheets.

(b) Included in other current assets ($65 million and $71 million as of September 30, 2012 and December 31, 2011, respectively) and other non-current assets ($57 million and $61 million as of September 30, 2012 and December 31, 2011, respectively) on the Consolidated Balance Sheets.

(c) Included in trade receivables, net on the Consolidated Balance Sheets.

(d) Includes interest rate derivative contracts and related assets; included in other non-current assets on the Consolidated Balance Sheets.

(e) Excludes deferred financing costs of $28 million and $26 million as of September 30, 2012 and December 31, 2011, respectively, related to securitized debt.

(f) Included in current ($206 million and $196 million as of September 30, 2012 and December 31, 2011, respectively) and long-term ($1,716 million and $1,666 million as of September 30, 2012 and December 31, 2011, respectively) securitized vacation ownership debt on the Consolidated Balance Sheets.

(g) Primarily includes interest rate derivative contracts and accrued interest on securitized debt; included in accrued expenses and other current liabilities ($2 million as of both September 30, 2012 and December 31, 2011) and other non-current liabilities ($4 million and $9 million as of September 30, 2012 and December 31, 2011, respectively) on the Consolidated Balance Sheets.

In addition, the Company has vacation ownership contract receivables that have not been securitized through bankruptcy-remote SPEs. Such gross receivables were $1,020 million and $757 million as of September 30, 2012 and December 31, 2011, respectively. A summary of total vacation ownership receivables and other securitized assets, net of securitized liabilities and the allowance for loan losses, is as follows:

	September 30, 2012	December 31, 2011
SPE assets in excess of SPE liabilities	$ 589	$ 765
Non-securitized contract receivables	1,020	757
Less: Allowance for loan losses	486	394
Total, net	$ 1,123	$ 1,128

Restricted Cash

In addition to restricted cash related to securitizations, the Company also had$64 million and $53 million of restricted cash related to escrow deposits as ofSeptember 30, 2012 and December 31, 2011, respectively, which was recorded within other current assets on the Consolidated Balance Sheets.

9. Fair Value

The guidance for fair value measurements requires disclosures about assets and liabilities that are measured at fair value. The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable.

Level 3: Unobservable inputs used when little or no market data is available.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input (closest to Level 3) that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table summarizes information regarding assets and liabilities that are measured at fair value on a recurring basis:

	As of September 30, 2012			As of December 31, 2011		
	Fair Value	**Level 2**	**Level 3**	**Fair Value**	**Level 2**	**Level 3**
Assets						
Derivatives: [(a)]						
Call Options	$ —	$ —	$ —	$ 24	$ —	$ 24
Interest rate contracts	3	3	—	4	4	—
Foreign exchange contracts	1	1	—	1	1	—
Securities available-for-sale [(b)]	6	—	6	6	—	6
Total assets	$ 10	$ 4	$ 6	$ 35	$ 5	$ 30
Liabilities						
Derivatives:						
Bifurcated Conversion Feature [(c)]	$ —	$ —	$ —	$ 24	$ —	$ 24
Interest rate contracts [(d)]	4	4	—	10	10	—
Foreign exchange contracts [(d)]	2	2	—	3	3	—
Total liabilities	$ 6	$ 6	$ —	$ 37	$ 13	$ 24

(a) Included in other current assets ($2 million and $25 million as of September 30, 2012 and December 31, 2011, respectively) and other non-current assets ($2 million and $4 million as of September 30, 2012 and December 31, 2011, respectively) on the Consolidated Balance Sheets; carrying value is equal to estimated fair value.

(b) Included in other non-current assets on the Consolidated Balance Sheets.

(c) Included in current portion of long-term debt on the Consolidated Balance Sheet as of December 31, 2011; carrying value is equal to estimated fair value.

(d) Included in accrued expenses and other current liabilities ($2 million and $4 million as of September 30, 2012 and December 31, 2011, respectively) and other non-current liabilities ($4 million and $9 million as of September 30, 2012 and December 31, 2011, respectively) on the Consolidated Balance Sheets; carrying value is equal to estimated fair value.

The Company's derivative instruments primarily consist of pay-fixed/receive-variable interest rate swaps, pay-variable/receive-fixed interest rate swaps, interest rate caps, foreign exchange forward contracts and foreign exchange average rate forward contracts (see Note 10 – Derivative Instruments and Hedging Activities for more detail). For assets and liabilities that are measured using quoted prices in active markets, the fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using other significant observable inputs are valued by reference to similar assets and liabilities. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets and liabilities in active markets. For assets and liabilities that are measured using significant unobservable inputs, fair value is primarily derived using a fair value model, such as a discounted cash flow model.

The following tables present additional information about financial assets which are measured at fair value on a recurring basis for which the Company has utilized significant unobservable Level 3 inputs to determine fair value as of September 30, 2012 and September 30, 2011:

	Derivative Asset-Call Options	Derivative Liability-Bifurcated Conversion Feature	Securities Available-For-Sale
Balance as of December 31, 2011	$ 24	$ (24)	$ 6
Change in fair value	9	(9)	—
Repayment of debt/settlement of call options	(33)	33	—
Balance as of September 30, 2012	$ —	$ —	$ 6

	Derivative Asset-Call Options	Derivative Liability-Bifurcated Conversion Feature	Securities Available-For-Sale
Balance as of December 31, 2010	$ 162	$ (162)	$ 6
Convertible notes activity (*)	(156)	156	—
Change in fair value	10	(10)	—
Balance as of September 30, 2011	$ 16	$ (16)	$ 6

(*) Represents the change in value resulting from the Company's repurchase of a portion of its convertible notes and the settlement of a corresponding portion of the call options.

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 are as follows:

	September 30, 2012		December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Vacation ownership contract receivables, net	$ 2,910	$ 3,389	$ 2,848	$ 3,232
Debt				
Total debt (*)	4,451	4,677	4,015	4,205

(*) As of December 31, 2011, includes $24 million related to a bifurcated conversion feature liability.

The Company estimates the fair value of its vacation ownership contract receivables using a discounted cash flow model which it believes is comparable to the model that an independent third party would use in the current market. The model uses Level 3 inputs consisting of default rates, prepayment rates, coupon rates and loan terms for the contract receivables portfolio as key drivers of risk and relative value that, when applied in combination with pricing parameters, determines the fair value of the underlying contract receivables.

The Company estimates the fair value of its securitized vacation ownership debt by obtaining Level 2 inputs comprised of indicative bids from investment banks that actively issue and facilitate the secondary market for timeshare securities. The Company estimates the fair value of its other long-term debt, excluding capital leases, using Level 2 inputs based on indicative bids from investment banks and determines the fair value of its senior notes using quoted market prices.

In accordance with the guidance for equity method investments, during the first quarter of 2011, an investment in an international joint venture in the Company's lodging business with a carrying amount of $13 million was written down due to the impairment of cash flows resulting from the Company's partner having an indirect relationship with the Libyan government. Such write-down resulted in a $13 million charge, which is included within asset impairment on the Consolidated Statement of Income.

10. Derivative Instruments and Hedging Activities

Foreign Currency Risk

The Company uses freestanding foreign currency forward contracts and foreign currency forward contracts designated as cash flow hedges 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 payments. The amount of gains or losses the Company expects to reclassify from other comprehensive income to earnings over the next 12 months is not material.

Interest Rate Risk

A portion of the debt used to finance the Company's operations is 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. The Company also uses swaps to convert specific fixed-rate debt into variable-rate debt (i.e., fair value hedges) to manage the overall interest cost. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in income with offsetting adjustments to the carrying amount of the hedged debt. The amount of losses that the Company expects to reclassify from accumulated other comprehensive income ("AOCI") to earnings during the next 12 months is not material.

The following table summarizes information regarding the gain/(loss) amounts recognized in AOCI:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Designated hedging instruments				
Interest rate contracts	$ 1	$ 1	$ 5	$ 5
Foreign exchange contracts	(1)	—	(1)	—

The following table summarizes information regarding the gain/(loss) recognized in income on the Company's freestanding derivatives:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Non-designated hedging instruments				
Foreign exchange contracts [a]	$ (2)	$ (6)	$ 1	$ (13)
Interest rate contracts	(1) [b]	1 [c]	(1) [b]	7 [c]
Call Options	—	(5)	9	10
Bifurcated Conversion Feature	—	5	(9)	(10)
Total	$ (3)	$ (5)	$ —	$ (6)

[a] Included within operating expenses on the Consolidated Statements of Income.
[b] Included within consumer financing interest expense on the Consolidated Statements of Income.
[c] Included within interest expense and consumer financing interest expense on the Consolidated Statements of Income.

The following table summarizes information regarding the fair value of the Company's derivative instruments:

	Balance Sheet Location	As of September 30, 2012	As of December 31, 2011
Designated hedging instruments			
Liabilities			
Interest rate contracts	Other non-current liabilities	$ 4	$ 9
Foreign exchange contracts	Accrued expenses and other current liabilities	1	1
Total		$ 5	$ 10
Non-designated hedging instruments			
Assets			
Interest rate contracts	Other non-current assets	$ 3	$ 4
Foreign exchange contracts	Other current assets	1	1
Call Options	Other current assets	—	24
Total		$ 4	$ 29
Liabilities			
Interest rate contracts	Other non-current liabilities	$ —	$ 1
Foreign exchange contracts	Accrued expenses and other current liabilities	1	2
Bifurcated Conversion Feature	Current portion of long-term debt	—	24
Total		$ 1	$ 27

11. Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2008. In addition, with few exceptions, the Company is no longer subject to state and local, or non-U.S. income tax examinations for years prior to 2004.

The Company's effective tax rate increased from35.4% during the three months ended September 30, 2011 to 37.9% during the three months ended September 30, 2012 primarily due to the absence of a benefit resulting from the release of a tax valuation allowance during 2011.

The Company's effective tax rate declined from38.1% during the nine months ended September 30, 2011 to 37.0% during the nine months ended September 30, 2012 primarily due to the tax benefit derived from the loss on the early extinguishment of debt during 2012 and the absence of the tax expense resulting from the refund of value added taxes during 2011, partially offset by the absence of a benefit resulting from the release of a tax valuation allowance during 2011.

The Company made cash income tax payments, net of refunds, of $105 million and $89 million during the nine months ended September 30, 2012 and 2011, respectively.

12. Commitments and Contingencies

The Company is involved in claims, legal and regulatory proceedings and governmental inquiries related to the Company's business.

Wyndham Worldwide Corporation Litigation

The Company is involved in claims, legal and regulatory proceedings and governmental inquiries arising in the ordinary course of its business including but not limited to: for its lodging business—breach of contract, fraud and bad faith claims between franchisors and franchisees in connection with franchise agreements and with owners in connection with management contracts; negligence, breach of contract, fraud, employment, consumer protection and other statutory claims asserted in connection with alleged acts or occurrences at franchised or managed properties or in relation to guest reservations and bookings; for its vacation exchange and rentals business—breach of contract, fraud and bad faith claims by affiliates and customers in connection with their respective agreements; negligence, breach of contract, fraud, consumer protection and other statutory claims asserted by members and guests for alleged injuries sustained at affiliated resorts and vacation rental properties; for its vacation ownership business—breach of contract, bad faith, conflict of interest, fraud, consumer protection and other statutory claims by property owners' associations, owners and prospective owners in connection with the sale or use of VOIs or land, or the management of vacation ownership resorts; construction defect claims relating to vacation ownership units or resorts; and negligence, breach of contract, fraud, consumer protection and other statutory claims by guests for alleged injuries sustained at vacation ownership units or resorts; and for each of its businesses, bankruptcy proceedings involving efforts to collect receivables from a debtor in bankruptcy; employment matters which may include claims of retaliation discrimination, harassment and wage and hour claims; claims of infringement upon third parties' intellectual property rights, claims relating to information security, privacy, consumer protection, tax claims and environmental claims.

On June 26, 2012, the U.S. Federal Trade Commission ("FTC") filed a lawsuit in Federal District Court for the District of Arizona against the Company and its subsidiaries, Wyndham Hotel Group, LLC, Wyndham Hotels & Resorts Inc. and Wyndham Hotel Management Inc., alleging unfairness and deception-based violations of Section 5 of the FTC Act in connection with three prior data breach incidents involving a group of Wyndham brand hotels. The Company disputes the allegations in the lawsuit and is defending this lawsuit vigorously. The Company does not believe that the data breach incidents were material, nor does it expect that the outcome of the FTC litigation will have a material effect on the Company's results of operations, financial position or cash flows.

The Company records an accrual for legal contingencies when it determines, after consultation with outside counsel, that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, the Company evaluates, among other things, the degree of probability of an unfavorable outcome and, when it is probable that a liability has been incurred, the Company's ability to make a reasonable estimate of loss. The Company reviews these accruals each reporting period and makes revisions based on changes in facts and circumstances including changes to its strategy in dealing with these matters.

The Company believes that it has adequately accrued for such matters with reserves of $36 million and $35 million as of September 30, 2012 and December 31, 2011, respectively. Such reserve is exclusive of matters relating to the Company's separation from Cendant, its former Parent ("Separation"). For matters not requiring accrual, the Company believes that such matters will not have a material effect on its results of operations, financial position or cash flows based on information currently available.

Other Guarantees/Indemnifications

From time to time, in order to secure a hotel management agreement, the Company may provide the hotel owner with a guarantee of a certain level of profitability based upon various metrics. Under such an agreement, the Company would be required to compensate such hotel owner for any profitability shortfall over the life of the management agreement up to a specified aggregate amount. For certain agreements, the Company may be able to recapture a portion or all of the shortfall payments and any waived fees in the event that future profitability exceeds targets. As of September 30, 2012, the maximum potential amount of future payments to be made under these guarantees is $20 million. As of September 30, 2012, the Company maintained a liability in connection with these guarantees of $2 million on its Consolidated Balance Sheet.

Cendant Litigation

Under the Separation agreement, the Company agreed to be responsible for37.5% of certain of Cendant's contingent and other corporate liabilities and associated costs, including certain contingent litigation. Since the Separation, Cendant settled the majority of the lawsuits pending on the date of the Separation.

13. Accumulated Other Comprehensive Income

The components of AOCI are as follows:

	September 30, 2012	December 31, 2011
Foreign currency translation adjustments	$ 153	$ 141
Unrealized losses on cash flow hedges	(6)	(10)
Defined benefit pension plans	(3)	(3)
Total AOCI (*)	$ 144	$ 128

(*) Includes $32 million and $40 million of tax benefit as of September 30, 2012 and December 31, 2011, respectively.

Currency translation adjustments exclude income taxes related to investments in foreign subsidiaries where the Company intends to reinvest the undistributed earnings indefinitely in those foreign operations.

14. Stock-Based Compensation

The Company has a stock-based compensation plan available to grant RSUs, SSARs, PSUs 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, as amended, a maximum of 36.7 million shares of common stock may be awarded. As of September 30, 2012, 16.5 million shares remained available.

Incentive Equity Awards Granted by the Company

The activity related to incentive equity awards granted by the Company for the nine months endedSeptember 30, 2012 consisted of the following:

	RSUs		SSARs	
	Number of RSUs	Weighted Average Grant Price	Number of SSARs	Weighted Average Exercise Price
Balance as of December 31, 2011	5.0	$ 18.02	2.2	$ 21.28
Granted	1.1 (b)	44.57	0.1 (b)	44.57
Vested/exercised	(2.8)	13.09	(0.3)	27.87
Canceled	(0.1)	23.11	—	—
Balance as of September 30, 2012 (a)	3.2 (c)	31.93	2.0 (d)	21.53

(a) Aggregate unrecognized compensation expense related to RSUs and SSARs was $84 million as of September 30, 2012 which is expected to be recognized over a weighted average period of 2.8 years.

(b) Primarily represents awards granted by the Company on March 1, 2012.

(c) Approximately 3.1 million RSUs outstanding as of September 30, 2012 are expected to vest over time.

(d) Approximately 1.7 million of the 2 million SSARs are exercisable as of September 30, 2012. The Company assumes that all unvested SSARs are expected to vest over time. SSARs outstanding as of September 30, 2012 had an intrinsic value of $62 million and have a weighted average remaining contractual life of 2.0 years.

On March 1, 2012, the Company approved grants of incentive equity awards totaling$51 million to key employees and senior officers of Wyndham in the form of RSUs and SSARs. These awards will vest ratably over a period of four years. In addition, on March 1, 2012, the Company approved a grant of incentive equity awards totaling $12 million to key employees and senior officers of Wyndham in the form of PSUs. These awards cliff vest on the third anniversary of the grant date, contingent upon the Company achieving certain performance metrics. As of September 30, 2012, there were approximately 607,000 PSUs outstanding with an aggregate unrecognized compensation expense of $15 million.

The fair value of SSARs granted by the Company on March 1, 2012 was estimated on the date of the grant using the Black-Scholes option-pricing model with the relevant weighted average assumptions outlined in the table below. Expected volatility is based on both historical and implied volatilities of the Company's stock over the estimated expected life of the SSARs. The expected life represents the period of time the SSARs are expected to be outstanding and is based on historical experience given consideration to the contractual terms and vesting periods of the SSARs. The risk free interest rate is based on yields on U.S. Treasury strips with a maturity similar to the estimated expected life of the SSARs. The projected dividend yield was based on the Company's anticipated annual dividend divided by the price of the Company's stock on the date of the grant.

	SSARs Issued on March 1, 2012
Grant date fair value	$ 15.34
Grant date strike price	$ 44.57
Expected volatility	43.34 %
Expected life	6 yrs.
Risk free interest rate	1.21 %
Projected dividend yield	2.06 %

Stock-Based Compensation Expense

The Company recorded stock-based compensation expense of $10 million and $31 million during the three and nine months ended both September 30, 2012 and 2011, respectively, related to the incentive equity awards granted by the Company. The Company recognized a net tax benefit of $4 million and $12 million during the three and nine months ended both September 30, 2012 and 2011, respectively, for stock-based compensation arrangements on the Consolidated Statements of Income. During the nine months ended September 30, 2012, the Company increased its pool of excess tax benefits available to absorb tax deficiencies ("APIC Pool") by $26 million due to the vesting of RSUs and exercise of stock options. As of September 30, 2012, the Company's APIC Pool balance was $56 million.

The Company paid $44 million and $30 million of taxes for the net share settlement of incentive equity awards during the nine months ended September 30, 2012 and 2011, respectively. Such amount is included within financing activities on the Consolidated Statements of Cash Flows.

15. Segment Information

The reportable segments presented below represent the Company's operating segments for which separate financial information is available and which is 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 net revenues and "EBITDA", which is defined as net income before depreciation and amortization, interest expense (excluding consumer financing interest), early extinguishment of debt, interest income (excluding consumer financing interest) and income taxes, each of which is presented on the Consolidated Statements of Income. The Company's presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

	Three Months Ended September 30,			
	2012		2011	
	Net Revenues	EBITDA	Net Revenues	EBITDA
Lodging	$ 249	$ 86	$ 222	$ 67
Vacation Exchange and Rentals	420	123	436	131
Vacation Ownership	608	154	559	149
Total Reportable Segments	1,277	363	1,217	347
Corporate and Other (*)	(12)	(30)	(5)	(18)
Total Company	$ 1,265	333	$ 1,212	329
Depreciation and amortization		45		43
Interest expense		32		34
Early extinguishment of debt		2		—
Interest income		(2)		(19)
Income before income taxes		$ 256		$ 271

(*) Includes the elimination of transactions between segments.

	Nine Months Ended September 30,			
	2012		2011	
	Net Revenues	EBITDA	Net Revenues	EBITDA
Lodging	$ 667	$ 210	$ 561	$ 160
Vacation Exchange and Rentals	1,129	300	1,152	330
Vacation Ownership	1,679	407	1,550	376
Total Reportable Segments	3,475	917	3,263	866
Corporate and Other (*)	(35)	(76)	(10)	(57)
Total Company	$ 3,440	841	$ 3,253	809
Depreciation and amortization		136		133
Interest expense		98		103
Early extinguishment of debt		108		12
Interest income		(7)		(22)
Income before income taxes		$ 506		$ 583

(*) Includes the elimination of transactions between segments.

16. Restructuring

2010 Restructuring Plan

During 2010, the Company committed to a strategic realignment initiative at its vacation exchange and rentals business targeted at reducing costs, primarily impacting the operations at certain vacation exchange call centers. During the nine months ended September 30, 2012, the Company reduced its liability with $3 million of cash payments. The remaining liability of $4 million as of September 30, 2012, all of which is facility-related, is expected to be paid in cash by the first quarter of 2020. From the commencement of the 2010 restructuring plan through September 30, 2012, the Company has incurred a total of $16 million of expenses in connection with such plan.

2008 Restructuring Plan

During 2008, the Company committed to various strategic realignment initiatives targeted principally at reducing costs, enhancing organizational efficiency and consolidating and rationalizing existing processes and facilities. During the nine months ended September 30, 2012, the Company reduced its liability with $1 million of cash payments. The remaining liability of $2 million as of September 30, 2012, all of which is facility-related, is expected to be paid in cash by January 2014. From the commencement of the 2008 restructuring plan through September 30, 2012, the Company has incurred $124 million of expenses in connection with such plan.

The activity related to the restructuring liability is summarized by category as follows:

	Liability as of December 31, 2011	Cash Payments	Liability as of September 30, 2012
Personnel-related	$ 1	$ 1	$ —
Facility-related	9	3	6
	$ 10	$ 4	$ 6

17. 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 and Realogy and travel distribution services ("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% while Realogy is responsible for the remaining 62.5%. The remaining amount of liabilities which were assumed by the Company in connection with the Separation was $43 million and $49 million as of September 30, 2012 and December 31, 2011, respectively. These amounts were 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(s). 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 were valued upon the Separation in accordance with the guidance for guarantees and recorded as liabilities on the Consolidated Balance Sheets. 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.

As a result of the sale of Realogy on April 10, 2007, Realogy was required to post a letter of credit in an amount acceptable to the Company and Avis Budget Group (formally known as Cendant) to satisfy its obligations for the Cendant legacy contingent liabilities. As of September 30, 2012, the letter of credit was $70 million.

As of September 30, 2012, the $43 million of Separation related liabilities is comprised of $37 million for tax liabilities, $2 million for liabilities of previously sold businesses of Cendant, $2 million for other contingent and corporate liabilities and $2 million of liabilities where the calculated guarantee amount exceeded the contingent liability assumed at the Separation Date. In connection with these liabilities, $12 million is recorded in current due to former Parent and subsidiaries and $29 million is recorded in long-term due to former Parent and subsidiaries as of September 30, 2012 on the Consolidated Balance Sheet. The Company will indemnify Cendant for these contingent liabilities and therefore any payments made to the third party would be through the former Parent. The $2 million relating to guarantees is recorded in other current liabilities as of September 30, 2012 on the Consolidated Balance Sheet. The actual timing of payments relating to these liabilities is dependent on a variety of factors beyond the Company's control. In addition, as of both September 30, 2012 and December 31, 2011, the Company had $3 million of receivables due from former Parent and subsidiaries primarily relating to income taxes, which is recorded in other current assets on the Consolidated Balance Sheets.

18. Subsequent Event

Commercial Paper Program

On October 2, 2012, the Company entered into a commercial paper program under which the Company may issue unsecured commercial paper notes (the "Notes") up to an aggregate amount of $500 million. Amounts available under this program may be reborrowed. The Company's revolving credit facility is available to repay the Notes, if necessary.

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

FORWARD-LOOKING STATEMENTS

This report includes "forward-looking" statements, as that term is defined by the Securities and Exchange Commission ("SEC") in its rules, regulations and releases. Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "expects," "should," "believes," "plans," "anticipates," "estimates," "predicts," "potential," "continue," or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, general economic conditions, our financial and business prospects, our capital requirements, our financing prospects, our relationships with associates, and those disclosed as risks under "Risk Factors" in Part II, Item 1A of this report. We caution readers that any such statements are based on currently available operational, financial and competitive information, and they should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur.

BUSINESS AND OVERVIEW

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

- **Lodging**—franchises hotels in the upper upscale, upscale, upper midscale, midscale, economy and extended stay segments of the lodging industry and provides hotel management services for full-service and limited-service hotels.
- **Vacation Exchange and Rentals**—provides vacation exchange services and products to owners of intervals of vacation ownership interests ("VOIs") and markets vacation rental properties primarily on behalf of independent owners.
- **Vacation Ownership**—develops, markets and sells VOIs to individual consumers, provides consumer financing in connection with the sale of VOIs and provides property management services at resorts.

RESULTS OF OPERATIONS

Discussed below are our key operating statistics, consolidated 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 discrete 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 net revenues and EBITDA (a non-GAAP measure). Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

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OPERATING STATISTICS

The following table presents our operating statistics for the three months ended September 30, 2012 and 2011. See Results of Operations section for a discussion as to how these operating statistics affected our business for the periods presented.

	Three Months Ended September 30,		
	2012	2011	% Change
Lodging			
Number of rooms [(a)]	618,100	611,200	1.1
RevPAR [(b)]	$ 40.39	$ 39.49	2.3
Vacation Exchange and Rentals			
Average number of members (in 000s) [(c)]	3,672	3,744	(1.9)
Exchange revenue per member [(d)]	$ 171.14	$ 172.38	(0.7)
Vacation rental transactions (in 000s) [(e)] [(f)]	390	370	5.4
Average net price per vacation rental [(f)] [(g)]	$ 635.44	$ 701.81	(9.5)
Vacation Ownership [(h)]			
Gross VOI sales (in 000s) [(i)] [(j)]	$ 502,000	$ 455,000	10.3
Tours [(k)]	207,000	197,000	5.1
Volume Per Guest (“VPG”) [(l)]	$ 2,315	$ 2,197	5.4

(a) Represents the number of rooms at lodging properties at the end of the period which are under franchise and/or management agreements, or are company owned.

(b) 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.

(c) Represents members in our vacation exchange programs who paid annual membership dues as of the end of the period or within the allowed grace period.

(d) Represents total annualized revenues generated from fees associated with memberships, exchange transactions, member-related rentals and other servicing for the period divided by the average number of vacation exchange members during the period. Excluding the impact of foreign exchange movements, exchange revenue per member was up 1.4%.

(e) Represents the number of transactions that are generated in connection with customers booking their vacation rental stays through us. One rental transaction is recorded for each standard one-week rental.

(f) Includes the impact from the acquisition of Smoky Mountain Property Management Group ("Smoky Mountain") (August 2012) and two tuck-in acquisitions (third quarter 2011) from the acquisition date forward. Therefore, such operating statistics for 2012 are not presented on a comparable basis to the 2011 operating statistics.

(g) Represents the net rental price generated from renting vacation properties to customers and other related rental servicing fees divided by the number of vacation rental transactions. Excluding the impact of foreign exchange movements, the average net price per vacation rental was down 2.8%.

(h) Includes the impact of the acquisition of Shell Vacations, LLC ("Shell") (September 2012) from the acquisition date forward. Therefore, the operating statistics are not presented on a comparable basis to the 2011 operating statistics.

(i) Represents total sales of VOIs, including sales under the Wyndham Asset Affiliation Model (“WAAM”) 1.0, before loan loss provisions. We believe that Gross VOI sales provide an enhanced understanding of the performance of our vacation ownership business because it directly measures the sales volume of this business during a given reporting period.

(j) The following table provides a reconciliation of Gross VOI sales to Vacation ownership interest sales for the three months ended September 30 (in millions):

	2012	2011
Gross VOI sales [(1)]	$ 502	$ 455
Less: WAAM 1.0 sales [(2)]	5	38
Gross VOI sales, net of WAAM 1.0 sales	497	417
Less: Loan loss provision	124	96
Vacation ownership interest sales [(3)]	$ 373	$ 320

(1) For the three months ended September 30, 2012, includes $57 million of gross VOI sales under our WAAM 2.0 sales model which enables us to acquire and own completed timeshare units close to the timing of the sales of such units and to offer financing to the purchaser. This significantly reduces the period between the deployment of capital to acquire inventory and the subsequent return on investment which occurs at the time of its sale to a timeshare purchaser. We implemented this sales model during the second quarter of 2012.

(2) Represents total sales of VOIs through our fee-for-service vacation ownership sales model designed to offer turn-key solutions for developers or banks in possession of newly developed inventory, which we will sell for a commission fee through our extensive sales and marketing channels. WAAM 1.0 commission revenues amounted to $4 million and $23 million for the three months ended September 30, 2012 and 2011, respectively.

(3) Amounts may not foot due to rounding.

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

(l) VPG is calculated by dividing Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) by the number of tours. Tele-sales upgrades were $22 million and $21 million during the three months ended September 30, 2012 and 2011, respectively. We have excluded non-tour upgrade sales in the calculation of VPG because non-tour upgrade sales are generated by a different marketing channel. We believe that VPG provides an enhanced understanding of the performance of our vacation ownership business because it directly measures the efficiency of this business' tour selling efforts during a given reporting period.

THREE MONTHS ENDED SEPTEMBER 30, 2012 VS. THREE MONTHS ENDED SEPTEMBER 30, 2011

Our consolidated results are as follows:

	Three Months Ended September 30,		
	2012	2011	Favorable/(Unfavorable)
Net revenues	$ 1,265	$ 1,212	$ 53
Expenses	977	928	(49)
Operating income	288	284	4
Other income, net	—	(2)	(2)
Interest expense	32	34	2
Early extinguishment of debt	2	—	(2)
Interest income	(2)	(19)	(17)
Income before income taxes	256	271	(15)
Provision for income taxes	97	96	(1)
Net income attributable to Wyndham shareholders	$ 159	$ 175	$ (16)

Net revenues increased $53 million (4.4%) for the three months ended September 30, 2012 compared with the same period last year primarily resulting from:

- a $43 million increase at our vacation ownership business primarily resulting from higher net VOI sales;
- a $22 million increase (excluding intersegment revenues) at our lodging business primarily from higher royalty, marketing and reservation and Wyndham Rewards revenues resulting from stronger RevPar, and incremental revenues from the Wyndham Grand hotel in Orlando, which opened in the fourth quarter of 2011; and
- $13 million of incremental revenues from acquisitions.

Such revenue increases were partially offset by a $22 million reduction of revenues at our vacation exchange and rentals business resulting from unfavorable foreign currency translation.

Expenses increased $49 million (5.3%) for the three months ended September 30, 2012 compared with the same period last year principally reflecting:

- $41 million of higher expenses from operations primarily related to the revenue increases;
- $12 million of incremental expenses from acquisitions; and
- a $9 million unfavorable impact primarily resulting from the absence of a net benefit realized during the three months ended September 30, 2011 related to the resolution of and adjustment to certain contingent liabilities and assets.

Such expense increases were partially offset by $13 million of lower expenses resulting from foreign currency.

Interest expense decreased $2 million during the three months ended September 30, 2012 compared with the same period last year primarily due to lower interest costs on long-term debt resulting from our debt refinancing during the first quarter of 2012.

Interest income decreased $17 million during the three months ended September 30, 2012 compared with the same period last year primarily due to the absence of $16 million of interest received during the third quarter of 2011 related to a refund of value added taxes.

Our effective tax rate increased from 35.4% during the third quarter of 2011 to 37.9% during the third quarter of 2012 primarily due to the absence of a benefit resulting from the release of a tax valuation allowance during 2011.

As a result of these items, net income attributable to Wyndham shareholders decreased $16 million (9.1%) as compared to the third quarter 2011.

During 2012, we expect:

- net revenues of approximately $4.5 billion to $4.6 billion;
- depreciation and amortization of approximately $185 million to $190 million; and
- interest expense, net (excluding early extinguishment of debt costs) of approximately $120 million to $125 million.

Following is a discussion of the results of each of our segments and Corporate and Other for the three months ended September 30, 2012 compared to September 30, 2011:

	Net Revenues			EBITDA		
	2012	2011	% Change	2012	2011	% Change
Lodging	$ 249	$ 222	12.2	$ 86	$ 67	28.4
Vacation Exchange and Rentals	420	436	(3.7)	123	131 (e)	(6.1)
Vacation Ownership	608	559	8.8	154 (b)	149	3.4
Total Reportable Segments	1,277	1,217	4.9	363	347	4.6
Corporate and Other (a)	(12)	(5)	*	(30) (c)	(18) (c)	*
Total Company	$ 1,265	$ 1,212	4.4	333	329	1.2
Less: Depreciation and amortization				45	43	
Interest expense				32	34	
Early extinguishment of debt				2 (d)	—	
Interest income				(2)	(19) (f)	
Income before income taxes				$ 256	$ 271	

(*) Not meaningful.

(a) Includes the elimination of transactions between segments.

(b) Includes $1 million of costs incurred in connection with our acquisition of Shell during September 2012.

(c) Includes (i) $1 million of a net expense and $8 million of a net benefit related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant during the three months ended September 30, 2012 and 2011, respectively, and (ii) $29 million and $26 million of corporate costs during the three months ended September 30, 2012 and 2011, respectively.

(d) Represents costs incurred for the early repurchase of a portion of our 9.875% senior unsecured notes and 6.00% senior unsecured notes.

(e) Includes a $4 million charge related to the write-off of foreign exchange translation adjustments associated with the liquidation of a foreign entity.

(f) Includes $16 million of interest income related to a refund of value added taxes.

Lodging

Net revenues increased by $27 million (12.2%) and EBITDA increased $19 million (28.4%) during the third quarter of 2012 compared to the same period last year.

Net revenues reflects a $3 million increase in royalty, marketing and reservation and Wyndham Rewards fees primarily due to a 5.2% increase in domestic RevPAR resulting equally from stronger occupancy and average daily rates. Net revenues and EBITDA were also favorably impacted by $7 million and $4 million, respectively, as a result of the Wyndham Grand Orlando Bonnet Creek owned hotel which opened in the fourth quarter of 2011. Other franchise fees and ancillary revenues contributed an additional $6 million and $2 million to net revenues and EBITDA, respectively.

Net revenues and EBITDA were also favorably impacted by a $5 million increase in intersegment revenues related to a higher licensing fee charged to the vacation ownership business for the use of the Wyndham trade name.

In addition, net revenues reflects (i) a $4 million increase in reimbursable revenues in our hotel management business and (ii) a $2 million increase due to a change in classification to revenues from operating expenses, which were primarily related to third-party reservation fees; both had no impact on EBITDA.

EBITDA was also favorably impacted by $5 million of lower expenses primarily related to bad debt, legal and information technology costs.

As of September 30, 2012, we had approximately 7,260 properties and 618,100 rooms in our system.

Additionally, our hotel development pipeline included approximately 950 hotels and 108,300 rooms, of which 47% were international and 55% were new construction as of September 30, 2012.

We expect net revenues of approximately $835 million to $875 million (expecting to be at the high end of the range) during 2012. In addition, as compared to 2011, we expect our operating statistics during 2012 to perform as follows:

- RevPAR to be up 5% to 8% (expecting to be at the low end of the range); and
- number of rooms to increase 1% to 3%.

Vacation Exchange and Rentals

Net revenues and EBITDA decreased $16 million (3.7%) and $8 million (6.1%), respectively, during the third quarter of 2012 compared with the third quarter of 2011. A stronger U.S. dollar compared to other foreign currencies unfavorably impacted net revenues and EBITDA by $22 million and $8 million, respectively. EBITDA reflects the absence of a $4 million loss recorded during the third quarter of 2011 related to the write-off of foreign exchange translation adjustments resulting from a liquidation of a foreign entity. Acquisitions contributed $7 million of incremental net revenues (inclusive of $2 million of ancillary revenues) and $1 million of incremental EBITDA during the quarter.

Net revenues generated from rental transactions and related services decreased $12 million. Excluding the impact of $5 million of incremental vacation rental revenues from acquisitions and the unfavorable impact of foreign exchange movements of $18 million, net revenues generated from rental transactions and related services increased $1 million. Such increase was the result of a 3.1% increase in rental transaction volume partially offset by a 2.3% decrease in average net price per vacation rental. The increase in rental transaction volume reflected growth at our Novasol business, which we believe was driven by market expansion and the strength in the German economy, as well as our Hoseasons Group business. The decrease in average net price per vacation rental resulted from lower yield primarily due to higher bookings in lower priced markets.

Exchange and related service revenues, which primarily consist of fees generated from memberships, exchange transactions, member-related rentals and other member servicing, decreased $4 million. Excluding an unfavorable impact of $3 million from foreign exchange movements, exchange and related service revenues declined $1 million as a 1.9% decline in the average number of members driven by the non-renewal of an affiliation agreement at the beginning of 2012 was partially offset by a 1.4% increase in exchange revenue per member primarily resulting from revenues derived from new affiliate club servicing programs and an increase in exchange fees.

EBITDA further reflects the unfavorable impact of $5 million from foreign exchange transactions and foreign exchange hedging contracts.

We expect net revenues of approximately $1.44 billion to $1.51 billion (expecting to be at the low end of the range) during 2012. In addition, as compared to 2011, we expect our operating statistics during 2012 to perform as follows:

- vacation rental transactions to increase 4% to 7%;
- average net price per vacation rental to be flat to down 3% due to the negative impact of foreign currency;
- average number of members to be flat to down 2%; and
- exchange revenue per member to be flat to up 2%.

Vacation Ownership

Net revenues and EBITDA increased $49 million (8.8%) and $5 million (3.4%), respectively, during the third quarter of 2012 compared with the third quarter of 2011.

Gross sales of VOIs, net of WAAM 1.0, sales increased $81 million (19.4%) of which $57 million is related to WAAM 2.0 sales. Such increase is principally due to a 5.4% increase in VPG and a 5.1% increase in tour flow. WAAM 2.0, which was implemented during the second quarter of 2012 enables us to acquire and own completed timeshare units close to the timing of the sales of such units and to offer financing to the purchaser. The increase in VPG is attributable to higher pricing due to better yield management and improved close rates resulting from our credit pre-screening program, while the change in tour flow reflects our focus on marketing programs directed towards new owner generation. Our provision for loan losses increased $28 million primarily as a result of the increase in gross VOI sales and higher default rate trends as compared to historical trends.

Net revenues and EBITDA generated by WAAM 1.0 decreased $20 million and $5 million, respectively, due to a shift in sales mix to WAAM 2.0 sales.

Property management revenues and EBITDA increased $12 million and $2 million, respectively. Such increase in revenues is primarily due to higher reimbursable revenues resulting from growth in the number of units under management, which had no impact on EBITDA. In addition, revenues were favorably impacted by higher management fees which contributed to the increase in EBITDA.

Net revenues from consumer financing increased $1 million and EBITDA was flat compared to the same period in the prior year due to higher weighted average interest rates earned on contract receivables, partially offset by a lower average portfolio balance of such receivables. EBITDA further reflects higher consumer financing interest expense resulting from $165 million of increased average borrowings on our securitized debt facilities due to higher advance rates, partially offset by a reduction in our weighted average interest rate on our securitized debt to 4.7% from 5.1%. As a result, net interest income margin decreased during the third quarter of 2012 to 78% from 80% during the third quarter of 2011.

In addition to the items discussed above, EBITDA was unfavorably impacted by higher expenses primarily resulting from:

- $20 million of increased sales commission and administration costs due to higher VOI sales;
- $18 million of higher marketing expenses due to increased tours for new owner generation and a higher intersegment charge from the lodging business for use of the Wyndham trade name; and
- an $10 million increase in cost of VOI sales due to the increase in VOI sales.

During the third quarter of 2012, we completed the acquisition of Shell. This acquisition contributed $6 million of net revenues and less than $1 million of EBITDA, excluding acquisition related costs. Such amounts are included in the results discussed above.

We expect net revenues of approximately $2.15 billion to $2.23 billion (expecting to be at the high end of the range) during 2012. In addition, as compared to 2011, we expect our operating statistics during 2012 to perform as follows:

- gross VOI sales to be $1.65 billion to $1.75 billion (including approximately $110 million to $130 million in WAAM related sales);
- tours to increase 1% to 4% (expecting to be at the high end of the range); and
- VPG to increase 2% to 5% (expecting to be at the high end of the range).

Corporate and Other

Corporate and Other revenues decreased $7 million for the three months ended September 30, 2012 compared to the same period last year resulting from the elimination of intersegment revenues primarily due to an increase in the license fee charged between the Lodging and Vacation Ownership segments for use of the Wyndham trade name.

Corporate EBITDA decreased $12 million for the three months ended September 30, 2012 compared to the same period last year. Corporate EBITDA includes a $1 million net expense and an $8 million net benefit during the three months ended September 30, 2012 and 2011, respectively, related to the resolution of and adjustment to certain contingent liabilities and assets. Excluding the impact of these items, corporate EBITDA decreased $3 million primarily due to higher information technology security costs and employee-related expenses.

We expect corporate expenses of approximately $93 million to $100 million (expecting to be at the high end of the range) during 2012, which is consistent with 2011.

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

Our consolidated results are as follows:

	Nine Months Ended September 30,		
	2012	2011	Favorable/(Unfavorable)
Net revenues	$ 3,440	$ 3,253	$ 187
Expenses	2,744	2,586	(158)
Operating income	696	667	29
Other income, net	(9)	(9)	—
Interest expense	98	103	5
Early extinguishment of debt	108	12	(96)
Interest income	(7)	(22)	(15)
Income before income taxes	506	583	(77)
Provision for income taxes	187	222	35
Net loss attributable to noncontrolling interest	1	—	1
Net income attributable to Wyndham shareholders	$ 320	$ 361	$ (41)

Net revenues increased $187 million (5.7%) for the nine months ended September 30, 2012 compared with the same period last year primarily resulting from:

- a $123 million increase at our vacation ownership business primarily resulting from higher net VOI sales;
- a $81 million increase (excluding intersegment revenues) at our lodging business primarily from (i) higher royalty, marketing and reservation and Wyndham Rewards revenues resulting from stronger RevPar, (ii) the impact of a change in the classification of fees to revenues from expenses and (iii) incremental revenues from the Wyndham Grand hotel in Orlando, which opened in the fourth quarter of 2011; and
- $29 million of incremental revenues from acquisitions.

Such revenue increases were partially offset by a $45 million reduction of revenues at our vacation exchange and rentals business resulting from unfavorable foreign currency translation.

Expenses increased $158 million (6.1%) for the nine months ended September 30, 2012 compared with the same period last year principally reflecting:

- $120 million of higher expenses from operations primarily related to the revenue increases;
- $31 million resulting from the absence of a net benefit from a refund of value added taxes during the second quarter of 2011;
- $24 million of incremental expenses from acquisitions;
- $17 million of incremental expenses associated with a change in the classification of fees to revenues from expenses; and
- a $13 million unfavorable impact from the resolution of and adjustment to certain contingent liabilities and assets.

Such expense increases were partially offset by $30 million of lower expenses resulting from foreign currency, the absence of a $13 million non-cash impairment charge in our lodging business and the absence of $6 million of restructuring costs incurred during 2011.

Interest expense, net decreased $5 million primarily due to the lower interest costs on long-term debt and the absence of interest related to value added taxes incurred during the second quarter of 2011.

Early extinguishment of debt costs increased $96 million primarily due to $108 million of costs incurred during 2012 resulting from our long-term debt refinancing during the first quarter compared to $12 million incurred during 2011 related to our early repayment of convertible notes.

Our effective tax rate declined from 38.1% during the nine months ended September 30, 2011 to 37.0% during the nine months ended September 30, 2012 primarily due to the tax benefit derived from the loss on the early extinguishment of debt incurred during 2012 and the absence of the tax expense resulting from the refund of value added taxes during 2011, partially offset by the absence of a benefit resulting from the release of a tax valuation allowance during 2011.

As a result of these items, net income attributable to Wyndham shareholders decreased $41 million (11.4%) as compared to 2011.

Following is a discussion of the results of each of our segments and Corporate and Other for the nine months ended September 30, 2012 compared to September 30, 2011:

	Net Revenues			EBITDA		
	2012	2011	% Change	2012	2011	% Change
Lodging	$ 667	$ 561	18.9	$ 210 (b)	$ 160 (g)	31.3
Vacation Exchange and Rentals	1,129	1,152	(2.0)	300 (c)	330 (h)	(9.1)
Vacation Ownership	1,679	1,550	8.3	407 (d)	376 (i)	8.2
Total Reportable Segments	3,475	3,263	6.5	917	866	5.9
Corporate and Other (a)	(35)	(10)	*	(76) (e)	(57) (e)	*
Total Company	$ 3,440	$ 3,253	5.7	841	809	4.0
Less: Depreciation and amortization				136	133	
Interest expense				98	103 (j)	
Early extinguishment of debt				108 (f)	12 (k)	
Interest income				(7)	(22) (l)	
Income before income taxes				$ 506	$ 583	

(*) Not meaningful.

(a) Includes the elimination of transactions between segments.

(b) Includes a $1 million benefit from the recovery of a previously recorded impairment charge.

(c) Includes a $2 million benefit related to the reversal of an allowance associated with a previously divested asset.

(d) Includes $1 million of costs incurred in connection with our acquisition of Shell during September 2012.

(e) Includes (i) $3 million and $16 million of a net benefit related to the resolution of and adjustment to certain contingent liabilities and assets resulting from the Separation during the nine months ended September 30, 2012 and 2011, respectively, and (ii) $79 million and $73 million of corporate costs during the nine months ended September 30, 2012 and 2011, respectively.

(f) Represents costs incurred for the early repurchase of a portion of our 9.875% senior unsecured notes and 6.00% senior unsecured notes.

(g) Includes a non-cash impairment charge of $13 million related to a write-down of an international joint venture.

(h) Includes (i) a $31 million net benefit resulting from a refund of value added taxes, (ii) $7 million of restructuring costs incurred in connection with a strategic initiative commenced by us during 2010 and (iii) a $4 million charge related to the write-off of foreign exchange translation adjustments associated with the liquidation of a foreign entity.

(i) Includes a $1 million benefit for the reversal of costs incurred as a result of various strategic initiatives commenced by us during 2008.

(j) Includes $3 million of interest related to value added tax accruals.

(k) Represents costs incurred for the early repurchase of a portion of our convertible notes.

(l) Includes $16 million of interest income related to a refund of value added taxes.

Lodging

Net revenues increased by $106 million (18.9%) and EBITDA increased $50 million (31.3%) during the nine months ended September 30, 2012 compared to the same period last year. Excluding the impact of a $13 million non-cash impairment charge during the first quarter of 2011, EBITDA increased $37 million (21.4%) compared to the same period last year.

Net revenues reflects a $32 million increase in royalty, marketing and reservation and Wyndham Rewards fees primarily due to a 4.5% increase in RevPAR resulting from stronger occupancy. Net revenues and EBITDA were also favorably impacted by $22 million and $8 million, respectively, as a result of the opening of the new Wyndham Grand Orlando Bonnet Creek owned hotel. Other franchise fees and ancillary revenues contributed an additional $7 million and $1 million of net revenues and EBITDA, respectively.

Net revenues also includes (i) a $23 million increase resulting from a change in classification to revenues from operating expenses, which were primarily related to third-party reservation services and (ii) an $8 million increase reimbursable revenues in our hotel management business; both had no impact on EBITDA.

Net revenues and EBITDA were also favorably impacted by a $14 million increase in intersegment revenues related to a higher licensing fee charged to the vacation ownership business for the use of the Wyndham trade name.

In addition, EBITDA was also unfavorably impacted by $32 million of higher marketing, reservation and Wyndham Rewards expenses resulting primarily from higher revenues, partially offset by $14 million of lower expenses primarily related to bad debt, information technology and legal costs.

Vacation Exchange and Rentals

Net revenues and EBITDA decreased $23 million (2.0%) and $30 million (9.1%), respectively, during the nine months ended September 30, 2012 compared with the same period during 2011. A stronger U.S. dollar compared to other foreign currencies unfavorably impacted net revenues and EBITDA by $45 million and $11 million, respectively. EBITDA reflects the absence of a $31 million net benefit resulting from a refund of value added taxes recorded during the second quarter of 2011, partially offset by the absence of $7 million of costs related to organizational realignment initiatives recorded during the second quarter of 2011, the absence of a $4 million loss recorded during the third quarter of 2011 related to the write-off of foreign exchange translation adjustments resulting from a liquidation of a foreign entity and a $2 million benefit related to the reversal of an allowance associated with a previously divested asset. Acquisitions contributed $23 million of incremental net revenues (inclusive of $8 million of ancillary revenues) and $5 million of incremental EBITDA for the nine months.

Net revenues generated from rental transactions and related services decreased $14 million. Excluding the impact of $15 million of incremental vacation rental revenues from acquisitions and the unfavorable impact of foreign exchange movements of $35 million, net revenues generated from rental transactions and related services increased $6 million primarily due to a 1.0% increase in rental transaction volume. Growth in rental transaction volume at our Novasol business, which we believe was driven by market expansion and the strength in the German economy, was partially offset by lower volume at our Hoseasons Group business, which we believe is a result of lower U.K. consumer spending resulting from economic uncertainty. Average net price per vacation rental remained flat as higher yield at our Landal GreenParks and Hoseasons Group businesses was offset by lower yield at our Novasol business as a result of higher bookings in lower priced markets.

Exchange and related service revenues, which primarily consist of fees generated from memberships, exchange transactions, member-related rentals and other member servicing, decreased $15 million. Excluding an unfavorable impact of $10 million from foreign exchange movements, exchange and related service revenues declined $5 million as the impact of a 2.1% decline in the average number of members driven by the non-renewal of an affiliation agreement at the beginning of 2012 was partially offset by a 1.2% increase in exchange revenue per member primarily resulting from an increase in exchange fees and revenues derived from new affiliate club servicing programs.

EBITDA further reflects (i) a favorable impact from value-added taxes of $4 million and (ii) a $4 million settlement of a business disruption claim related to the Gulf of Mexico oil spill in 2010. Such favorability was partially offset by (i) the unfavorable impact of $8 million from foreign exchange transactions and foreign exchange hedging contracts and (ii) $4 million of higher marketing costs.

Vacation Ownership

Net revenues and EBITDA increased $129 million (8.3%) and $31 million (8.2%), respectively, during the nine months ended September 30, 2012 compared with the nine months ended September 30, 2011.

Gross sales of VOIs, net of WAAM 1.0 sales increased $196 million (17.6%) of which $70 million is related to WAAM 2.0 sales. Such increase is principally due to a 6.9% increase in VPG and a 5.8% increase in tour flow. The increase in VPG is attributable to higher pricing due to better yield management and improved close rates resulting from our credit pre-screening program, while the change in tour flow reflects our focus on marketing programs directed towards new owner generation. Our provision for loan losses increased $64 million primarily as a result of the increase in gross VOI sales and higher default rate trends as compared to the prior year.

Net revenues and EBITDA generated by WAAM 1.0 decreased by $18 million and $2 million, respectively, due to a shift in sales mix to WAAM 2.0 sales.

Property management revenues and EBITDA increased $12 million and $2 million, respectively. Such increase in revenues is primarily due to higher reimbursable revenues resulting from growth in the number of units under management, which had no impact on EBITDA. In addition, revenues were favorably impacted by higher management fees which contributed to the increase in EBITDA.

Net revenues from consumer financing increased by $1 million and EBITDA decreased $2 million compared to the same period in the prior year due to higher weighted average interest rates earned on contract receivables, partially offset by a lower average portfolio balance of such receivables. Net interest income margin decreased to 78% from 79% during the same period in 2011 due to $159 million of increased average borrowings on our securitized debt facilities due to higher advance rates, partially offset by (i) a reduction in our weighted average interest rate on our securitized debt to 4.9% from 5.5% and (ii) higher weighted average interest rates earned on our contract receivable portfolio.

In addition to the items discussed above, EBITDA was unfavorably impacted by increased expenses primarily resulting from:

- $43 million of increased sales commission and administration costs due to higher VOI sales;
- $43 million of increased marketing expenses due to increased tours for new owner generation and a higher intersegment charge from the lodging business for use of the Wyndham trade name; and
- $20 million of increased general and administrative expenses.

Such expense increases were partially offset by a $5 million decrease in costs associated with maintenance fees on unsold inventory.

During the third quarter of 2012, we completed the acquisition of Shell. This acquisition contributed $6 million of net revenues and less than $1 million of EBITDA, excluding acquisition related costs. Such amounts are included in the results discussed above.

Corporate and Other

Corporate and Other revenues decreased $25 million for the nine months ended September 30, 2012 compared to the same period last year resulting from the elimination of intersegment revenues primarily due to an increase in the license fee charged between the Lodging and Vacation Ownership segments for use of the Wyndham trademark.

Corporate EBITDA decreased $19 million for the nine months ended September 30, 2012 compared to the same period last year. Corporate EBITDA includes $3 million and $16 million of a net benefit during the nine months ended September 30, 2012 and 2011, respectively, related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant. Excluding the impact of these net benefits, corporate EBITDA decreased $6 million due primarily to higher employee-related costs.

RESTRUCTURING PLANS

2010 Restructuring Plan

During 2010, we committed to a strategic realignment initiative at our vacation exchange and rentals business targeted at reducing costs, primarily impacting the operations at certain vacation exchange call centers. During the nine months ended September 30, 2012, we reduced our liability with $3 million of cash payments. The remaining liability of $4 million as of September 30, 2012, all of which is facility-related, is expected to be paid in cash over the remaining lease term which expires in the first quarter of 2020. We anticipate annual net savings from such initiative of $8 million.

2008 Restructuring Plan

During 2008, we committed to various strategic realignment initiatives targeted principally at reducing costs, enhancing organizational efficiency, reducing our need to access the asset-backed securities market and consolidating and rationalizing existing processes and facilities. During the nine months ended September 30, 2012, we reduced our liability with $1 million of cash payments. The remaining liability of $2 million as of September 30, 2012, all of which is facility-related, is expected to be paid in cash by January 2014.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

	September 30, 2012	December 31, 2011	Change
Total assets	$ 9,355	$ 9,023	$ 332
Total liabilities	7,336	6,791	545
Total equity	2,019	2,232	(213)

Total assets increased $332 million from December 31, 2011 to September 30, 2012 primarily due to:

- a $115 million increase in intangible assets as a result of the acquisitions of Shell and Smoky Mountain;
- an increase of $90 million in cash and cash equivalents;
- a $64 million increase in other non-current assets primarily due to an investment in a joint venture that owns a Wyndham branded hotel and the acquisition of Shell;
- a $62 million increase in vacation ownership contract receivables, net primarily due to loan originations and the Shell acquisition, partially offset by principal collections and loan loss provisions; and
- a $49 million increase in property and equipment primarily related to capital expenditures for information technology enhancements, construction of new bungalows at our Landal GreenParks business and the acquisition of Shell, partially offset by current year depreciation of property and equipment.

Such increases were partially offset by a $33 million decrease in trade receivables, net, primarily due to seasonality at our European vacation rentals businesses and our lodging business, partially offset by the acquisition of Shell.

Total liabilities increased $545 million from December 31, 2011 to September 30, 2012 primarily due to:

- a $376 million net increase in other long-term debt primarily reflecting the issuance of $950 million of senior unsecured notes and $65 million of debt related to Shell, partially offset by the early repurchase of $650 million of senior unsecured notes;
- a $60 million net increase in our securitized vacation ownership debt;
- a $57 million increase in deferred income taxes primarily related to higher gross VOI sales and other comprehensive income;
- a $39 million increase in other non-current liabilities primarily related to deferred rent related to tenant allowances and an increase in the value of a deferred employee compensation plan; and
- a $34 million increase in accrued expenses and other current liabilities primarily as a result of the Shell acquisition.

Total stockholders' equity decreased $213 million from December 31, 2011 to September 30, 2012 primarily due to $473 million of share repurchases and $103 million of dividends. Such decreases were partially offset by $320 million of net income.

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 utilization of our bank conduit facility and the issuance of securitized debt to finance vacation ownership contract receivables. We believe that our net cash from operations, cash and cash equivalents, access to our revolving credit facility and continued access to the securitization and debt markets provide us with sufficient liquidity to meet our ongoing needs.

Our five-year revolving credit facility has a total capacity of $1.0 billion and available capacity of $720 million net of letters of credit as of September 30, 2012.

During August 2012, we renewed our securitized vacation ownership bank conduit facility. Such facility has a two year term and has a total capacity of $650 million and available capacity of $430 million as of September 30, 2012.

During October 2012, we entered into a commercial paper program under which we may issue unsecured commercial paper notes (the "Notes") up to an aggregate of $500 million. Amounts available under this program may be reborrowed. Our revolving credit facility is available to repay the Notes, if necessary. We anticipate such program will result in savings to future interest costs.

We may, from time to time, depending on market conditions and other factors, repurchase our outstanding indebtedness, whether or not such indebtedness trades above or below its face amount, for cash and/or in exchange for other securities or other consideration, in each case in open market purchases and/or privately negotiated transactions.

CASH FLOW

During the nine months ended September 30, 2012 and 2011, we had a net change in cash and cash equivalents of $90 million and $19 million, respectively. The following table summarizes such changes:

	Nine Months Ended September 30,		
	2012	2011	Change
Cash provided by/(used in)			
Operating activities	$ 808	$ 860	$ (52)
Investing activities	(377)	(159)	(218)
Financing activities	(340)	(674)	334
Effects of changes in exchange rates on cash and cash equivalents	(1)	(8)	7
Net change in cash and cash equivalents	$ 90	$ 19	$ 71

Operating Activities

During the nine months ended September 30, 2012, net cash provided by operating activities decreased $52 million compared to the nine months ended September 30, 2011, which reflects the absence of a $67 million refund for value added taxes and related interest during 2011.

Investing Activities

During the nine months ended September 30, 2012, net cash used in investing activities increased by $218 million as compared to the nine months ended September 30, 2011, which principally reflects:

- $177 million of higher payments for acquisitions;
- a $41 million investment in the joint venture that owns a Wyndham branded hotel; and
- a $26 million reduction in cash received from asset sales primarily related to the absence of the sale of a preferred stock investment during 2011.

Such increases in cash outflows were offset by a $30 million decrease in capital expenditures.

Financing Activities

During the nine months ended September 30, 2012, net cash used in financing activities decreased $334 million as compared to the nine months ended September 30, 2011, which principally reflects:

- $696 million of higher proceeds from issuance of notes;
- $217 million of lower repayments/repurchases of convertible notes; and
- $197 million of lower share repurchases.

Such decreases in cash outflows were partially offset by $757 million for the repurchase of notes during the first quarter of 2012.

Long-term Debt

Senior Unsecured Notes. During the first quarter of 2012, we issued senior unsecured debt for net proceeds of $941 million. We utilized the proceeds from these debt issuances to repurchase a portion of our outstanding 9.875% senior unsecured notes and 6.00% senior unsecured notes, to repay borrowings under the revolving credit facility and for general corporate purposes. For further detailed information about such borrowings, see Note 7 – Long-Term Debt and Borrowing Arrangements.

Convertible Debt. During the second quarter of 2012, we repaid our convertible notes with a carrying value of $45 million ($12 million for the convertible notes and $33 million for a related bifurcated conversion feature). Concurrent with the repayment, we settled call options for proceeds of $33 million. As a result of these transactions, we made a net payment of $12 million.

Concurrent with the issuance of our convertible notes, we entered into warrant transactions (“Warrants”) with certain counterparties. The Warrants were separate contracts entered into by us and were not part of our convertible notes. During the third quarter, we net share settled all of the outstanding warrants by issuing 613,000 shares of our common stock. As of September 30, 2012 there were no warrants outstanding.

Capital Deployment

We are focusing on optimizing cash flow and seeking to deploy capital for the highest possible returns. Ultimately, our business objective is to grow our business while transforming our cash and earnings profile by rebalancing our cash streams to achieve a greater proportion of EBITDA from our fee-for-service businesses. We intend to continue to invest in select capital and technological improvements across our business. In addition, we may seek to acquire additional franchise agreements, hotel/property management contracts and exclusive agreements for vacation rental properties on a strategic and selective basis, either directly or through investments in joint ventures.

During the nine months ended September 30, 2012, we spent $204 million, net of cash acquired, on acquisitions of businesses of which $174 million was related to the Shell acquisition at our vacation ownership business and $30 million was related to the Smoky Mountain acquisition at our vacation exchange and rentals business.

In addition, we spent $123 million on capital expenditures, primarily on information technology enhancement projects and renovations of bungalows at our Landal GreenParks business. We also spent $45 million on equity investments and loans, primarily on an additional investment in the joint venture that owns a Wyndham branded hotel. During October 2012, we invested an additional $8 million to obtain control of such joint venture and hotel. We plan on investing additional funds in the future to convert the existing hotel into a mixed use timeshare and hotel resort property. During 2012, we anticipate spending approximately $195 million to $210 million on capital expenditures and development advances. Additionally, in an effort to support growth in the Wyndham Hotels and Resorts brand, we plan on investing in mezzanine financing and providing other financial support over the next several years.

In addition, we spent $49 million relating to vacation ownership development projects (inventory) during the nine months ended September 30, 2012. We anticipate spending on average approximately $150 million annually from 2011 through 2015 on vacation ownership development projects (approximately $110 million to $120 million during 2012), including projects currently under development. We believe that our vacation ownership business currently has adequate finished inventory on our balance sheet to support vacation ownership sales. After factoring in the anticipated additional average spending of approximately $150 million annually from 2011 through 2015, we expect to have adequate inventory through at least the next 4 to 5 years.

We expect that the majority of the expenditures that will be required to pursue our capital spending programs, strategic investments and vacation ownership development projects will be financed with cash flow generated through operations. Additional expenditures are financed with general unsecured corporate borrowings, including through the use of available capacity under our revolving credit facility.

Share Repurchase Program

We expect to generate annual net cash provided by operating activities less capital expenditures and development advances in the range of approximately $600 million to $700 million in 2012. A portion of this cash flow is expected to be returned to our shareholders in the form of share repurchases. On August 20, 2007, our Board of Directors (the "Board") authorized a stock repurchase program that enabled us to purchase our common stock. The Board has since authorized four increases to the repurchase program, most recently on April 18, 2012 for $750 million, bringing the total authorization under our current program to $2.25 billion.

During the nine months ended September 30, 2012, we repurchased 10 million shares at an average price of $47.35 for a cost of $473 million and repurchase capacity increased $13 million from proceeds received from stock option exercises. Such repurchase capacity will continue to be increased by proceeds received from future stock option exercises. From August 20, 2007 through September 30, 2012, we repurchased 50.1 million shares at an average price of $33.33 for a cost of $1.7 billion and repurchase capacity increased $77 million from proceeds received from stock option exercises.

During the period October 1, 2012 through October 23, 2012, we repurchased an additional 915,000 shares at an average price of $53.83 for a cost of $49 million. We currently have $608 million remaining availability in our program. 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.

Dividend Policy

During the nine months ended September 30, 2012, we paid quarterly dividends of $0.23 per share of common stock issued and outstanding on the record date for the applicable dividend. We set our dividend payout ratio at the beginning of 2012 to approximate 32% of the midpoint of our then estimated 2012 net income after certain adjustments.

Our dividend policy for the future is to grow our dividend at least at the rate of growth of our earningsThe declaration and payment of future dividends to holders of our common stock are at the discretion of our Board and depend upon many factors, including our financial condition, earnings, capital requirements of our business, covenants associated with certain debt obligations, legal requirements, regulatory constraints, industry practice and other factors that our Board deems relevant. There is no assurance that a payment of a dividend will occur in the future.

Financial Obligations

Long-Term Debt Covenants

The revolving credit facility is subject to covenants including the maintenance of specific financial ratios. The financial ratio covenants consist of a minimum consolidated interest coverage ratio of at least 3.0 to 1.0 as of the measurement date and a maximum consolidated leverage ratio not to exceed 3.75 to 1.0 as of the measurement date. The consolidated 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), both as measured on a trailing 12 month basis preceding the measurement date. As of September 30, 2012, our consolidated interest coverage ratio was 7.7 times. Consolidated interest expense excludes, among other things, interest expense on any securitization indebtedness (as defined in the credit agreement). The consolidated leverage ratio is calculated by dividing consolidated total indebtedness (as defined in the credit agreement and which excludes, among other things, securitization indebtedness) as of the measurement date by consolidated EBITDA as measured on a trailing 12 month basis preceding the measurement date. As of September 30, 2012, our consolidated leverage ratio was 2.5 times. Covenants in this credit facility also include limitations on indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations and dissolutions; sale of all or substantially all assets; and sale and leaseback transactions. Events of default in this credit facility include failure to pay interest, principal and fees when due; breach of a covenant or warranty; acceleration of or failure to pay other debt in excess of $50 million (excluding securitization indebtedness); insolvency matters; and a change of control.

All of our senior unsecured notes contain various covenants including limitations on liens, limitations on potential sale and leaseback transactions and change of control restrictions. In addition, there are limitations on mergers, consolidations and potential sale of all or substantially all of our assets. Events of default in the notes include failure to pay interest and principal when due, breach of a covenant or warranty, acceleration of other debt in excess of $50 million and insolvency matters.

As of September 30, 2012, we were in compliance with all of the financial covenants described above.

Each of our non-recourse, securitized term notes and the bank conduit facility contain various triggers relating to the performance of the applicable loan pools. If the vacation ownership contract receivables pool that collateralizes one of our securitization notes fails to perform within the parameters established by the contractual triggers (such as higher default or delinquency rates), there are provisions pursuant to which the cash flows for that pool will be maintained in the securitization as extra collateral for the note holders or applied to accelerate the repayment of outstanding principal to the note holders. As of September 30, 2012, all of our securitized loan pools were in compliance with applicable contractual triggers.

LIQUIDITY RISK

Our vacation ownership business finances certain of its receivables through (i) an asset-backed bank conduit facility and (ii) periodically accessing the capital markets by issuing asset-backed securities. None of the currently outstanding asset-backed securities contains any recourse provisions to us other than interest rate risk related to swap counterparties (solely to the extent that the amount outstanding on our notes differs from the forecasted amortization schedule at the time of issuance).

We believe that our bank conduit facility, with a term through August 2014 and capacity of $650 million, combined with our ability to issue term asset-backed securities, should provide sufficient liquidity for our expected sales pace and we expect to have available liquidity to finance the sale of VOIs.

Our $1.0 billion five-year revolving credit agreement, which expires in July 2016, contains a provision that is a condition of an extension of credit. The provision, which was standard market practice for issuers of our rating and industry at the time of our revolver renewal, allows the lenders to withhold an extension of credit if the representations and warranties we made at the time we executed the revolving credit facility agreement are not true and correct in all material respects at the time of request of the extension for credit including if a development or event has or would reasonably be expected to have a material adverse effect on our business, assets, operations or condition, financial or otherwise. The application of the material adverse effect provision contains exclusions for the impact resulting from disruptions in, or the inability of companies engaged in businesses similar to those engaged in by us and our subsidiaries to consummate financings in, the asset backed securities or conduit market.

We primarily utilize surety bonds at our vacation ownership business for sales and development transactions in order to meet regulatory requirements of certain states. In the ordinary course of our business, we have assembled commitments from twelve surety providers in the amount of $1.2 billion, of which we had $312 million outstanding as of September 30, 2012. The availability, terms and conditions, and pricing of such bonding capacity is dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing such bonding capacity, the general availability of such capacity and our corporate credit rating. If such bonding capacity is unavailable, or alternatively, if the terms and conditions and pricing of such bonding capacity are unacceptable to us, our vacation ownership business could be negatively impacted.

Our liquidity position may also be negatively affected by unfavorable conditions in the capital markets in which we operate or if our vacation ownership contract receivables portfolios do not meet specified portfolio credit parameters. Our liquidity as it relates to our vacation ownership contract receivables securitization program could be adversely affected if we were to fail to renew or replace our conduit facility on its expiration date, or if a particular receivables pool were to fail to meet certain ratios, which could occur in certain instances if the default rates or other credit metrics of the underlying vacation ownership contract receivables deteriorate. Our ability to sell securities backed by our vacation ownership contract receivables depends on the continued ability and willingness of capital market participants to invest in such securities.

As of September 30, 2012, we had $430 million of availability under our asset-backed bank conduit facility. Any disruption to the asset-backed or commercial paper markets could adversely impact our ability to obtain such financings.

Our senior unsecured debt is rated BBB- with a “stable outlook” by Standard and Poor’s and Baa3 with a “stable outlook” by Moody’s Investors Service. 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. Reference in this report to any such credit rating is intended for the limited purpose of discussing or referring to aspects of our liquidity and of our costs of funds. Any reference to a credit rating is not intended to be any guarantee or assurance of, nor should there be any undue reliance upon, any credit rating or change in credit rating, nor is any such reference intended as any inference concerning future performance, future liquidity or any future credit 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 and member-related 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 summer months. Revenues from vacation rentals are generally highest in the third quarter, when vacation rentals are highest. Revenues from vacation exchange and member-related 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 quarter 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.

COMMITMENTS AND CONTINGENCIES

We are involved in claims, legal and regulatory proceedings and governmental inquiries related to our businessLitigation is inherently unpredictable and, although we believe that our accruals are adequate and/or that we have valid defenses in these matters, unfavorable results could occur. As such, an adverse outcome from such proceedings for which claims are awarded in excess of the amounts accrued, if any, could be material to us with respect to earnings or cash flows in any given reporting period. However, we do not believe that the impact of such litigation should result in a material liability to us in relation to our consolidated financial position or liquidity.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations for the twelve month periods set forth below:

	10/01/12- 9/30/13	10/01/13- 9/30/14	10/01/14- 9/30/15	10/01/15- 9/30/16	10/01/16- 9/30/17	Thereafter	Total
Securitized debt [a]	$ 206	$ 244	$ 378	$ 204	$ 198	$ 692	$ 1,922
Long-term debt	64	65	11	281	670	1,438	2,529
Interest on debt [b]	191	175	161	149	119	242	1,037
Operating leases	68	59	53	46	44	276	546
Other purchase commitments [c]	92	41	45	41	13	221	453
Separation liabilities [d]	12	27	3	1	—	—	43
Total [e]	$ 633	$ 611	$ 651	$ 722	$ 1,044	$ 2,869	$ 6,530

(a) Represents debt that is securitized through 13 bankruptcy-remote SPEs, the creditors to which have no recourse to us for principal and interest.

(b) Includes interest on both securitized and long-term debt; estimated using the stated interest rates on our long-term debt and the swapped interest rates on our securitized debt.

(c) Primarily represents commitments for the development of vacation ownership properties. The $221 million balance due after September 30, 2017 includes approximately $100 million of vacation ownership development commitments which we may terminate at minimal cost.

(d) Represents liabilities which we assumed and are responsible for pursuant to our separation (See Note 17 –Separation Adjustments and Transactions with Former Parent and Subsidiaries for further details.)

(e) Excludes $39 million of our liability for unrecognized tax benefits associated with the guidance for uncertainty in income taxes since it is not reasonably estimable to determine the periods in which such liability would be settled with the respective tax authorities.

CRITICAL ACCOUNTING POLICIES

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Annual Report filed on Form 10-K with the SEC on February 17, 2012, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results. While there have been no material changes to our critical accounting policies as to the methodologies or assumptions we apply under them, we continue to monitor such methodologies and assumptions.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

We assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and foreign currency rates. We used September 30, 2012 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material.

Item 4. Controls and Procedures.

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

(b) *Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various claims and lawsuits, none of which, in the opinion of management, is expected to have a material adverse effect on our results of operations or financial condition. See Note 12 to the Consolidated Financial Statements for a description of claims and legal actions applicable to our business.

Item 1A. Risk Factors.

Before you invest in our securities you should carefully consider each of the following risk factors and all of the other information provided in this report. We believe that the following information identifies the most significant risks that may impact us. However, the risks and uncertainties we face 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 immaterial 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. If any of the following risks and uncertainties develops into an actual event, the event could have a material effect on our business, financial condition or results of operations. In such case, the market price of our common stock could decline.

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

We will be adversely impacted if we cannot compete effectively in the highly competitive hospitality industry. Our continued success depends 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. 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 revenues are highly dependent on the travel industry and declines in or disruptions to the travel industry, such as those caused by economic slowdown, terrorism, political strife, acts of God and war may adversely affect us.

Declines in or disruptions to the travel industry may adversely impact us. Risks affecting the travel industry include: economic slowdown and recession; economic factors, such as increased costs of living and reduced discretionary income, adversely impacting consumers' and businesses' decisions to use and consume travel services and products; terrorist incidents and threats (and associated heightened travel security measures); political strife; acts of God (such as earthquakes, hurricanes, fires, floods, volcanoes and other natural disasters); war; pandemics or threat of pandemics (such as the H1N1 flu); environmental disasters (such as the Gulf of Mexico oil spill); increased pricing, financial instability and capacity constraints of air carriers; airline job actions and strikes; and increases in gasoline and other fuel prices.

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

Our business is subject to numerous operating or other risks common to the hospitality industry including:

- changes in operating costs, including inflation, 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;
- changes in the supply and demand for hotel rooms, vacation exchange and rental services and products and vacation ownership services and products;
- seasonality in our businesses, which 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;
- availability of acceptable financing and cost of capital as they apply to us, our customers, current and potential hotel franchisees and developers, owners of hotels with which we have hotel management contracts, our RCI affiliates and other developers of vacation ownership resorts;
- our ability to securitize the receivables that we originate in connection with sales of vacation ownership interests;

- the risk that purchasers of vacation ownership interests who finance a portion of the purchase price default on their loans due to adverse macro or personal economic conditions or otherwise, which would increase loan loss reserves and adversely affect loan portfolio performance; that if such defaults occur during the early part of the loan amortization period we will not have recovered the marketing, selling, administrative and other costs associated with such vacation ownership interests; such costs will be incurred again in connection with the resale of the repossessed vacation ownership interest; and the value we recover in a default is not, in all instances, sufficient to cover the outstanding debt;
- 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 and room 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 and contractual arrangements with current and potential franchisees, hotel owners, vacation exchange members, vacation ownership interest 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;
- the availability of and competition for desirable sites for the development of vacation ownership properties; difficulties associated with obtaining entitlements to develop vacation ownership properties; liability under state and local laws with respect to any construction defects in the vacation ownership properties we develop; and our ability to adjust our pace of completion of resort development relative to the pace of our sales of the underlying vacation ownership interests;
- our ability to adjust our business model to generate greater cash flow and require less capital expenditures;
- private resale of vacation ownership interests, which could adversely affect our vacation ownership resorts and vacation exchange businesses;
- revenues from our lodging business are indirectly affected by our franchisees' pricing decisions;
- organized labor activities and associated litigation;
- maintenance and infringement of our intellectual property;
- the bankruptcy or insolvency of any one of our customers, which could impair our ability to collect outstanding fees or other amounts due or otherwise exercise our contractual rights;
- franchisees that have development advance notes with us may experience financial difficulties;
- increases in the use of third-party Internet services to book online hotel reservations; and
- disruptions in relationships with third parties, including marketing alliances and affiliations with e-commerce channels.

We may not be able to achieve our growth objectives.

We may not be able to achieve our growth objectives for increasing our cash flows, the number of franchised and/or managed properties in our lodging business, the number of vacation exchange members in 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 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.

Our international operations are subject to risks not generally applicable to our domestic operations.

Our international operations are subject to numerous risks including exposure to local economic conditions; potential adverse changes in the diplomatic relations of foreign countries with the U.S.; hostility from local populations; restrictions and taxes 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; foreign exchange restrictions; fluctuations in foreign currency exchange rates; local laws might conflict with U.S. laws; withholding and other taxes on remittances and other payments by subsidiaries; and changes in and application of foreign taxation structures including value-added taxes.

Any adverse outcome resulting from the financial instability within certain European economies and the related volatility on foreign exchange and interest rates could have an effect on our results of operations, financial position or cash flows.

We are subject to risks related to litigation filed by or against us.

We are subject to a number of legal actions and the risk of future litigation as described under "Legal Proceedings". We cannot predict with certainty the ultimate outcome and related damages and costs of litigation and other proceedings filed by or against us. Adverse results in litigation and other proceedings may harm our business.

We are subject to certain risks related to our indebtedness, hedging transactions, our securitization of certain of our assets, our surety bond requirements, the cost and availability of capital and the extension of credit by us.

We are a borrower of funds under our credit facilities, credit lines, senior notes and securitization financings. We extend credit when we finance purchases of vacation ownership interests and in instances when we provide key money, development advance notes and mezzanine or other forms of subordinated financing to assist franchisees and hotel owners in converting to or building a new hotel branded under one of our Wyndham Hotel Group brands. We use financial instruments to reduce or hedge our financial exposure to the effects of currency and interest rate fluctuations. We are required to post surety bonds in connection with our development activities. In connection with our debt obligations, hedging transactions, our securitization of certain of our assets, our surety bond requirements, the cost and availability of capital and the extension of credit by us, we are subject to numerous risks including:

- our cash flows from operations or available lines of credit may be insufficient to meet required payments of principal and interest, which could result in a default and acceleration of the underlying debt and under other debt instruments that contain cross-default provisions;
- if we are unable to comply with the terms of the financial covenants under our revolving credit facility, including a breach of the financial ratios or tests, such non-compliance could result in a default and acceleration of the underlying revolver debt and under other debt instruments that contain cross-default provisions;
- our leverage may adversely affect our ability to obtain additional financing;
- our leverage may require 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, dividends, share repurchases or other operating needs;
- increases in interest rates;
- rating agency downgrades for our debt that could increase our borrowing costs;
- failure or non-performance of counterparties to foreign exchange and interest rate hedging transactions;
- we may not be able to securitize our vacation ownership contract receivables on terms acceptable to us because of, among other factors, the performance of the vacation ownership contract receivables, adverse conditions in the market for vacation ownership loan-backed notes and asset-backed notes in general 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 expected;
- our securitizations contain portfolio performance triggers which, if violated, may result in a disruption or loss of cash flow from such transactions;
- a reduction in commitments from surety bond providers which may impair our vacation ownership business by requiring us to escrow cash in order to meet regulatory requirements of certain states;
- prohibitive cost and inadequate availability of capital could restrict the development or acquisition of vacation ownership resorts by us and the financing of purchases of vacation ownership interests;
- the inability of hotel owners that have received mezzanine loans from us to pay back such loans; and
- 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.

Economic conditions affecting the hospitality industry, the global economy and credit markets generally may adversely affect our business and results of operations, our ability to obtain financing and/or securitize our receivables on reasonable and acceptable terms, the performance of our loan portfolio and the market price of our common stock.

The future economic environment for the hospitality industry and the global economy may continue to be challenged. The hospitality industry has experienced and may continue to experience significant downturns in connection with, or in anticipation of, declines in general economic conditions. The current economy has been characterized by higher unemployment, lower family income, lower business investment and lower consumer spending, leading to lower demand for hospitality services and products. Declines in consumer and commercial spending may adversely affect our revenues and profits.

Uncertainty in the equity and credit markets may negatively affect our ability to access short-term and long-term financing on reasonable terms or at all, which would negatively impact our liquidity and financial condition. In addition, if one or more of the financial institutions that support our existing credit facilities fails, we may not be able to find a replacement, which would negatively impact our ability to borrow under the credit facilities. Disruptions in the financial markets may adversely affect our credit rating and the market value of our common stock. If we are unable to refinance, if necessary, our outstanding debt when due, our results of operations and financial condition will be materially and adversely affected.

While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt service and capital expenditures for the foreseeable future, if our cash flow or capital resources prove inadequate we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

Our liquidity as it relates to our vacation ownership contract receivables securitization program could be adversely affected if we were to fail to renew or replace our securitization warehouse conduit facility on its renewal date or if a particular receivables pool were to fail to meet certain ratios, which could occur in certain instances if the default rates or other credit metrics of the underlying vacation ownership contract receivables deteriorate. Our ability to sell securities backed by our vacation ownership contract receivables depends on the continued ability and willingness of capital market participants to invest in such securities. It is possible that asset-backed securities issued pursuant to our securitization programs could in the future be downgraded by credit agencies. If a downgrade occurs, our ability to complete other securitization transactions on acceptable terms or at all could be jeopardized, and we could be forced to rely on other potentially more expensive and less attractive funding sources, to the extent available, which would decrease our profitability and may require us to adjust our business operations accordingly, including reducing or suspending our financing to purchasers of vacation ownership interests.

Our businesses are subject to extensive regulation and the cost of compliance or failure to comply with such regulations may adversely affect us.

Our businesses are heavily regulated by federal, state and local governments in the countries in which our operations are conducted. In addition, domestic and foreign federal, state and local regulators may enact new laws and regulations that may reduce our revenues, cause our expenses to increase and/or require us to modify substantially our business practices. If we are not in compliance with applicable laws and regulations, including, among others, those governing franchising, timeshare, lending, information security and data privacy, marketing and sales, unfair and deceptive trade practices, telemarketing, licensing, labor, employment, health care, health and safety, accessibility, immigration, gaming, environmental (including climate change), and regulations applicable under the Office of Foreign Asset Control and the Foreign Corrupt Practices Act (and local equivalents in international jurisdictions), we may be subject to regulatory investigations or actions, fines, penalties and potential criminal prosecution.

We are subject to risks related to corporate responsibility.

Many factors influence our reputation and the value of our brands including perceptions of us held by our key stakeholders and the communities in which we do business. Businesses face increasing scrutiny of the social and environmental impact of their actions and there is a risk of damage to our reputation and the value of our brands if we fail to act responsibly or comply with regulatory requirements in a number of areas such as safety and security, sustainability, responsible tourism, environmental management, human rights and support for local communities.

We are dependent on our senior management.

We believe that our future growth depends, in part, on the continued services of our senior management team. Losing the services of any members of our senior management team could adversely affect our strategic and customer relationships and impede our ability to execute our business strategies.

Our inability to adequately protect and maintain our intellectual property could adversely affect our business.

Our inability to adequately protect and maintain our trademarks, trade dress and other intellectual property rights could adversely affect our business. We generate, maintain, utilize and enforce a substantial portfolio of trademarks, trade dress and other intellectual property that are fundamental to the brands that we use in all of our businesses. There can be no assurance that the steps we take to protect our intellectual property will be adequate. Any event that materially damages the reputation of one or more of our brands could have an adverse impact on the value of that brand and subsequent revenues from that brand. The value of any brand is influenced by a number of factors, including consumer preference and perception and our failure to ensure compliance with brand standards.

Disasters, disruptions and other impairment of our information technologies and systems could adversely affect our business.

Any disaster, 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 technology and systems utilized for reservation systems, vacation exchange systems, hotel/property management, communications, procurement, member record databases, call centers, operation of our loyalty programs and administrative systems. The operation, maintenance and updating of these technologies and systems are dependent upon internal and third-party technologies, systems and services for which there are no assurances of uninterrupted availability or adequate protection.

Failure to maintain the security of personally identifiable and other information, non-compliance with our contractual or other legal obligations regarding such information, or a violation of the Company's privacy and security policies with respect to such information, could adversely affect us.

On June 26, 2012, the U.S. Federal Trade Commission ("FTC") filed a lawsuit in Federal District Court for the District of Arizona against the Company and its subsidiaries, Wyndham Hotel Group, LLC, Wyndham Hotels & Resorts Inc. and Wyndham Hotel Management Inc., alleging unfairness and deception-based violations of Section 5 of the FTC Act in connection with three prior data breach incidents involving a group of Wyndham brand hotels. The Company disputes the allegations in the lawsuit and is defending this lawsuit vigorously. The Company does not believe that the data breach incidents were or expect that the outcome of the FTC litigation will be material to the Company.

In connection with our business, we and our service providers collect and retain large volumes of certain types of personally identifiable and other information pertaining to our customers, stockholders and employees. Such information includes but is not limited to large volumes of customer credit and payment card information. The legal, regulatory and contractual environment surrounding information security and privacy is constantly evolving and the hospitality industry is under increasing attack by cyber-criminals in the U.S. and other jurisdictions in which we operate. A significant actual or potential theft, loss, fraudulent use or misuse of customer, stockholder, employee or our data by cybercrime or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could adversely impact our reputation and could result in significant costs, fines, litigation or regulatory action against us.

The market price of our shares may fluctuate.

The market price of our common stock may fluctuate depending upon many factors, some of which may be beyond our control, including our quarterly or annual earnings or those of other companies in our industry; actual or anticipated fluctuations in our operating results due to seasonality and other factors related to our business; changes in accounting principles or rules; announcements by us or our competitors of significant acquisitions or dispositions; the failure of securities analysts to cover our common stock; changes in earnings estimates by securities analysts or our ability to meet those estimates; the operating and stock price performance of comparable companies; overall market fluctuations; and general economic conditions. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Your percentage ownership in Wyndham Worldwide may be diluted in the future.

Your percentage ownership in Wyndham Worldwide may be diluted in the future because of equity awards that we expect will be granted over time to our directors, officers and employees as well as due to the exercise of options. In addition, our Board may issue shares of our common and preferred stock, and debt securities convertible into shares of our common and preferred stock, up to certain regulatory thresholds without shareholder approval.

Provisions in our certificate of incorporation and by-laws and under Delaware law may prevent or delay an acquisition of our Company, which could impact the trading price of our common stock.

Our certificate of incorporation and by-laws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive and to encourage prospective acquirers to negotiate with our Board rather than to attempt a hostile takeover. These provisions include a Board of Directors that is divided into three classes with staggered terms; elimination of the right of our stockholders to act by written consent; rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings; the right of our Board to issue preferred stock without stockholder approval; and limitations on the right of stockholders to remove directors. Delaware law also imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding shares of common stock.

We cannot provide assurance that we will continue to pay dividends.

There can be no assurance that we will have sufficient surplus under Delaware law to be able to continue to pay dividends. This may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures, increases in reserves or lack of available capital. Our Board of Directors may also suspend the payment of dividends if the Board deems such action to be in the best interests of the Company or stockholders. If we do not pay dividends, the price of our common stock must appreciate for you to realize a gain on your investment in Wyndham Worldwide. This appreciation may not occur and our stock may in fact depreciate in value.

We are responsible for certain of Cendant's contingent and other corporate liabilities.

Under the separation agreement and the tax sharing agreement that we executed with Cendant (now Avis Budget Group) and former Cendant units, Realogy and Travelport, we and Realogy generally are responsible for 37.5% and 62.5%, respectively, of certain of Cendant's contingent and other corporate liabilities and associated costs, including certain contingent and other corporate liabilities of Cendant and/or its subsidiaries to the extent incurred on or prior to August 23, 2006, including liabilities relating to certain of Cendant's terminated or divested businesses, the Travelport sale, the Cendant litigation described in this report, actions with respect to the separation plan and payments under certain contracts that were not allocated to any specific party in connection with the separation.

If any party responsible for the liabilities described above were to default on its obligations, each non-defaulting party (including Avis Budget) would be required to pay an equal portion of the amounts in default. Accordingly, we could, under certain circumstances, be obligated to pay amounts in excess of our share of the assumed obligations related to such liabilities including associated costs. On or about April 10, 2007, Realogy Corporation was acquired by affiliates of Apollo Management VI, L.P. and its stock is no longer publicly traded. 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, however, 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 posted a letter of credit in April 2007 for our and Cendant's benefit to cover its estimated share of the assumed liabilities discussed above, although there can be no assurance that such letter of credit will be sufficient to cover Realogy's actual obligations if and when they arise.

We may be required to write-off all or a portion of the remaining value of our goodwill or other intangibles of companies we have acquired.

Under generally accepted accounting principles, we review our intangible assets, including goodwill, for impairment at least annually or when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or other intangible assets may not be recoverable, include a sustained decline in our stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. We may be required to record a significant non-cash impairment charge in our financial statements during the period in which any impairment of our goodwill or other intangible assets is determined, negatively impacting our results of operations and stockholders' equity.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Below is a summary of our Wyndham common stock repurchases by month for the quarter ended September 30, 2012:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plan
July 1-31, 2012	1,277,161	$ 50.81	1,277,161	$ 725,638,719
August 1-31, 2012	368,870	$ 51.32	368,870	$ 706,758,636
September 1 - 30, 2012 (*)	925,500	$ 53.16	925,500	$ 657,652,505
Total	2,571,531	$ 51.73	2,571,531	$ 657,652,505

(*) Includes 173,800 shares purchased for which the trade date occurred during September 2012 while settlement occurred during October 2012.

We expect to generate annual net cash provided by operating activities less capital expenditures and development advances of approximately $600 million to $700 million in 2012. A portion of this cash flow is expected to be returned to our shareholders in the form of share repurchases and dividends. On August 20, 2007, our Board of Directors authorized a stock repurchase program that enabled us to purchase our common stock. The Board has since increased the program four times, most recently on April 18, 2012 for $750 million, bringing the total authorization under the program to $2.25 billion as of September 30, 2012.

During the period October 1, 2012 through October 23, 2012, we repurchased an additional 915,000 shares at an average price of $53.83. We currently have $608 million remaining availability in our program. 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.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibit index appears on the page immediately following the signature page of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	WYNDHAM WORLDWIDE CORPORATION
Date: October 24, 2012	/s/ Thomas G. Conforti
	Thomas G. Conforti Chief Financial Officer
Date: October 24, 2012	/s/ Nicola Rossi
	Nicola Rossi Chief Accounting Officer

Exhibit Index

Exhibit No.	Description
3.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed May 10, 2012)
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.3 to the Registrant's Form 8-K filed May 10, 2012)
10.1*	Third Amendment, dated as of August 30, 2012, to the Amended and Restated Indenture and Servicing Agreement, dated as of October 1, 2010, by and among Sierra Timeshare Conduit Receivables Funding II, 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
12*	Computation of Ratio of Earnings to Fixed Charges
15*	Letter re: Unaudited Interim Financial Information
31.1*	Certification of Chairman and Chief Executive Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) Promulgated Under the Securities Exchange Act of 1934, as amended
32*	Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Label Linkbase Document
101.LAB**	XBRL Taxonomy Presentation Linkbase Document
101.PRE**	XBRL Taxonomy Extension Definition Linkbase Document

* Filed with this report
** Furnished with this report

Exhibit 10.1

THIRD AMENDMENT

Dated as of August 30, 2012

to

AMENDED AND RESTATED INDENTURE
AND SERVICING AGREEMENT

Dated as of October 1, 2010

by and among

SIERRA TIMESHARE CONDUIT RECEIVABLES FUNDING II, LLC,

as Issuer

and

WYNDHAM CONSUMER FINANCE, INC.,

as Servicer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Trustee

and

U.S. BANK NATIONAL ASSOCIATION,

as Collateral Agent

THIRD AMENDMENT

to

AMENDED AND RESTATED INDENTURE AND SERVICING AGREEMENT

THIS THIRD AMENDMENT dated as of August 30, 2012 (this "Amendment") amends that **AMENDED AND RESTATED INDENTURE AND SERVICING AGREEMENT** dated as of October 1, 2010, as amended by that First Amendment dated as of June 28, 2011 and that Second Amendment dated as of May 17, 2012 (the Amended and Restated Indenture and Servicing Agreement together with the First Amendment and the Second Amendment, the "Original Indenture") and both this Amendment and the Original Indenture are by and among **SIERRA TIMESHARE CONDUIT RECEIVABLES FUNDING II, LLC**, a limited liability company organized under the laws of the State of Delaware, as issuer, **WYNDHAM CONSUMER FINANCE, INC**., a Delaware corporation, as servicer, **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as trustee and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as collateral agent.

RECITALS

WHEREAS, the Issuer, the Servicer, the Trustee and the Collateral Agent desire to amend the Original Indenture as provided herein.

WHEREAS, in accordance with (x) Section 15.1(b) of the Original Indenture, upon the Amendment Effective Date (as defined herein) the Required Facility Investors have consented to such amendment of the Original Indenture, (y) Section 15.1(g) of the Original Indenture, each Funding Agent and each Non-Conduit Committed Purchaser has consented to such amendment of the Original Indenture and (z) Section 15.16 of the Original Indenture, the Deal Agent has consented to such amendment of the Original Indenture.

WHEREAS, capitalized terms used in this Amendment and not otherwise defined herein or amended hereby shall have the meanings assigned to such terms in the Original Indenture.

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

SECTION 1. Amendment to Original Indenture. The Original Indenture is hereby amended by deleting all references therein to "AAA Advance Rate" and replacing such references with "Advance Rate".

SECTION 2. Amendment of Definitions. The definition of each of the following terms (including the term "Advance Rate" which prior to giving effect to Section 1 above was "AAA Advance Rate") contained in Section 1.1 of the Original Indenture is hereby amended and restated to read in its entirety as follows:

"Advance Rate" shall mean,

(i) prior to but excluding the October 2010 Payment Date, 51%;

(ii) as of the October 2010 Payment Date to but excluding June 28, 2011, 51.5%;

(iii) as of June 28, 2011 to but excluding the August 2012 Amendment Effective Date, 52%; and

(iv) as of the August 2012 Amendment Effective Date and thereafter 58%; provided, however, that if as of any Payment Date the Three Month Rolling Average Loss to Liquidation Ratio exceeds 16.5%, then on such Payment Date and thereafter the Advance Rate will equal 54%; provided further that on any subsequent Payment Date that is the third consecutive Payment Date for which the Three Month Rolling Average Loss to Liquidation Ratio is less than 16.0%, the Advance Rate will return to 58%.

"Borrowing Base Amortization Trigger Amount" shall mean (i) on any Payment Date during any Green Loan Advance Period, the sum of (x) the Borrowing Base on such date and (y) the Green Loan Deficiency Amount on such date, and (ii) on any other Payment Date, the Borrowing Base on such date; provided that on any Payment Date (x) with respect to which the Advance Rate on the immediately preceding Payment Date was 58% and (y) on which the Advance Rate is decreased pursuant to the proviso to clause (iv) of the definition thereof, the Borrowing Base Amortization Trigger Amount shall equal the Borrowing Base on such date calculated without giving effect to the decrease in the Advance Rate pursuant to such proviso in the definition of Advance Rate; provided further that if such Payment occurs during any Green Loan Advance Period, the Borrowing Base Amortization Trigger Amount shall equal the sum of (x) Borrowing Base on such date calculated without giving effect to the decrease in the Advance Rate pursuant to such proviso in the definition of Advance Rate and (y) the Green Loan Deficiency Amount on such date.

"Excess Concentration Amount" shall mean, on any date, an amount equal to the sum of (i) the Non-US Excess Amount, (ii) the Green Loans Excess Amount, (iii) the Delayed Completion Green Loans Excess Amount, (iv) the New Seller Excess Amount, (v) the Transition Period Excess Amount, (vi) the Large Loans Excess Amount, (vii) the State Concentration Excess Amount, (viii) the Documents in Transit Excess Amount, (ix) the Fixed Week Excess Amount, (x) the Extended Term Excess Amount, (xi) the Presidential Reserve Loan Excess Amount, (xii) the Non-WorldMark Loan Excess Amount, (xiii) the WorldMark Loan FICO Score 650 Excess Amount, (xiv) the WorldMark Loan FICO Score 700 Excess Amount, (xv) the WorldMark Loan FICO Score 750 Excess Amount, (xvi) the WorldMark Loan FICO Score 800 Excess Amount, (xvii) the Wyndham Loan FICO Score 650 Excess Amount, (xviii) the Wyndham Loan FICO Score 700 Excess Amount, (xix) the Wyndham Loan FICO Score 750 Excess Amount, (xx) the Wyndham Loan FICO Score 800 Excess Amount, and (xxi) the California Excess Amount.

"Hedge Agreement" shall mean the ISDA Master Agreement (including the schedule thereto and any annexes thereunder), dated August 29, 2012 between the Issuer and the Hedge Provider party thereto, and the confirmations thereunder, as such Hedge Agreement may be amended, modified, replaced or assigned.

"Maturity Date" shall mean the August 2030 Payment Date.

"Qualified Hedge Provider" shall mean, at any time, any entity which is a counterparty to the Hedge Agreement so long as such entity or its Guarantor has a long-term unsecured debt rating of at least A3 from Moody's and A- from S&P and a short-term unsecured debt rating of at least P-2 from Moody's and A-2 from S&P.

"Rating Agency" shall mean at any time any nationally recognized statistical rating organization then maintaining a rating on the Series 2008-A Notes at the request of the Issuer.

"Wyndham Loans" shall mean Pledged Loans other than WorldMark Loans.

SECTION 3. Addition of Definitions. Section 1.1 of the Original Indenture is hereby amended by adding the following definitions thereto in the appropriate alphabetical order:

"August 2012 Amendment Effective Date" shall mean August 30, 2012.

"Non-WorldMark Loan Excess Amount" shall mean, on any date, the amount by which (i) the sum of the Loan Balances on such date for all Wyndham Loans exceeds (ii) 70% of the Adjusted Loan Balance on such date.

SECTION 4. Deletion of Definitions.

Section 1.1 of the Original Indenture is hereby amended by deleting in their entirety the definitions of the terms "Club Wyndham Access," "First Amendment Effective Date," "May 2012 Amendment Effective Date," "Renewal Date," "Third Amendment Effective Date," "WAAM Loan," "WAAM Loan Developer," "WAAM Loan Developer Excess Amount," "WAAM Loan Aggregate Excess Amount," "WAAM Real Property Interest," "WAAM Timeshare Property" and "WorldMark Loan Excess Amount."

SECTION 5. Amendment to Section 1.2. Section 1.2(a) of the Original Indenture is hereby amended by deleting the term "Third Amendment Effective Date" therein, and inserting "August 2012 Amendment Effective Date" in lieu thereof.

SECTION 6. Amendment to Section 1.2. Section 1.2(d) of the Original Indenture is hereby amended by deleting such clause in its entirety and inserting the following in lieu thereof:

> (d) Any reference to a Rating Agency or to each Rating Agency shall only apply to a rating agency then rating the Series 2008-A Notes, and any reference to satisfaction of the Rating Agency Condition or to delivery of documents or other items to the Rating Agencies or to a Rating Agency shall only apply to a rating agency then rating the Series 2008-A Notes. Other than as set forth in Section 15.16, at any time when the Series 2008-A Notes are not rated by any Rating Agency all references in this Indenture to actions to be taken with respect to any Rating Agency or the Rating Agencies and/or the Rating Agency Condition shall be disregarded and shall be of no effect.

SECTION 7. Amendment to Section 2.12. Section 2.12(a) of the Original Indenture is hereby amended by deleting the second sentence of such clause in its entirety and inserting the following in lieu thereof:

> The maximum principal amount of the Series 2008-A Notes on and after the August 2012 Amendment Effective Date is and shall be $650,000,000, subject to any changes in the Facility Limit made in accordance herewith and with the Note Purchase Agreement.

SECTION 8. Amendment to Section 2.16. Sections 2.16(a) of the Original Indenture is hereby amended and restated to read in its entirety as follows:

> The Trustee shall pay all amounts paid to or deposited with it for payment (x) to any Purchaser Group to the account or accounts so specified by the related Funding Agent and (y) to any Non-Conduit Committed Purchaser to the account or accounts so specified by such Non-Conduit Committed Purchaser; provided that unless the Trustee has received other instructions from a Funding Agent or Non-Conduit Committed Purchaser, such account or accounts for each Purchaser Group or each Non-Conduit Committed Purchaser shall be deemed to be those indicated under "Account for Payment" (i) under such Purchaser's signature to the Note Purchase Agreement as amended and supplemented from time to time and provided to the Trustee or (ii) if applicable, as provided in a Purchaser Assignment and Assumption Agreement and provided to the Trustee.

SECTION 9. Amendment to Section 2.20. Section 2.20 of the Original Indenture is hereby amended by the addition of the following clause (e) at the end of such section:

> (e) The Issuer has not registered as an investment company under the Investment Company Act in reliance upon an exemption provided by Rule 3a-7 promulgated under the Investment Company Act. In order to satisfy the requirements of such Rule 3a-7 the Issuer shall be entitled to receive a certificate or other agreement in writing from each Conduit and from each Committed Purchaser to the effect that each such Conduit and each such Committed Purchaser is a QIB. In addition to all other transfer restrictions set forth in this Section 2.20 or any other provision of this Indenture or the Note Purchase Agreement, no Series 2008-A Notes or any interest therein may be transferred and the Trustee shall not register any transfer of a Series 2008-A Note or any interest therein unless the transferee has delivered to the Trustee and to the Issuer a certificate satisfactory to the Issuer to the effect that such transferee is a QIB.

SECTION 10. Amendment to Section 4.8. Section 4.8 of the Original Indenture is hereby amended by deleting such section in its entirety and replacing it with the following in lieu thereof:

> The Issuer agrees that if any Hedge Provider ceases to be a Qualified Hedge Provider, the Issuer shall have thirty (30) days (x) to cause such Hedge Provider to assign its obligations under the related Hedge Agreement to a new Qualified Hedge Provider (or such Hedge Provider shall have thirty (30) days to again become a Qualified Hedge Provider) or (y) to obtain a substitute Hedge Agreement in form and substance reasonably satisfactory to the Deal Agent together with the related Qualified Hedge Provider's acknowledgment of the Grant by the Issuer to the Trustee of such Hedge Agreement.

SECTION 11. Amendment to Section 10.1. Section 10.1(t) of the Original Indenture is hereby amended by deleting such section in its entirety and replacing it with the following in lieu thereof:

> (t) the Three Month Rolling Average Loss to Liquidation Ratio as calculated for any Payment Date exceeds 20.0%;

SECTION 12. Amendment to Section 11.1. Clause 5 of Section 11.1(a) of the Original Indenture is hereby amended by deleting such clause in its entirety and replacing it with the following in lieu thereof:

> (5) if the Hedge Provider ceases to be a Qualified Hedge Provider, to comply with the requirements set forth in Section 4.8 within the time provided in such Section 4.8,

SECTION 13. Amendment to Section 15.16. Section 15.16 of the Original Indenture is hereby amended by deleting such section in its entirety and replacing it with the following in lieu thereof:

> It is agreed by the parties hereto that any action which, under the terms of this Indenture, is stated to be subject to the satisfaction of the Rating Agency Condition, such action shall, without regard to whether or not the satisfaction of the Rating Agency Condition is then actually required pursuant to Section 1.2(d), be subject to the condition that such action shall not be taken unless the Deal Agent has given its prior written consent to the action.

SECTION 14. Amendment to Section 15.17. Section 15.17 of the Original Indenture is hereby amended by deleting such section in its entirety and inserting "[Reserved]" in lieu thereof.

SECTION 15. Amendment to Exhibit J. The form of Sale and Assignment Agreement contained in Exhibit J to the Original Indenture is hereby amended by deleting all references therein to "FICO score" and replacing each such reference with "FICO Score."

SECTION 16. No Other Amendments. Except as expressly amended, modified and supplemented hereby, the provisions of the Original Indenture are and shall remain in full force and effect.

SECTION 17. Governing Law. This Amendment is governed by and shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 18. Counterparts. This Amendment may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION 19. Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

SECTION 20. Effectiveness. This Amendment shall be effective upon the date (the "Amendment Effective Date") that is the later of (i) the date hereof and (ii) the first date on which each of the following conditions precedent shall have been satisfied:

(a) This Amendment shall have been executed and delivered by each of the parties hereto;

(b) The Trustee shall have received the written consent of the Required Facility Investors, each Funding Agent, each Non-Conduit Committed Purchaser and the Deal Agent to this Amendment;

(c) The Trustee shall have received any Opinions of Counsel required by the Trustee to be delivered to the Trustee; and

(d) The Second Amendment to the Note Purchase Agreement, dated the date hereof (the "NPA Amendment"), shall have been executed and delivered by each party thereto.

SECTION 21. Notes Principal Amount. The Issuer hereby notifies the Trustee that on August 30, 2012 the Series 2008-A Notes shall represent the aggregate Notes Principal Amount of $160,993,922.33 and on such date the Series 2008-A Notes shall be registered to the Purchasers in accordance with a schedule and written instructions delivered to the Trustee by the Issuer. On and after such date the Trustee is authorized to authenticate and deliver new or replacement Series 2008-A notes to the Purchasers in accordance with such schedule and instructions received from the Issuer.

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

SIERRA TIMESHARE CONDUIT RECEIVABLES FUNDING II, LLC,
as Issuer

By: /s/ Mark A. Johnson
Name: Mark A. Johnson
Title: President

WYNDHAM CONSUMER FINANCE INC., RECEIVABLES FUNDING II, LLC,
as Servicer

By: /s/ Mark A. Johnson
Name: Mark A. Johnson
Title: President

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

By: /s/ Jennifer C. Westberg
Name: Jennifer C. Westberg
Title: Vice President

U.S. BANK NATIONAL ASSOCATION, as
as Collateral Agent

By: /s/ Tamara Schultz-Fugh
Name: Tamara Schultz-Fugh
Title: Vice President

Exhibit 12

WYNDHAM WORLDWIDE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Nine Months Ended September 30,	
	2012	**2011 [b]**
Earnings available to cover fixed charges:		
Income before income taxes	$ 506	$ 583
Less: Income from equity investees	(1)	(2)
	505	581
Plus: Fixed charges	191	198
Amortization of capitalized interest	4	4
Net loss attributable to noncontrolling interest	1	—
Less: Capitalized interest	(4)	(9)
Earnings available to cover fixed charges	$ 697	$ 774
Fixed charges [a]:		
Interest	$ 167	$ 170
Capitalized interest	4	9
Interest portion of rental expense	20	19
Total fixed charges	$ 191	$ 198
Ratio of earnings to fixed charges [b]	3.65x	3.91x

[a] Consists of interest expense on all indebtedness (including costs related to the amortization of deferred financing costs), capitalized interest and the portion of operating lease rental expense that is representative of the interest factor.

[b] Ratio computation has been amended to exclude costs related to the early extinguishment of debt from interest within total fixed charges. For the three months ended September 30, 2011, the ratio previously reported was 3.74x.

* * *

Exhibit 15

October 24, 2012

Wyndham Worldwide Corporation
22 Sylvan Way
Parsippany, New Jersey

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited consolidated interim financial information of Wyndham Worldwide Corporation and subsidiaries for the periods ended September 30, 2012, and 2011, as indicated in our report dated October 24, 2012; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, is incorporated by reference in Registration Statement No. 333-136090 on Form S-8 and Registration Statement No. 333-179710 on Form S-3.

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

/s/ Deloitte & Touche LLP
Parsippany, New Jersey

* * *

Exhibit 31.1

CERTIFICATION

I, Stephen P. Holmes, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2012

/S/ STEPHEN P. HOLMES

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Exhibit 31.2

CERTIFICATION

I, Thomas G. Conforti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wyndham Worldwide Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2012

/S/ THOMAS G. CONFORTI

CHIEF FINANCIAL OFFICER

Exhibit 32

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Wyndham Worldwide Corporation (the "Company") on Form 10-Q for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen P. Holmes, as Chairman and Chief Executive Officer of the Company, and Thomas G. Conforti, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1.) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ STEPHEN P. HOLMES

STEPHEN P. HOLMES
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
OCTOBER 24, 2012

/S/ THOMAS G. CONFORTI

THOMAS G. CONFORTI
CHIEF FINANCIAL OFFICER
OCTOBER 24, 2012