

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, 2013

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**

*(State or other jurisdiction  
of incorporation or organization)*

**22 Sylvan Way**

**Parsippany, New Jersey**

*(Address of principal executive offices)*

**20-0052541**

*(I.R.S. Employer  
Identification No.)*

**07054**

*(Zip Code)*

**(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

Smaller reporting company

*(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

130,306,798 shares of common stock outstanding as of September 30, 2013.

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**PART I — FINANCIAL INFORMATION**

**Item 1. Consolidated 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, 2013, the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012 and the related consolidated statements of cash flows and equity for the nine-month periods ended September 30, 2013 and 2012. 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, 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for the year then ended (not presented herein); and in our report dated February 15, 2013, 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, 2012 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 23, 2013

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Net revenues</b>				
Service and membership fees	\$ 680	\$ 566	\$ 1,833	\$ 1,558
Vacation ownership interest sales	384	373	995	987
Franchise fees	186	168	460	449
Consumer financing	107	106	318	311
Other	70	52	208	135
<b>Net revenues</b>	<b>1,427</b>	<b>1,265</b>	<b>3,814</b>	<b>3,440</b>
<b>Expenses</b>				
Operating	589	495	1,645	1,389
Cost of vacation ownership interests	43	45	107	115
Consumer financing interest	19	23	60	69
Marketing and reservation	213	197	570	554
General and administrative	186	172	528	481
Depreciation and amortization	54	45	160	136
<b>Total expenses</b>	<b>1,104</b>	<b>977</b>	<b>3,070</b>	<b>2,744</b>
<b>Operating income</b>	<b>323</b>	<b>288</b>	<b>744</b>	<b>696</b>
Other income, net	(2)	—	(6)	(9)
Interest expense	31	32	97	98
Early extinguishment of debt	—	2	111	108
Interest income	(2)	(2)	(6)	(7)
<b>Income before income taxes</b>	<b>296</b>	<b>256</b>	<b>548</b>	<b>506</b>
Provision for income taxes	109	97	201	187
<b>Net income</b>	<b>187</b>	<b>159</b>	<b>347</b>	<b>319</b>
Net (income)/loss attributable to noncontrolling interest	—	—	(1)	1
<b>Net income attributable to Wyndham shareholders</b>	<b>\$ 187</b>	<b>\$ 159</b>	<b>\$ 346</b>	<b>\$ 320</b>
<b>Earnings per share</b>				
Basic	\$ 1.42	\$ 1.13	\$ 2.58	\$ 2.20
Diluted	1.40	1.11	2.55	2.16
Cash dividends declared per share	\$ 0.29	\$ 0.23	\$ 0.87	\$ 0.69

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,	
	2013	2012	2013	2012
<b>Net income</b>	\$ 187	\$ 159	\$ 347	\$ 319
<b>Other comprehensive income/(loss), net of tax</b>				
Foreign currency translation adjustments	39	19	(28)	12
Unrealized gain/(loss) on cash flow hedges	(1)	1	1	4
<b>Other comprehensive income/(loss), net of tax</b>	38	20	(27)	16
<b>Comprehensive income</b>	225	179	320	335
Net (income)/loss attributable to noncontrolling interest	—	—	(1)	1
<b>Comprehensive income attributable to Wyndham shareholders</b>	<u>\$ 225</u>	<u>\$ 179</u>	<u>\$ 319</u>	<u>\$ 336</u>

See Notes to Consolidated Financial Statements.

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

	September 30, 2013	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 269	\$ 195
Trade receivables, net	429	442
Vacation ownership contract receivables, net	308	318
Inventory	327	379
Prepaid expenses	136	122
Deferred income taxes	97	157
Other current assets	298	253
Total current assets	1,864	1,866
Long-term vacation ownership contract receivables, net	2,447	2,571
Non-current inventory	687	698
Property and equipment, net	1,513	1,292
Goodwill	1,579	1,566
Trademarks, net	730	730
Franchise agreements and other intangibles, net	436	459
Other non-current assets	410	281
<b>Total assets</b>	<b>\$ 9,666</b>	<b>\$ 9,463</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Securitized vacation ownership debt	\$ 186	\$ 218
Current portion of long-term debt	55	326
Accounts payable	309	307
Deferred income	445	383
Due to former Parent and subsidiaries	22	22
Accrued expenses and other current liabilities	663	675
Total current liabilities	1,680	1,931
Long-term securitized vacation ownership debt	1,702	1,742
Long-term debt	2,888	2,276
Deferred income taxes	1,130	1,141
Deferred income	203	207
Due to former Parent and subsidiaries	17	17
Other non-current liabilities	364	218
Total liabilities	7,984	7,532
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 215,516,020 shares in 2013 and 214,812,395 shares in 2012	2	2
Treasury stock, at cost – 85,455,762 shares in 2013 and 77,523,995 shares in 2012	(3,076)	(2,601)
Additional paid-in capital	3,845	3,820
Retained earnings	785	558
Accumulated other comprehensive income	124	151
Total stockholders' equity	1,680	1,930
Noncontrolling interest	2	1
Total equity	1,682	1,931
<b>Total liabilities and equity</b>	<b>\$ 9,666</b>	<b>\$ 9,463</b>

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2013	2012
<b>Operating Activities</b>		
Net income	\$ 347	\$ 319
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	160	136
Provision for loan losses	275	320
Deferred income taxes	42	40
Stock-based compensation	38	31
Excess tax benefits from stock-based compensation	(13)	(27)
Early extinguishment of debt	106	107
Non-cash interest	21	17
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Trade receivables	12	42
Vacation ownership contract receivables	(171)	(247)
Inventory	25	68
Prepaid expenses	(14)	19
Other current assets	(11)	(12)
Accounts payable, accrued expenses and other current liabilities	(4)	5
Due to former Parent and subsidiaries, net	—	(3)
Deferred income	44	(17)
Other, net	1	10
<b>Net cash provided by operating activities</b>	<b>858</b>	<b>808</b>
<b>Investing Activities</b>		
Property and equipment additions	(153)	(123)
Net assets acquired, net of cash acquired	(128)	(204)
Development advances	(54)	(3)
Equity investments and loans	(3)	(45)
Proceeds from asset sales	6	—
Decrease in securitization restricted cash	19	10
Increase in escrow deposit restricted cash	(6)	(11)
Other, net	2	(1)
<b>Net cash used in investing activities</b>	<b>(317)</b>	<b>(377)</b>
<b>Financing Activities</b>		
Proceeds from securitized borrowings	1,203	1,265
Principal payments on securitized borrowings	(1,276)	(1,204)
Proceeds from long-term debt	377	1,818
Principal payments on long-term debt	(327)	(1,793)
Repayments of commercial paper, net	(108)	—
Proceeds from note issuances	843	941
Repurchase of notes	(636)	(757)
Proceeds from vacation ownership inventory arrangement	87	—
Repayment of convertible notes	—	(45)
Proceeds from call options	—	33
Dividends to shareholders	(119)	(102)
Repurchase of common stock	(473)	(476)
Proceeds from stock option exercises	—	13
Excess tax benefits from stock-based compensation	13	27
Debt issuance costs	(18)	(15)
Net share settlement of incentive equity awards	(26)	(44)
Other, net	(4)	(1)
<b>Net cash used in financing activities</b>	<b>(464)</b>	<b>(340)</b>
Effect of changes in exchange rates on cash and cash equivalents	(3)	(1)
Net increase in cash and cash equivalents	74	90
Cash and cash equivalents, beginning of period	195	142
Cash and cash equivalents, end of period	<b>\$ 269</b>	<b>\$ 232</b>

See Notes to Consolidated Financial Statements.



**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
<b>Balance as of December 31, 2012</b>	137	\$ 2	\$ (2,601)	\$ 3,820	\$ 558	\$ 151	\$ 1	\$ 1,931
Net income	—	—	—	—	346	—	1	347
Other comprehensive loss	—	—	—	—	—	(27)	—	(27)
Issuance of shares for RSU vesting	1	—	—	—	—	—	—	—
Net share settlement of incentive equity awards	—	—	—	(26)	—	—	—	(26)
Change in deferred compensation	—	—	—	38	—	—	—	38
Repurchase of common stock	(8)	—	(475)	—	—	—	—	(475)
Change in excess tax benefit on equity awards	—	—	—	13	—	—	—	13
Dividends	—	—	—	—	(119)	—	—	(119)
<b>Balance as of September 30, 2013</b>	<u>130</u>	<u>\$ 2</u>	<u>\$ (3,076)</u>	<u>\$ 3,845</u>	<u>\$ 785</u>	<u>\$ 124</u>	<u>\$ 2</u>	<u>\$ 1,682</u>

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
<b>Balance as of December 31, 2011</b>	147	\$ 2	\$ (2,009)	\$ 3,818	\$ 293	\$ 128	\$ —	\$ 2,232
Net income	—	—	—	—	320	—	(1)	319
Other comprehensive income	—	—	—	—	—	16	—	16
Exercise of stock options and SSARs	—	—	—	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
<b>Balance as of September 30, 2012</b>	<u>140</u>	<u>\$ 2</u>	<u>\$ (2,450)</u>	<u>\$ 3,814</u>	<u>\$ 510</u>	<u>\$ 144</u>	<u>\$ (1)</u>	<u>\$ 2,019</u>

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 2012 Consolidated Financial Statements included in its Annual Report filed on Form 10-K with the Securities and Exchange Commission on February 15, 2013.

***Business Description***

The Company operates in the following business segments:

- **Lodging**—primarily franchises hotels in the upper upscale, upscale, upper midscale, midscale, economy and extended stay segments and provides hotel management services for full-service and select 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***

***Comprehensive Income.*** In February 2013, the Financial Accounting Standards Board (“FASB”) issued guidance to improve the reporting of amounts reclassified out of accumulated other comprehensive income (“AOCI”). The guidance amends the presentation of changes in AOCI and requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the statement of income or as a separate disclosure in the notes. This guidance is effective prospectively for fiscal years beginning after December 15, 2012. The Company adopted the guidance on January 1, 2013, as required. There was no material impact on its Consolidated Financial Statements resulting from the adoption.

***Foreign Currency Matters.*** In March 2013, the FASB issued guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. The guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This guidance is effective prospectively for fiscal years beginning after December 15, 2013, and for interim periods within those fiscal years. The Company will adopt the guidance on January 1, 2014, as required, and it believes the adoption of this guidance will not have a material impact on its Consolidated Financial Statements.

**2. Earnings Per Share**

The computation of basic and diluted earnings per share ("EPS") is based on net income attributable to Wyndham shareholders 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		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income attributable to Wyndham shareholders	\$ 187	\$ 159	\$ 346	\$ 320
Basic weighted average shares	131	141	134	145
Stock options, SSARs and RSUs <sup>(a)</sup>	2	2	2 <sup>(d)</sup>	2
Warrants	—	1 <sup>(e)</sup>	—	1 <sup>(e)</sup>
Weighted average diluted shares <sup>(b)</sup>	133	144	136	148
<i>Earnings per share:</i>				
Basic	\$ 1.42	\$ 1.13	\$ 2.58	\$ 2.20
Diluted	1.40	1.11	2.55	2.16

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

(b) Excludes 828,000 performance vested restricted stock units ("PSUs") for both the three and nine months ended September 30, 2013, respectively, and 607,000 PSUs for both the three and nine months ended September 30, 2012, respectively, as the Company has not met the required performance metrics.

(c) 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.

(d) Excludes 69,000 stock-settled stock appreciation rights ("SSARs") for the nine months ended September 30, 2013, as their inclusion would have been anti-dilutive to EPS.

**Dividend Payments**

During each of the quarterly periods ended March 31, June 30 and September 30, 2013, the Company paid cash dividends of \$0.29 per share (\$119 million in the aggregate). 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).

**Stock Repurchase Program**

The following table summarizes stock repurchase activity under the current stock repurchase program (in millions, except per share data):

	Shares	Cost	Average Price Per share
As of December 31, 2012	53.0	\$ 1,820	\$ 34.33
For the nine months ended September 30, 2013	7.9	475	59.84
As of September 30, 2013	60.9	\$ 2,295	37.65

The Company had \$782 million of remaining availability in its program as of September 30, 2013.

### 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.

*Vacation Ownership NYC Property.* During January 2013, the Company entered into an agreement with a third party partner whereby the partner acquired the Alex hotel in New York City for \$115 million through a special purpose entity ("SPE"). The Company is considered to be the primary beneficiary of the SPE and therefore the Company consolidates the SPE within its financial statements. The Company is managing and operating the hotel while the Company converts it into VOI inventory. The SPE's preliminary purchase price allocation for this hotel resulted in the recognition of \$115 million of property and equipment, all of which was assigned to the Company's Vacation Ownership segment. Acquisition-related costs of \$2 million are included in operating expenses in the accompanying Consolidated Statement of Income for the nine months ended September 30, 2013. This SPE transaction is consistent with the Company's strategy to replenish VOI inventory utilizing its Wyndham Asset Affiliation Model. The consolidation of the SPE was not material to the Company's results of operations, financial position or cash flows (see Note 8 - Variable Interest Entities for more detailed information).

### 4. Intangible Assets

Intangible assets consisted of:

	As of September 30, 2013			As of December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Unamortized Intangible Assets:</i>						
Goodwill	\$ 1,579			\$ 1,566		
Trademarks	\$ 724			\$ 724		
<i>Amortized Intangible Assets:</i>						
Franchise agreements	\$ 594	\$ 352	\$ 242	\$ 594	\$ 340	\$ 254
Trademarks	8	2	6	7	1	6
Other	273	79	194	270	65	205
	<u>\$ 875</u>	<u>\$ 433</u>	<u>\$ 442</u>	<u>\$ 871</u>	<u>\$ 406</u>	<u>\$ 465</u>

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

	Balance as of December 31, 2012	Goodwill Acquired During 2013	Goodwill Acquired During 2012	Foreign Exchange	Balance as of September 30, 2013
Lodging	\$ 300	\$ —	\$ —	\$ —	\$ 300
Vacation Exchange and Rentals	1,241	10	4	(3)	1,252
Vacation Ownership	25	—	2	—	27
Total Company	<u>\$ 1,566</u>	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ (3)</u>	<u>\$ 1,579</u>

Amortization expense relating to amortizable intangible assets was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Franchise agreements	\$ 3	\$ 4	\$ 11	\$ 13
Trademarks and Other	6	3	16	9
Total (*)	\$ 9	\$ 7	\$ 27	\$ 22

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

Based on the Company's amortizable intangible assets as of September 30, 2013, the Company expects related amortization expense as follows:

	Amount
Remainder of 2013	\$ 9
2014	36
2015	34
2016	33
2017	32
2018	31

#### 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, 2013	December 31, 2012
<i>Current vacation ownership contract receivables:</i>		
Securitized	\$ 223	\$ 252
Non-securitized	143	118
	366	370
Less: Allowance for loan losses	58	52
Current vacation ownership contract receivables, net	\$ 308	\$ 318
<i>Long-term vacation ownership contract receivables:</i>		
Securitized	\$ 1,964	\$ 2,149
Non-securitized	986	867
	2,950	3,016
Less: Allowance for loan losses	503	445
Long-term vacation ownership contract receivables, net	\$ 2,447	\$ 2,571

During the three and nine months ended September 30, 2013, the Company's securitized vacation ownership contract receivables generated interest income of \$73 million and \$226 million, respectively. During the three and nine months ended September 30, 2012, such amounts were \$76 million and \$229 million, respectively. Such interest income is included in consumer financing revenues on the Consolidated Statements of Income.

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, 2013 and 2012, the Company originated vacation ownership contract receivables of \$785 million and \$822 million, respectively, and received principal collections of \$614 million and \$575 million, respectively. The weighted average interest rate on outstanding vacation ownership contract receivables was 13.5% and 13.4% as of September 30, 2013 and December 31, 2012, respectively.

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

	<b>Amount</b>
Allowance for loan losses as of December 31, 2012	\$ 497
Provision for loan losses	275
Contract receivables write-offs, net	(211)
Allowance for loan losses as of September 30, 2013	\$ 561
	<b>Amount</b>
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

In accordance with the guidance for accounting for real estate timesharing transactions, the Company recorded a provision for loan losses of \$102 million and \$275 million as a reduction of net revenues during the three and nine months ended September 30, 2013, respectively, and \$124 million and \$320 million during the three and nine months ended September 30, 2012, 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 receivables 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):

	<b>As of September 30, 2013</b>					
	<b>700+</b>	<b>600-699</b>	<b>&lt;600</b>	<b>No Score</b>	<b>Asia Pacific</b>	<b>Total</b>
Current	\$ 1,501	\$ 1,065	\$ 236	\$ 101	\$ 286	\$ 3,189
31 - 60 days	12	24	20	3	4	63
61 - 90 days	7	10	13	2	1	33
91 - 120 days	5	10	13	1	2	31
Total	\$ 1,525	\$ 1,109	\$ 282	\$ 107	\$ 293	\$ 3,316

	<b>As of December 31, 2012</b>					
	<b>700+</b>	<b>600-699</b>	<b>&lt;600</b>	<b>No Score</b>	<b>Asia Pacific</b>	<b>Total</b>
Current	\$ 1,459	\$ 1,064	\$ 274	\$ 94	\$ 312	\$ 3,203
31 - 60 days	13	26	23	3	5	70
61 - 90 days	10	14	17	2	2	45
91 - 120 days	13	30	23	1	1	68
Total	\$ 1,495	\$ 1,134	\$ 337	\$ 100	\$ 320	\$ 3,386

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, 2013	December 31, 2012
Land held for VOI development	\$ 102	\$ 137
VOI construction in process	97	147
Inventory sold subject to conditional repurchase <sup>(a)</sup>	114	—
Completed inventory and vacation credits <sup>(b) (c)</sup>	701	793
Total inventory	1,014	1,077
Less: Current portion	327	379
Non-current inventory	\$ 687	\$ 698

<sup>(a)</sup> Comprised of \$76 million of VOI construction in process and \$38 million of land held for VOI development.

<sup>(b)</sup> Includes estimated recoveries of \$229 million and \$202 million as of September 30, 2013 and December 31, 2012, respectively.

<sup>(c)</sup> Vacation credits relate to both the Company's vacation ownership and vacation exchange and rentals businesses of which \$66 million and \$69 million as of September 30, 2013 and December 31, 2012, respectively, related to the Company's vacation exchange and rentals business.

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

### ***Inventory Sale Transaction***

During June 2013, the Company sold real property located in Las Vegas, Nevada, to a third party developer, consisting of \$114 million of vacation ownership inventory and \$3 million of property and equipment. Total consideration was \$117 million, of which \$87 million was cash and \$30 million was a note receivable. The Company recognized no gain or loss on this transaction.

In accordance with the agreement with the third party developer, the Company has conditional rights and a conditional obligation to repurchase the completed property from the developer subject to the property meeting the Company's vacation ownership resort standards and provided that the third party developer has not sold the property to another party (see Note 12 - Commitments and Contingencies for more detailed information). Under the sale of real estate accounting guidance, the conditional rights and obligation of the Company constitute continuing involvement and thus the Company was unable to account for this transaction as a sale. The property was sold to a variable interest entity ("VIE") for which the Company is not the primary beneficiary as the Company does not control the entity's development activities and cannot prevent the entity from selling the property to another party. Accordingly, the Company does not consolidate the VIE.

In connection with this transaction, the Company has an outstanding obligation of \$118 million and a note receivable of \$31 million as of September 30, 2013, which are recorded within other non-current liabilities and other non-current assets, respectively, on the Consolidated Balance Sheet. Interest on the note receivable accrues at 3% per annum and is expected to be paid with the principal at maturity in December 2014. The \$87 million of cash consideration received is included in proceeds from vacation ownership inventory arrangement in the financing section on the Consolidated Statement of Cash Flows for the nine months ended September 30, 2013. The note receivable and corresponding long-term obligation were non-cash and as such, are excluded from the Company's Consolidated Statement of Cash Flows.

**7. Long-Term Debt and Borrowing Arrangements**

The Company's indebtedness consisted of:

	September 30, 2013	December 31, 2012
<i>Securitized vacation ownership debt:</i> <sup>(a)</sup>		
Term notes	\$ 1,615	\$ 1,770
Bank conduit facility	273	190
Total securitized vacation ownership debt	1,888	1,960
Less: Current portion of securitized vacation ownership debt	186	218
Long-term securitized vacation ownership debt	<u>\$ 1,702</u>	<u>\$ 1,742</u>
<i>Long-term debt:</i> <sup>(b)</sup>		
Revolving credit facility (due July 2018)	\$ 74	\$ 85
Commercial paper	164	273
9.875% senior unsecured notes	—	42 <sup>(d)</sup>
\$315 million 6.00% senior unsecured notes (due December 2016)	318 <sup>(c)</sup>	361 <sup>(e)</sup>
\$300 million 2.95% senior unsecured notes (due March 2017)	298	298
\$14 million 5.75% senior unsecured notes (due February 2018)	14	248 <sup>(f)</sup>
\$450 million 2.50% senior unsecured notes (due March 2018)	447	—
\$40 million 7.375% senior unsecured notes (due March 2020)	40	248 <sup>(f)</sup>
\$250 million 5.625% senior unsecured notes (due March 2021)	246	246
\$650 million 4.25% senior unsecured notes (due March 2022)	644	644
\$400 million 3.90% senior unsecured notes (due March 2023)	396	—
Capital leases	185	105
Other	117	52
Total long-term debt	<u>2,943</u>	<u>2,602</u>
Less: Current portion of long-term debt	55	326
Long-term debt	<u><u>\$ 2,888</u></u>	<u><u>\$ 2,276</u></u>

(a) Represents non-recourse debt that is securitized through bankruptcy-remote SPEs, the creditors of which have no recourse to the Company for principal and interest. These outstanding borrowings are collateralized by \$2,306 million and \$2,543 million of underlying gross vacation ownership contract receivables and related assets as of September 30, 2013 and December 31, 2012, respectively.

(b) The carrying amounts of the senior unsecured notes are net of unamortized discount of \$18 million as of both September 30, 2013 and December 31, 2012.

(c) Includes \$3 million of unamortized gains from the settlement of a derivative.

(d) Aggregate principal balance as of December 31, 2012 was \$43 million.

(e) Includes aggregate principal balance as of December 31, 2012 of \$357 million and \$5 million of unamortized gains from the settlement of a derivative.

(f) Aggregate principal balance as of December 31, 2012 was \$250 million.

**2013 Debt Issuances**

**2.50% Senior Unsecured Notes.** During February 2013, the Company issued senior unsecured notes, with face value of \$450 million and bearing interest at a rate of 2.50%, for net proceeds of \$447 million. Interest began accruing on February 22, 2013 and is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2013. The notes will mature on March 1, 2018 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.

**3.90% Senior Unsecured Notes.** During February 2013, the Company issued senior unsecured notes, with face value of \$400 million and bearing interest at a rate of 3.90%, for net proceeds of \$397 million. Interest began accruing on February 22, 2013 and is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2013. The notes will mature on March 1, 2023 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 2013-1 Receivables Funding, LLC.* During March 2013, the Company closed a series of term notes payable, Sierra Timeshare 2013-1 Receivables Funding LLC, in the initial principal amount of \$300 million at an advance rate of 91%. These borrowings bear interest at a weighted average coupon rate of 1.77% and are secured by vacation ownership contract receivables. As of September 30, 2013, the Company had \$213 million of outstanding borrowings under these term notes.

*Sierra Timeshare 2013-2 Receivables Funding, LLC.* During July 2013, the Company closed a series of term notes payable, Sierra Timeshare 2013-2 Receivables Funding LLC, in the initial principal amount of \$325 million at an advance rate of 98%. These borrowings bear interest at a weighted average coupon rate of 2.68% and are secured by vacation ownership contract receivables. As of September 30, 2013, the Company had \$294 million of outstanding borrowings under these term notes.

*Revolving Credit Facility.* On May 22, 2013, the Company replaced its \$1.0 billion revolving credit facility with a \$1.5 billion revolving credit facility that expires on July 15, 2018. This facility is subject to a facility fee of 20 basis points based on total capacity and bears interest at LIBOR plus 130 basis points on outstanding borrowings. The facility fee and interest rate are dependent upon the Company's credit ratings. The available capacity of the facility also supports the Company's commercial paper program.

*Commercial Paper.* On May 22, 2013, the Company increased its existing commercial paper program by \$250 million to a maximum of \$750 million. The maturities of the commercial paper notes will vary, but may not exceed 366 days from the date of issue. The commercial paper notes are sold at a discount from par or will bear interest at a negotiated rate. While outstanding commercial paper borrowings generally have short-term maturities, the Company classifies the outstanding borrowings as long-term debt based on its intent and ability to refinance the outstanding borrowings on a long-term basis with its revolving credit facility. As of December 31, 2012, the Company classified its outstanding commercial paper borrowings within current portion of long-term debt due to its inability to refinance, if necessary, the outstanding borrowings on a long-term basis due to restrictions contained in the prior revolving credit facility.

*Sierra Timeshare Conduit Receivables Funding II, LLC.* On August 29, 2013, the Company renewed its securitized timeshare receivables conduit facility for a two-year period through August 2015. The facility bears interest at variable rates based on commercial paper rates and LIBOR rates plus a spread and the capacity remained at \$650 million.

*Capital Lease.* During the first quarter of 2013, the Company extended the lease on its Corporate headquarters. As a result of this extension, the Company classified the lease as a capital lease and recorded a capital lease obligation of \$85 million with a corresponding capital lease asset which was recorded net of deferred rent. Such transaction was non-cash and as such, is excluded from both the investing and financing activities within the Company's Consolidated Statement of Cash Flows.

*Other.* During January 2013, the Company entered into an agreement with a third party partner whereby the partner acquired a hotel through an SPE. The SPE financed the hotel acquisition with a \$115 million four-year mortgage note, provided by related parties of such partner. The note accrues interest at 4.5% and the principal and interest are payable semi-annually, commencing on July 24, 2013. In addition, \$9 million of mandatorily redeemable equity of the SPE is classified as long-term debt (see Note 8 - Variable Interest Entities for more detailed information).

*Fair Value Hedges.* During the third quarter of 2013, the Company entered into fixed to variable interest rate swap agreements with notional amounts of \$400 million of its 3.90% senior unsecured notes and \$100 million of its 4.25% senior unsecured notes. As a result of such interest rate swap agreements, the fixed interest rates on these notes were effectively modified to a variable LIBOR-based index. As of September 30, 2013, the variable interest rates were 2.36% and 2.27% for the 3.90% and 4.25% senior unsecured notes, respectively.

### **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 of 2012, 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 2013, the Company repurchased a portion of its 5.75% and 7.375% senior unsecured notes totaling \$446 million through tender offers, repurchased \$42 million of its 6.00% senior unsecured notes on the open market and executed a redemption option for the remaining \$43 million outstanding on its 9.875% senior unsecured notes. As a result, the Company repurchased a total of \$531 million of its outstanding senior unsecured notes and incurred expenses of \$111 million during the nine months ended September 30, 2013, which is included within early extinguishment of debt on the Consolidated Statement of Income.

During the first quarter of 2012, the Company repurchased a portion of its 9.875% and 6.00% senior unsecured notes through tender offers totaling \$650 million. In connection with these tender offers, the Company incurred expenses of \$2 million and \$108 million during the three and nine months ended September 30, 2012, 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, 2013 matures as follows:

	Securitized Vacation Ownership Debt	Long-Term Debt	Total
Within 1 year	\$ 186	\$ 55	\$ 241
Between 1 and 2 years	205	45	250
Between 2 and 3 years	419	44	463
Between 3 and 4 years	191	648	839
Between 4 and 5 years	183	714	897
Thereafter	704	1,437	2,141
	\$ 1,888	\$ 2,943	\$ 4,831

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 obligors of such vacation ownership contract receivables.

As of September 30, 2013, available capacity under the Company’s borrowing arrangements was as follows:

	Securitized Bank Conduit Facility <sup>(a)</sup>	Revolving Credit Facility
Total Capacity	\$ 650	\$ 1,500
Less: Outstanding Borrowings	273	74
Letters of credit	—	9
Commercial paper borrowings	—	164 <sup>(b)</sup>
Available Capacity	\$ 377	\$ 1,253

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

<sup>(b)</sup> The Company considers outstanding borrowings under its commercial paper program to be a reduction of the available capacity of its revolving credit facility.

**Interest Expense**

The Company incurred non-securitized interest expense of \$31 million and \$97 million during the three and nine months ended September 30, 2013, respectively. Such amounts consisted of \$32 million and \$100 million of interest primarily on long-term debt (which includes a \$1 million gain related to ineffectiveness in the fair value hedges), partially offset by \$1

million and \$3 million of capitalized interest during the three and nine months ended September 30, 2013, 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 \$112 million during the nine months ended September 30, 2013.

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 of \$33 million and \$102 million of interest primarily 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.

Interest expense incurred in connection with the Company's securitized vacation ownership debt during the three and nine months ended September 30, 2013 was \$19 million and \$60 million, respectively, and \$23 million and \$69 million during the three and nine months ended September 30, 2012, respectively, and is recorded within consumer financing interest on the Consolidated Statements of Income. Cash paid related to such interest was \$47 million and \$56 million during the nine months ended September 30, 2013 and 2012, respectively.

## **8. Variable Interest Entities**

In accordance with the applicable accounting guidance for the consolidation of VIEs, the Company analyzes its variable interests, including loans, guarantees, SPEs and equity investments to determine if an entity in which the Company has a variable interest is a VIE. If the entity is considered to be a VIE, the Company determines whether it would be considered the entity's primary beneficiary. The Company consolidates into its financial statements those VIEs for which it has determined that it is the primary beneficiary.

### ***Vacation Ownership Contract Receivables Securitizations***

The Company pools qualifying vacation ownership contract receivables and sells them to bankruptcy-remote entities. Vacation ownership contract receivables qualify for securitization based primarily on the credit strength of the VOI purchaser to whom financing has been extended. 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, 2013	December 31, 2012
Securitized contract receivables, gross <sup>(a)</sup>	\$ 2,187	\$ 2,401
Securitized restricted cash <sup>(b)</sup>	101	121
Interest receivables on securitized contract receivables <sup>(c)</sup>	16	19
Other assets <sup>(d)</sup>	2	2
<b>Total SPE assets <sup>(e)</sup></b>	<b>2,306</b>	<b>2,543</b>
Securitized term notes <sup>(f)</sup>	1,615	1,770
Securitized conduit facilities <sup>(f)</sup>	273	190
Other liabilities <sup>(g)</sup>	2	5
<b>Total SPE liabilities</b>	<b>1,890</b>	<b>1,965</b>
<b>SPE assets in excess of SPE liabilities</b>	<b>\$ 416</b>	<b>\$ 578</b>

(a) Included in current (\$223 million and \$252 million as of September 30, 2013 and December 31, 2012, respectively) and non-current (\$1,964 million and \$2,149 million as of September 30, 2013 and December 31, 2012, respectively) vacation ownership contract receivables on the Consolidated Balance Sheets.

(b) Included in other current assets (\$66 million and \$65 million as of September 30, 2013 and December 31, 2012, respectively) and other non-current assets (\$35 million and \$56 million as of September 30, 2013 and December 31, 2012, 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 as of both September 30, 2013 and December 31, 2012 related to securitized debt.

(f) Included in current (\$186 million and \$218 million as of September 30, 2013 and December 31, 2012, respectively) and long-term (\$1,702 million and \$1,742 million as of September 30, 2013 and December 31, 2012, 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, 2013 and December 31, 2012) and other non-current liabilities (\$3 million as of December 31, 2012) 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 \$1,129 million and \$985 million as of September 30, 2013 and December 31, 2012, 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, 2013	December 31, 2012
SPE assets in excess of SPE liabilities	\$ 416	\$ 578
Non-securitized contract receivables	1,129	985
Less: Allowance for loan losses	561	497
<b>Total, net</b>	<b>\$ 984</b>	<b>\$ 1,066</b>

In addition to restricted cash related to securitizations, the Company had \$61 million and \$56 million of restricted cash related to escrow deposits as of September 30, 2013 and December 31, 2012, respectively, which are recorded within other current assets on the Consolidated Balance Sheets.

***Vacation Ownership NYC Property***

During January 2013, the Company entered into an agreement with a third party partner whereby the partner acquired the Alex hotel in New York City through an SPE. The Company is managing and operating the hotel while the Company converts it into VOI inventory. The SPE financed the hotel acquisition and planned renovations with a \$115 million four-year mortgage note and \$9 million of mandatorily redeemable equity provided by related parties of such partner. The Company has committed to purchase such VOI inventory from the SPE over a four year period in the amount of \$146 million, of which \$124 million will be used to repay the four-year mortgage note and the mandatorily redeemable equity of the SPE. The Company is considered to be the primary beneficiary of the SPE and therefore the Company consolidated the SPE within its financial statements.

The assets and liabilities of the SPE are as follows:

	<b>September 30, 2013</b>
Cash	\$ 4
Property and equipment, net	112
<b>Total SPE assets</b>	<b>116</b>
Accrued expenses and other current liabilities	1
Long-term debt (*)	107
<b>Total SPE liabilities</b>	<b>108</b>
<b>SPE assets in excess of SPE liabilities</b>	<b>\$ 8</b>

(\*) Includes \$99 million and \$8 million of a four-year mortgage note and mandatorily redeemable equity, respectively, of which \$30 million is included in current portion of long-term debt on the Consolidated Balance Sheet.

## **9. 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, 2013			As of December 31, 2012		
	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
<b>Assets</b>						
Derivatives: <sup>(a)</sup>						
Interest rate contracts	\$ 3	\$ 3	\$ —	\$ 2	\$ 2	\$ —
Foreign exchange contracts	4	4	—	1	1	—
Securities available-for-sale <sup>(b)</sup>	6	—	6	6	—	6
Total assets	\$ 13	\$ 7	\$ 6	\$ 9	\$ 3	\$ 6
<b>Liabilities</b>						
Derivatives: <sup>(c)</sup>						
Interest rate contracts	\$ 2	\$ 2	\$ —	\$ 3	\$ 3	\$ —
Foreign exchange contracts	1	1	—	1	1	—
Total liabilities	\$ 3	\$ 3	\$ —	\$ 4	\$ 4	\$ —

<sup>(a)</sup> Included in other current assets (\$5 million and \$1 million as of September 30, 2013 and December 31, 2012, respectively) and other non-current assets (\$2 million as of both September 30, 2013 and December 31, 2012) on the Consolidated Balance Sheets; carrying value is equal to estimated fair value.

<sup>(b)</sup> Included in other non-current assets on the Consolidated Balance Sheets; carrying value is equal to estimated fair value.

<sup>(c)</sup> Included in accrued expenses and other current liabilities (\$1 million as of both September 30, 2013 and December 31, 2012) and other non-current liabilities (\$2 million and \$3 million as of September 30, 2013 and December 31, 2012, 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. 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 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, 2013		December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets</b>				
Vacation ownership contract receivables, net	\$ 2,755	\$ 3,326	\$ 2,889	\$ 3,391
<b>Debt</b>				
Total debt	4,831	4,898	4,562	4,811

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 (such senior notes are not actively traded).

## **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 AOCI to earnings over the next 12 months is not material. The impact of the freestanding foreign currency forward contracts resulted in a gain of \$8 million and \$6 million during the three and nine months ended September 30, 2013, respectively, and such gains were included in operating expenses on the Company's Consolidated Statements of Income. The impact of the freestanding foreign currency forward contracts was not material to the Company's Consolidated Statements of Income during the three and nine months ended September 30, 2012.

### *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 the 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 AOCI to earnings during the next 12 months is not material. The impact of the freestanding derivatives was not material to the Company's Consolidated Statements of Income during the three and nine months ended September 30, 2013 and 2012.

Gains or losses recognized in AOCI for both the three and nine months ended September 30, 2013 and 2012 were not material.

## **11. Income Taxes**

The Company 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 declined from 37.9% during the three months ended September 30, 2012 to 36.8% during the three months ended September 30, 2013 primarily due to the release of a reserve resulting from the expiration of certain statutes of limitation.

The Company's effective tax rate declined from 37.0% during the nine months ended September 30, 2012 to 36.7% during the nine months ended September 30, 2013.

The Company made cash income tax payments, net of refunds, of \$134 million and \$105 million during the nine months ended September 30, 2013 and 2012, 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 owned, 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 and consumer protection and other statutory claims asserted by consumers; 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 and 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. On March 26, 2013, the Company's motion to transfer venue of the lawsuit from Arizona to the Federal District Court for the District of New Jersey was granted. The Company has filed motions to dismiss the FTC's lawsuit, which are pending before the court. The Company is unable at this time to estimate any loss or range of reasonably possible loss.

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 \$32 million and \$42 million as of September 30, 2013 and December 31, 2012, respectively. Such reserve is exclusive of matters relating to the Company's 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. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable 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 the Company with respect to earnings and/or cash flows in any given reporting period. As of September 30, 2013, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to approximately \$13 million in excess of recorded accruals. However, the Company does not believe that the impact of such litigation should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

**Other Guarantees/Indemnifications**

**Lodging**

From time to time, the Company may enter into a hotel management agreement that provides 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 all or a portion of the shortfall payments in the event that future operating results exceed targets. The terms of such guarantees generally range from 7 to 10 years and certain agreements may provide for early termination provisions under certain circumstances. As of September 30, 2013, the maximum potential amount of future payments that may be made under these guarantees was \$136 million with a combined annual cap of \$39 million.

In connection with such performance guarantees, as of September 30, 2013, the Company maintained a liability of \$39 million, of which \$36 million was included in other non-current liabilities and \$3 million was included in accrued expenses and other current liabilities on its Consolidated Balance Sheet. As of September 30, 2013, the Company also had a corresponding \$44 million asset related to these guarantees, of which \$40 million was included in other non-current assets and \$4 million was included in other current assets on its Consolidated Balance Sheet. Such assets are being amortized on a straight-line basis over the life of the agreements. The amortization expense for the performance guarantees noted above was \$1 million and \$2 million for the three and nine months ended September 30, 2013, respectively.

Under such performance guarantees, the Company also had receivables of \$18 million and \$5 million as of September 30, 2013 and December 31, 2012, respectively, resulting from payments made to date which are subject to recapture and which the Company believes will be recoverable from future operating performance. Such receivables were included in other non-current assets on the Company's Consolidated Balance Sheets.

**Vacation Ownership**

The Company guarantees its vacation ownership subsidiary's obligation to repurchase completed property in Las Vegas, Nevada from a third party developer subject to the property meeting the Company's vacation ownership resort standards and provided that the third party developer has not sold the property to another party. The maximum potential future payments that the Company could be required to make under this commitment was \$309 million as of September 30, 2013.

**Cendant Litigation**

Under the Separation agreement, the Company agreed to be responsible for 37.5% 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:

<b>Pretax</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Unrealized Gains/(Losses) on Cash Flow Hedges</b>	<b>Defined Benefit Pension Plans</b>	<b>AOCI</b>
Balance, December 31, 2012	\$ 137	\$ (9)	\$ (8)	\$ 120
Period change	(28)	2	—	(26)
Balance, September 30, 2013	<u>\$ 109</u>	<u>\$ (7)</u>	<u>\$ (8)</u>	<u>\$ 94</u>

Tax	Foreign Currency Translation Adjustments	Unrealized Gains/(Losses) on Cash Flow Hedges	Defined Benefit Pension Plans	AOCI
Balance, December 31, 2012	\$ 25	\$ 4	\$ 2	\$ 31
Period change	—	(1)	—	(1)
Balance, September 30, 2013	\$ 25	\$ 3	\$ 2	\$ 30

Net of Tax	Foreign Currency Translation Adjustments	Unrealized Gains/(Losses) on Cash Flow Hedges	Defined Benefit Pension Plans	AOCI
Balance, December 31, 2012	\$ 162	\$ (5)	\$ (6)	\$ 151
Period change	(28)	1	—	(27)
Balance, September 30, 2013	\$ 134	\$ (4)	\$ (6)	\$ 124

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, 2013, 16.6 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 ended September 30, 2013 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, 2012	3.1	\$ 32.41	1.1	\$ 17.13
Granted	0.9 <sup>(b)</sup>	60.24	0.1 <sup>(b)</sup>	60.24
Vested/exercised	(1.1)	28.31	—	—
Cancelled	(0.2)	41.39	—	—
Balance as of September 30, 2013 <sup>(a)</sup>	2.7 <sup>(c)</sup>	42.97	1.2 <sup>(d)</sup>	20.24

<sup>(a)</sup> Aggregate unrecognized compensation expense related to RSUs and SSARs was \$93 million as of September 30, 2013, which is expected to be recognized over a weighted average period of 2.7 years.

<sup>(b)</sup> Primarily represents awards granted by the Company on February 28, 2013.

<sup>(c)</sup> Approximately 2.6 million RSUs outstanding as of September 30, 2013 are expected to vest over time.

<sup>(d)</sup> Approximately 1 million SSARs are exercisable as of September 30, 2013. The Company assumes that all unvested SSARs are expected to vest over time. SSARs outstanding as of September 30, 2013 had an intrinsic value of \$50 million and have a weighted average remaining contractual life of 1.9 years.

On February 28, 2013, the Company approved grants of incentive equity awards totaling \$54 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 4 years. In addition, on February 28, 2013, the Company approved a grant of incentive equity awards totaling \$14 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, 2013, there were 828,000 PSUs outstanding with an aggregate unrecognized compensation expense of \$20 million.

The fair value of SSARs granted by the Company on February 28, 2013 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.

	<b>SSARs Issued on February 28, 2013</b>	
Grant date fair value	\$	19.93
Grant date strike price	\$	60.24
Expected volatility		44.56 %
Expected life		5 years
Risk free interest rate		0.80 %
Projected dividend yield		1.93 %

#### ***Stock-Based Compensation Expense***

The Company recorded stock-based compensation expense of \$13 million and \$38 million during the three and nine months ended September 30, 2013, respectively, and \$10 million and \$31 million during the three and nine months ended September 30, 2012, respectively, related to the incentive equity awards granted by the Company. The Company recognized a net tax benefit of \$5 million and \$15 million during the three and nine months ended September 30, 2013, respectively, and \$4 million and \$12 million during the three and nine months ended September 30, 2012, respectively, for stock-based compensation arrangements on the Consolidated Statements of Income. During the nine months ended September 30, 2013, the Company increased its pool of excess tax benefits available to absorb tax deficiencies ("APIC Pool") by \$13 million due to the vesting of RSUs. As of September 30, 2013, the Company's APIC Pool balance was \$75 million.

The Company paid \$26 million and \$44 million of taxes for the net share settlement of incentive equity awards during the nine months ended September 30, 2013 and 2012, respectively. Such amounts are 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.

	<b>Three Months Ended September 30,</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Net Revenues</b>	<b>EBITDA</b>	<b>Net Revenues</b>	<b>EBITDA</b>
Lodging	\$ 297 <sup>(b)(c)</sup>	\$ 95	\$ 249 <sup>(b)</sup>	\$ 86
Vacation Exchange and Rentals	470	141	420	123
Vacation Ownership	677	176	608	154
Total Reportable Segments	1,444	412	1,277	363
Corporate and Other <sup>(a)</sup>	(17)	(33)	(12)	(30)
Total Company	<u>\$ 1,427</u>	<u>\$ 379</u>	<u>\$ 1,265</u>	<u>\$ 333</u>

**Reconciliation of EBITDA to Net Income Attributable to Wyndham Shareholders**

	<b>Three Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
EBITDA	\$ 379	\$ 333
Depreciation and amortization	54	45
Interest expense	31	32
Early extinguishment of debt	—	2
Interest income	(2)	(2)
Income before income taxes	296	256
Provision for income taxes	109	97
Net income attributable to Wyndham shareholders	<u>\$ 187</u>	<u>\$ 159</u>

(a) Includes the elimination of transactions between segments.

(b) Includes \$11 million and \$9 million of inter-segment trademark fees during 2013 and 2012, respectively, which is offset in expenses primarily at the Company's Vacation Ownership segment and are eliminated in Corporate and Other.

(c) Includes \$3 million of hotel management reimbursable revenues which are charged to the Company's Vacation Ownership segment and are eliminated in Corporate and Other.

	Nine Months Ended September 30,			
	2013		2012	
	Net Revenues	EBITDA	Net Revenues	EBITDA
Lodging	\$ 782	(b)(c) \$ 232	\$ 667	(b) \$ 210
Vacation Exchange and Rentals	1,220	320	1,129	300
Vacation Ownership	1,856	447	1,679	407
Total Reportable Segments	3,858	999	3,475	917
Corporate and Other <sup>(a)</sup>	(44)	(89)	(35)	(76)
Total Company	<u>\$ 3,814</u>	<u>\$ 910</u>	<u>\$ 3,440</u>	<u>\$ 841</u>

#### **Reconciliation of EBITDA to Net Income Attributable to Wyndham Shareholders**

	Nine Months Ended September 30,	
	2013	2012
EBITDA	\$ 910	\$ 841
Depreciation and amortization	160	136
Interest expense	97	98
Early extinguishment of debt	111	108
Interest income	(6)	(7)
Income before income taxes	548	506
Provision for income taxes	201	187
Net income	347	319
Net (income)/loss attributable to noncontrolling interest	(1)	1
Net income attributable to Wyndham shareholders	<u>\$ 346</u>	<u>\$ 320</u>

(a) Includes the elimination of transactions between segments.

(b) Includes \$29 million and \$26 million of inter-segment trademark fees during 2013 and 2012, respectively, which is offset in expenses primarily at the Company's Vacation Ownership segment and are eliminated in Corporate and Other.

(c) Includes \$4 million of hotel management reimbursable revenues which are charged to the Company's Vacation Ownership segment and are eliminated in Corporate and Other.

## **16. Restructuring**

During 2012, the Company committed to an organizational realignment initiative at its vacation exchange and rentals business, primarily focused on consolidating existing processes and optimizing its structure. Also during 2012, the Company implemented an organizational realignment initiative at its vacation ownership business targeting the elimination of business function redundancies resulting from the Shell Vacations Club acquisition. During the nine months ended September 30, 2013, the Company recorded \$3 million of facility-related costs, reduced its liability with \$5 million of cash payments and reversed \$1 million of previously recorded personnel-related costs. The remaining liability of \$3 million as of September 30, 2013 is expected to be paid in cash; \$1 million of personnel-related by the end of 2013 and \$2 million of facility-related by January 2017. From the commencement of the 2012 restructuring plan through September 30, 2013, the Company has incurred a total of \$9 million of expenses in connection with such plan.

In addition to the restructuring plan implemented during 2012, the table below includes activity for prior restructuring plans that are immaterial to the Company. The activity related to costs associated with the Company's restructuring plans is summarized by category as follows:

	Liability as of	Costs		Liability as of
	December 31, 2012	Recognized/(Reversed)	Cash Payments	September 30, 2013
Personnel-related	\$ 6	\$ (1)	\$ (4)	\$ 1
Facility-related	5	3	(3)	5
	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ (7)</u>	<u>\$ 6</u>

#### 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 \$41 million as of both September 30, 2013 and December 31, 2012. 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, 2013, the letter of credit was \$53 million.

As of September 30, 2013, the \$41 million of Separation related liabilities is comprised of \$36 million for tax liabilities, \$1 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, \$22 million is recorded in current due to former Parent and subsidiaries and \$17 million is recorded in long-term due to former Parent and subsidiaries as of September 30, 2013 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, 2013 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 September 30, 2013 and December 31, 2012, the Company had \$1 million and \$2 million, respectively, 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.

**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**—primarily franchises hotels in the upper upscale, upscale, upper midscale, midscale, economy and extended stay segments and provides hotel management services for full-service and select 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), 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. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies.

**OPERATING STATISTICS**

The table below presents our operating statistics for the three months ended September 30, 2013 and 2012. These operating statistics are the drivers of our revenue and therefore provide an enhanced understanding of our businesses. Refer to the 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,		
	2013	2012	% Change
<b>Lodging</b>			
Number of rooms <sup>(a)</sup>	638,300	618,100	3.3
RevPAR <sup>(b)</sup>	\$ 41.78	\$ 40.39	3.4
<b>Vacation Exchange and Rentals</b>			
Average number of members (in 000s) <sup>(c)</sup>	3,711	3,672	1.1
Exchange revenue per member <sup>(d)</sup>	\$ 169.95	\$ 171.14	(0.7)
Vacation rental transactions (in 000s) <sup>(e) (f)</sup>	433	390	11.0
Average net price per vacation rental <sup>(f) (g)</sup>	\$ 677.81	\$ 635.44	6.7
<b>Vacation Ownership <sup>(h)</sup></b>			
Gross VOI sales (in 000s) <sup>(i) (j)</sup>	\$ 536,000	\$ 502,000	6.8
Tours <sup>(k)</sup>	225,000	207,000	8.7
Volume Per Guest ("VPG") <sup>(l)</sup>	\$ 2,278	\$ 2,315	(1.6)

- (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.
- (e) Represents the number of transactions that are generated during the period 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 Oceana Resorts (December 2012) and two other acquisitions (December 2012 and January 2013) from the acquisition dates forward. Therefore, such operating statistics for 2013 are not presented on a comparable basis to the 2012 operating statistics.
- (g) Represents the net rental price generated from renting vacation properties to customers and other related rental servicing fees during the period divided by the number of vacation rental transactions during the period.
- (h) Includes the impact of the acquisition of Shell Vacations Club ("Shell") (September 2012) from the acquisition date forward. Therefore, the operating statistics for 2013 are not presented on a comparable basis to the 2012 operating statistics.
- (i) Represents total sales of VOIs, including sales under the Wyndham Asset Affiliation Model ("WAAM") 1.0, before loan loss provisions.
- (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):

	2013	2012
Gross VOI sales	\$ 536	\$ 502 <sup>(1)</sup>
Less: WAAM 1.0 sales <sup>(2)</sup>	51	5
Gross VOI sales, net of WAAM 1.0 sales <sup>(3)</sup>	486	497
Less: Loan loss provision	102	124
Vacation ownership interest sales	\$ 384	\$ 373

- (1) 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.
- (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 \$33 million and \$4 million for the three months ended September 30, 2013 and 2012, respectively.
- (3) Amounts may not foot due to rounding.

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- (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 during both the three months ended September 30, 2013 and 2012. We have excluded non-tour upgrade sales in the calculation of VPG because non-tour upgrade sales are generated by a different marketing channel.

**THREE MONTHS ENDED SEPTEMBER 30, 2013 VS. THREE MONTHS ENDED SEPTEMBER 30, 2012**

Our consolidated results are as follows:

	Three Months Ended September 30,		
	2013	2012	Favorable/(Unfavorable)
Net revenues	\$ 1,427	\$ 1,265	\$ 162
Expenses	1,104	977	(127)
Operating income	323	288	35
Other income, net	(2)	—	2
Interest expense	31	32	1
Early extinguishment of debt	—	2	2
Interest income	(2)	(2)	—
Income before income taxes	296	256	40
Provision for income taxes	109	97	(12)
Net income attributable to Wyndham shareholders	\$ 187	\$ 159	\$ 28

Net revenues increased \$162 million (12.8%) for the three months ended September 30, 2013 compared with the same period last year resulting primarily from:

- \$64 million of incremental revenues from acquisitions across all our businesses;
- \$36 million at our vacation ownership business primarily resulting from higher commissions on gross VOI sales under WAAM 1.0 and property management fees;
- \$31 million at our lodging business (excluding intersegment revenues) primarily from higher royalty, marketing and reservation fees (inclusive of Wyndham Rewards) and higher reimbursable revenues in our hotel management business; and
- \$31 million at our exchange and rentals business resulting primarily from higher volume and yield on rental transactions.

Expenses increased \$127 million (13.0%) for the three months ended September 30, 2013 compared with the same period last year principally reflecting:

- \$63 million of higher expenses from operations primarily related to the revenue increases;
- \$50 million of incremental expenses from acquisitions;
- a \$9 million increase in depreciation and amortization resulting from the impact of acquisitions and property and equipment additions made over the last twelve months; and
- \$5 million of higher legal settlement expenses.

Our effective tax rate declined from 37.9% during the third quarter of 2012 to 36.8% during the third quarter of 2013 primarily due to the release of a reserve resulting from the expiration of certain statutes of limitation.

As a result of these items, net income attributable to Wyndham shareholders increased \$28 million (17.6%) as compared to the third quarter of 2012.

Following is a discussion of the results of each of our segments and Corporate and Other for the three months ended September 30, 2013 compared to September 30, 2012:

	Net Revenues			EBITDA		
	2013	2012	% Change	2013	2012	% Change
Lodging	\$ 297	\$ 249	19.3	\$ 95	\$ 86	10.5
Vacation Exchange and Rentals	470	420	11.9	141	123	14.6
Vacation Ownership	677	608	11.3	176	154 <sup>(c)</sup>	14.3
Total Reportable Segments	1,444	1,277	13.1	412	363	13.5
Corporate and Other <sup>(a)</sup>	(17)	(12)	*	(33) <sup>(b)</sup>	(30) <sup>(d)</sup>	*
Total Company	\$ 1,427	\$ 1,265	12.8	\$ 379	\$ 333	13.8

**Reconciliation of EBITDA to Net Income Attributable to Wyndham Shareholders**

	2013	2012
EBITDA	\$ 379	\$ 333
Depreciation and amortization	54	45
Interest expense	31	32
Early extinguishment of debt	—	2 <sup>(e)</sup>
Interest income	(2)	(2)
Income before income taxes	296	256
Provision for income taxes	109	97
Net income attributable to Wyndham shareholders	\$ 187	\$ 159

(\*) Not meaningful.

(a) Includes the elimination of transactions between segments.

(b) Includes (i) \$1 million of a net benefit related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant and (ii) \$ 34 million of corporate costs.

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

(d) Includes (i) \$1 million of a net expense related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant and (ii) \$ 29 million of corporate costs.

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

**Lodging**

Net revenues increased \$48 million (19.3%) and EBITDA increased \$9 million (10.5%) during the third quarter of 2013 compared to the same period last year.

Net revenues reflects an \$11 million increase in royalty and marketing and reservation fees (inclusive of Wyndham Rewards) due to a 3.4% increase in RevPAR resulting from stronger occupancy and average daily rates and a 3.3% increase in system size. Net revenues also reflects \$11 million of fees charged for the global franchisee conference during the third quarter of 2013 which are fully offset with expenses for such conference. Ancillary revenues contributed an additional \$2 million of revenues and EBITDA primarily due to growth in our co-branded credit card program.

The Wyndham Grand Rio Mar hotel, which we assumed ownership control of in the fourth quarter of 2012, contributed \$12 million of incremental net revenues with a \$1 million decrease in EBITDA. In addition, net revenues reflects a \$1 million increase in reimbursable revenues (inclusive of \$3 million of intersegment revenues) in our hotel management business which had no impact on EBITDA.

EBITDA was also impacted by \$3 million of higher marketing, reservation and Wyndham Rewards expenses associated with the marketing revenue increases as we are obligated to spend such marketing and reservation revenues on behalf of our

franchisees.

As of September 30, 2013, we had approximately 7,440 properties and 638,300 rooms in our system. Additionally, our hotel development pipeline included approximately 900 hotels and approximately 113,700 rooms, of which 60% were international and 66% were new construction as of September 30, 2013.

#### ***Vacation Exchange and Rentals***

Net revenues and EBITDA increased \$50 million (11.9%) and \$18 million (14.6%), respectively, during the third quarter of 2013 compared with the third quarter of 2012. Foreign currency translation favorably impacted net revenues and EBITDA by \$4 million and \$1 million, respectively.

Our acquisitions of vacation rentals businesses contributed \$19 million of incremental net revenues (inclusive of \$4 million of ancillary revenues) and \$7 million of incremental EBITDA during the third quarter of 2013.

Net revenues generated from rental transactions and related services increased \$45 million. Excluding the impact of \$15 million of incremental vacation rental revenues from acquisitions and a favorable foreign currency translation impact of \$5 million, net revenues generated from rental transactions and related services increased \$25 million primarily due to (i) a 6.7% increase in average net price per vacation rental driven by the impact of yield management strategies in our Wyndham Vacation Rentals U.K. (previously known as "The Hoseasons Group") and Landal GreenParks businesses and (ii) a 3.1% increase in rental transaction volume primarily resulting from growth in our Novasol, Landal GreenParks and Wyndham Vacation Rentals U.K. businesses principally due to enhanced marketing strategies, increased rental unit supply and volume growth in Southern European destinations.

Exchange and related service revenues, which principally consist of fees generated from memberships, exchange transactions, member-related rentals and other member servicing, increased \$1 million. Excluding an unfavorable foreign currency translation impact of \$1 million, exchange and related service revenues increased \$2 million due to a 1.0% increase in the average number of members principally resulting from an increase in the member base in Latin America and North America.

In addition to the items discussed above, EBITDA was unfavorably impacted by \$19 million of higher product and service-related costs resulting from the revenue increases in our vacation rentals businesses. Such increases were partially offset by the favorable impact of \$2 million from foreign exchange transactions and foreign exchange contracts.

#### ***Vacation Ownership***

Net revenues and EBITDA increased \$69 million (11.3%) and \$22 million (14.3%), respectively, during the third quarter of 2013 compared with the third quarter of 2012. The acquisition of Shell completed during the third quarter of 2012 contributed an incremental \$33 million of net revenues and \$8 million of EBITDA.

Gross VOI sales increased \$34 million (6.8%) compared to the prior year which principally reflects a \$46 million increase in gross VOI sales under WAAM 1.0 for which we receive a commission. Gross sales of VOIs, net of WAAM 1.0 sales, decreased \$11 million (2.2%) which included an increase of \$10 million due to the Shell acquisition. The increase in gross VOI sales of \$34 million was principally due to an 8.7% increase in tour flow partially offset by a 1.6% decrease in VPG. The change in VPG was attributable to the expiration of an upgrade marketing program and the mix impact of lower VPG from Shell sales. The increase in tour flow reflected our continued focus on marketing programs directed towards new owner generation as well as the impact of the Shell acquisition. Commission revenues and EBITDA generated by WAAM 1.0 increased by \$29 million and \$9 million, respectively, resulting from \$46 million of higher VOI sales under WAAM 1.0.

Our provision for loan losses decreased \$22 million primarily due to (i) a lower provision rate as a result of favorable default trends from lower cease and desist activity and continued improvement in the economy and (ii) the decrease in gross VOI sales, net of WAAM 1.0 sales.

Property management revenues and EBITDA increased \$26 million and \$2 million, respectively primarily due to \$22 million and \$4 million of incremental revenues and EBITDA, respectively, from the Shell acquisition. Excluding the Shell acquisition, revenues increased \$4 million and EBITDA decreased \$2 million. The increase in revenues was principally due to higher reimbursable revenues, which had no impact on EBITDA, partially offset by lower resort management fees. The \$2 million decrease in EBITDA was principally due to the reduction in resort management fees resulting from increased operating expenses at resorts.

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Consumer financing revenues and EBITDA increased \$1 million and \$5 million, respectively. Excluding \$2 million of incremental revenues and EBITDA contributed from Shell, revenues decreased \$1 million and EBITDA increased \$3 million principally due to higher weighted average interest rates earned on contract receivables offset by a lower average portfolio balance of such receivables. EBITDA further reflects lower interest expense as a result of a reduction in the weighted average interest rate on our securitized debt to 4.2% from 4.7% and lower average borrowings on our securitized debt facilities. As a result, our net interest income margin increased to 82% compared to 78% during 2012.

In addition to the items discussed above, EBITDA was also impacted by \$5 million of increased expenses from legal settlements.

***Corporate and Other***

Corporate and Other revenues decreased \$5 million during the three months ended September 30, 2013 compared with the same period of the prior year primarily due to the elimination of higher inter-segment revenues between our Lodging and Vacation Ownership segments.

Corporate EBITDA decreased \$3 million during the three months ended September 30, 2013 compared with the same period of the prior year. Corporate EBITDA reflects \$1 million of a net benefit during 2013 and the absence of a \$1 million net expense during 2012 related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation. Excluding the impact of these items, corporate EBITDA decreased \$5 million primarily due to continued investment in information technology and information systems security enhancements, as well as higher employee related costs.

**NINE MONTHS ENDED SEPTEMBER 30, 2013 VS. NINE MONTHS ENDED SEPTEMBER 30, 2012**

Our consolidated results are as follows:

	<b>Nine Months Ended September 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>Favorable/(Unfavorable)</b>
Net revenues	\$ 3,814	\$ 3,440	\$ 374
Expenses	3,070	2,744	(326)
Operating income	744	696	48
Other income, net	(6)	(9)	(3)
Interest expense	97	98	1
Early extinguishment of debt	111	108	(3)
Interest income	(6)	(7)	(1)
Income before income taxes	548	506	42
Provision for income taxes	201	187	(14)
Net income	347	319	28
Net (income)/loss attributable to noncontrolling interest	(1)	1	(2)
Net income attributable to Wyndham shareholders	<u>\$ 346</u>	<u>\$ 320</u>	<u>\$ 26</u>

Net revenues increased \$374 million (10.9%) for the nine months ended September 30, 2013 compared with the same period last year primarily resulting from:

- \$190 million of incremental revenues from acquisitions across all our businesses;
- \$69 million at our vacation ownership business primarily resulting from higher commissions on gross VOI sales under WAAM 1.0 and property management fees;
- \$66 million at our lodging business (excluding intersegment revenues) primarily from higher reimbursable revenues in our hotel management business and higher royalty, marketing and reservation fees (inclusive of Wyndham Rewards); and
- \$49 million at our exchange and rentals business resulting primarily from stronger volume and yield on rental transactions and new product offerings.

Expenses increased \$326 million (11.9%) for the nine months ended September 30, 2013 compared with the same period last year principally reflecting:

- \$162 million of incremental expenses from acquisitions;
- \$140 million of higher expenses from operations primarily related to the revenue increases; and
- a \$24 million increase in depreciation and amortization resulting from the impact of acquisitions and property and equipment additions made over the last twelve months.

Early extinguishment of debt increased \$3 million due to \$111 million of expenses incurred for the early repurchase of a portion of our 5.75%, 7.375% and 6.00% senior unsecured notes and the remaining portion of our 9.875% senior unsecured notes during the first quarter of 2013, as compared to \$108 million of expenses incurred for the early repurchase of a portion of our 9.875% and 6.00% senior unsecured notes during the first quarter of 2012.

Other income, net decreased \$3 million for the nine months ended September 30, 2013 compared to the same period last year resulting primarily from (i) the absence of a \$4 million settlement payment received during the second quarter of 2012 for a business disruption claim related to the Gulf of Mexico oil spill in 2010 at our vacation exchange and rentals business and (ii) the absence of a \$2 million benefit during 2012 related to the reversal of an allowance of a previously divested asset offset by higher earnings from equity investments.

Our effective tax rate declined from 37.0% during the nine months ended September 30, 2012 to 36.7% during the nine months ended September 30, 2013.

As a result of these items, net income attributable to Wyndham shareholders increased \$26 million (8.1%) during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012.

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Following is a discussion of the results of each of our segments and Corporate and Other for the nine months ended September 30, 2013 compared to September 30, 2012:

	Net Revenues			EBITDA		
	2013	2012	% Change	2013	2012	% Change
Lodging	\$ 782	\$ 667	17.2	\$ 232	\$ 210 <sup>(c)</sup>	10.5
Vacation Exchange and Rentals	1,220	1,129	8.1	320	300 <sup>(f)</sup>	6.7
Vacation Ownership	1,856	1,679	10.5	447 <sup>(b)</sup>	407 <sup>(g)</sup>	9.8
Total Reportable Segments	3,858	3,475	11.0	999	917	8.9
Corporate and Other <sup>(a)</sup>	(44)	(35)	*	(89) <sup>(c)</sup>	(76) <sup>(h)</sup>	*
Total Company	\$ 3,814	\$ 3,440	10.9	\$ 910	\$ 841	8.2

**Reconciliation of EBITDA to Net Income Attributable to Wyndham Shareholders**

	2013	2012
EBITDA	\$ 910	\$ 841
Depreciation and amortization	160	136
Interest expense	97	98
Early extinguishment of debt	111 <sup>(d)</sup>	108 <sup>(i)</sup>
Interest income	(6)	(7)
Income before income taxes	548	506
Provision for income taxes	201	187
Net income	347	319
Net (income)/loss attributable to noncontrolling interest	(1)	1
Net income attributable to Wyndham shareholders	\$ 346	\$ 320

- (\*) Not meaningful.
- (a) Includes the elimination of transactions between segments.
- (b) Includes \$2 million of costs incurred in connection with the acquisition of a hotel through the consolidation of a special purpose entity ("SPE") during January 2013, which is being converted to WAAM inventory.
- (c) Includes (i) \$1 million of a net expense related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant and (ii) \$88 million of corporate costs.
- (d) Represents costs incurred for the early repurchase of a portion of our 5.75%, 7.375% and 6.00% senior unsecured notes and the remaining portion of our 9.875% senior unsecured notes.
- (e) Includes a \$1 million benefit from the recovery of a previously recorded impairment charge.
- (f) Includes a \$2 million benefit related to the reversal of an allowance associated with a previously divested asset.
- (g) Includes \$1 million of costs incurred in connection with our acquisition of Shell during September 2012.
- (h) Includes (i) \$3 million of a net benefit related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our separation from Cendant and (ii) \$79 million of corporate costs.
- (i) Represents costs incurred for the early repurchase of a portion of our 9.875% and 6.00% senior unsecured notes.

**Lodging**

Net revenues increased \$115 million (17.2%) and EBITDA increased \$22 million (10.5%) during the nine months ended September 30, 2013 compared to the same period last year.

Net revenues reflects a \$22 million increase in royalty and marketing and reservation fees (inclusive of Wyndham Rewards) primarily due to a 3.4% increase in RevPAR resulting from stronger occupancy and average daily rates and a 3.3% increase in system size. In addition, net revenues and EBITDA increased by \$3 million due to a higher licensing fee charged primarily to our vacation ownership business for the use of the Wyndham trade name. Ancillary revenues contributed an additional \$15 million and \$5 million of net revenues and EBITDA, respectively, principally from higher property management systems sales and growth in our co-branded credit card program.

The Wyndham Grand Rio Mar hotel, which we assumed ownership control of during the fourth quarter of 2012, contributed an incremental \$40 million of revenues and \$3 million of EBITDA. In addition, net revenues and EBITDA increased \$3 million and \$1 million from the Wyndham Grand Orlando Bonnet Creek, respectively.

The increase in net revenues also reflects \$32 million of higher reimbursable revenues (inclusive of \$4 million of intersegment revenues) in our hotel management business which had no impact on EBITDA. Such increase was primarily the result of the acquisition of new management agreements during the current year.

EBITDA was also impacted by \$12 million of higher marketing, reservation and Wyndham Rewards expenses primarily due to higher expenses associated with the marketing revenue increases as we are obligated to spend such marketing and reservation revenues on behalf of our franchisees.

#### ***Vacation Exchange and Rentals***

Net revenues and EBITDA increased \$91 million (8.1%) and \$20 million (6.7%), respectively, during the nine months ended September 30, 2013 compared with the same period during 2012. Foreign currency translation favorably impacted net revenues by \$1 million and unfavorably impacted EBITDA by \$1 million. EBITDA also reflects the absence of a \$4 million settlement of a business disruption claim received during the second quarter of 2012 related to the Gulf of Mexico oil spill in 2010.

Our acquisitions of vacation rentals businesses contributed \$42 million of incremental net revenues (inclusive of \$7 million of ancillary revenues) and \$12 million of incremental EBITDA during the nine months ended September 30, 2013.

Net revenues generated from rental transactions and related services increased \$74 million. Excluding the impact of \$35 million of incremental vacation rental revenues from acquisitions and a favorable foreign currency translation impact of \$5 million, net revenues generated from rental transactions and related services increased \$34 million primarily due to a 6.5% increase in average net price per vacation rental driven by the impact of yield management strategies especially in our Wyndham Vacation Rentals U.K. and Landal GreenParks businesses.

Exchange and related service revenues, which principally consist of fees generated from memberships, exchange transactions, member-related rentals and other member servicing, increased \$11 million. Excluding an unfavorable foreign currency translation impact of \$4 million, exchange and related service revenues increased \$15 million due to the impact of a 2.6% increase in exchange revenue per member primarily resulting from an increase in revenues derived from new products, higher exchange fees, incremental revenues from new affiliate club servicing programs, as well as higher yields in member rentals.

In addition to the items discussed above, EBITDA was unfavorably impacted by:

- \$33 million of higher product and service-related costs resulting from the revenue increases in our vacation rentals businesses;
- the absence of a \$4 million favorable adjustment for value-added taxes recorded during the first quarter of 2012;
- a \$4 million foreign exchange loss related to the devaluation of the official exchange rate of Venezuela during the first quarter of 2013;
- and
- the absence of a \$2 million benefit recorded during the first quarter of 2012 related to the reversal of an allowance associated with a previously divested asset.

Such decreases to EBITDA were partially offset by the favorable impact of \$7 million from foreign exchange transactions and foreign exchange contracts.

#### ***Vacation Ownership***

Net revenues and EBITDA increased \$177 million (10.5%) and \$40 million (9.8%), respectively, during the nine months ended September 30, 2013 compared with the same period of 2012. The acquisition of Shell completed during the third quarter of 2012 contributed an incremental \$108 million of net revenues and \$13 million of EBITDA.

Gross VOI sales increased \$55 million (4.1%) compared to the prior year which principally reflects a \$91 million increase in gross VOI sales under WAAM 1.0 for which we receive a commission. Gross sales of VOIs, net of WAAM 1.0 sales, decreased \$36 million (2.8%) which included an increase of \$33 million due to the Shell acquisition. The increase in gross VOI sales of \$55 million was principally due to a 9.8% increase in tour flow partially offset by a 4.4% decrease in VPG. The change in VPG was attributable to the expiration of an upgrade marketing program and the mix impact of lower VPG from

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Shell sales. The increase in tour flow reflected our continued focus on marketing programs directed towards new owner generation as well as the impact of the Shell acquisition. Commission revenues and EBITDA generated by WAAM 1.0 increased by \$59 million and \$14 million, respectively, resulting from \$91 million of higher VOI sales under WAAM 1.0.

Our provision for loan losses decreased \$44 million primarily due to (i) a lower provision rate as a result of favorable default trends from lower cease and desist activity and continued improvement in the economy and (ii) the decrease in gross VOI sales, net of WAAM 1.0 sales.

Property management revenues and EBITDA increased \$96 million and \$12 million, respectively. The revenue and EBITDA increase was primarily the result of \$70 million and \$13 million of incremental revenues of EBITDA, respectively, from the Shell acquisition. Revenues also reflect an increase for ancillary services for which we receive a fee. Revenues were also favorably impacted by higher reimbursable revenues resulting from increased operating expenses at our resorts which had no impact on EBITDA.

Consumer financing revenues and EBITDA increased \$7 million and \$16 million, respectively. Excluding \$9 million of incremental revenues and EBITDA contributed from Shell, revenues decreased \$2 million and EBITDA increased \$7 million principally 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 lower interest expense as a result of a reduction in the weighted average interest rate on our securitized debt to 4.3% from 4.9% and lower average borrowings on our securitized debt facilities. As a result, our net interest income margin increased to 81% compared to 78% during 2012.

In addition to the items discussed above, EBITDA reflects an increase in expenses primarily resulting from (i) \$12 million of increased general and administrative expenses, primarily from incremental expenses resulting from Shell and higher employee and information technology costs and (ii) \$8 million of higher sales and marketing expenses due to increased tours for new owner generation.

Such increases in expenses were partially offset by an \$8 million reduction in the cost of VOI sales resulting from lower VOI product costs and a reduction in gross VOI sales, net of WAAM 1.0 sales.

***Corporate and Other***

Corporate and Other revenues decreased \$9 million during the nine months ended September 30, 2013 compared with the same period of the prior year primarily due to the elimination of higher inter-segment revenues charged between our Lodging and Vacation Ownership segments.

Corporate EBITDA decreased \$13 million during the nine months ended September 30, 2013 compared with the same period as the prior year. Corporate EBITDA reflects \$1 million of a net expense during 2013 and the absence of a \$3 million net benefit during 2012 related to the resolution of and adjustment to certain contingent liabilities and assets resulting from our Separation. Excluding the impact of these items, corporate EBITDA decreased \$9 million primarily due to continued investments in information technology and information systems security enhancements, as well as higher employee related costs.

**RESTRUCTURING PLANS**

During 2012, we committed to an organizational realignment initiative at our vacation exchange and rentals business, primarily focused on consolidating existing processes and optimizing its structure partially due to a shift by members to transact online resulting from the enhancements we have made to RCI.com. Also during 2012, we implemented an organizational realignment initiative at our vacation ownership business, targeting the elimination of business function redundancies resulting from the Shell acquisition. In connection with these initiatives, we recorded \$3 million of facility-related costs, reduced our liability with \$5 million of cash payments and reversed \$1 million of previously recorded personnel-related costs during the nine months ended September 30, 2013. As of September 30, 2013, we had a remaining liability of \$3 million, which is expected to be paid in cash; \$1 million of personnel-related by the end of 2013 and \$2 million of facility-related by January 2017. We anticipate annual net savings from such initiatives of \$13 million.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES****FINANCIAL CONDITION**

	<b>September 30, 2013</b>	<b>December 31, 2012</b>	<b>Change</b>
Total assets	\$ 9,666	\$ 9,463	\$ 203
Total liabilities	7,984	7,532	452
Total equity	1,682	1,931	(249)

Total assets increased \$203 million from December 31, 2012 to September 30, 2013 primarily due to:

- a \$221 million increase in property and equipment primarily related to (i) the consolidated vacation ownership New York City ("NYC") property SPE's acquisition of a hotel which is being converted to vacation ownership inventory, (ii) property and equipment additions principally for information technology projects, renovations of owned bungalows at Landal GreenParks and leasehold improvements on a new Corporate facility and (iii) the reclassification of our Corporate headquarters to a capital lease resulting from the extension of the term of such lease, partially offset by current year depreciation of property and equipment;
- a \$129 million increase in other non-current assets primarily due: (i) to the issuance of development advance notes and performance guarantees resulting from new franchise and management agreements executed at our lodging business and (ii) a note received in connection with the sale of unfinished vacation ownership inventory that is subject to conditional repurchase from the third party developer;
- a \$74 million increase in cash and cash equivalents resulting from seasonality at our vacation rentals businesses;
- and
- a \$45 million increase in other current assets primarily due to increased deferred costs and escrow deposits at our vacation rentals businesses principally related to bookings received on vacation rental transactions and an increase in receivables from homeowners associations and developers resulting from timing.

Such increases were partially offset by:

- a \$134 million decrease in vacation ownership contract receivables, net primarily due to principal collections and loan loss provisions exceeding loan originations;
- a \$63 million decrease in inventory primarily due to VOI sales and our focus on managing inventory spend;
- and
- a \$60 million decrease in deferred income taxes primarily attributable to the utilization of alternative minimum tax credits and foreign tax credits.

Total liabilities increased \$452 million from December 31, 2012 to September 30, 2013 primarily due to:

- a \$341 million net increase in long-term debt primarily reflecting (i) the issuance of \$850 million of senior unsecured notes, (ii) \$124 million of borrowings incurred by the consolidated vacation ownership NYC property SPE and (iii) an \$85 million capital lease obligation for our Corporate headquarters, partially offset by the early repurchase of \$531 million of senior unsecured notes and a \$120 million decrease in borrowings under our commercial paper borrowings and revolving credit facility;
- a \$146 million increase in other non-current liabilities primarily due to (i) a \$118 million obligation resulting from the sale of vacation ownership inventory comprised of land and partially completed improvements, that is subject to conditional repurchase from the third party developer and (ii) performance guarantees associated with management agreements executed at our lodging business; and
- a \$58 million increase in deferred income primarily resulting from ancillary marketing activities within our vacation ownership business and from the seasonality of arrival-based bookings within our vacation rentals businesses.

Such increases were partially offset by a \$72 million reduction in our securitized vacation ownership debt.

Total equity decreased \$249 million from December 31, 2012 to September 30, 2013 primarily due to:

- \$475 million of stock repurchases;
- \$119 million of dividends; and
- \$28 million of foreign currency translation adjustments.

Such decreases were partially offset by \$346 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 and commercial paper program as well as access to the long-term debt markets. 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, commercial paper program 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 \$1.5 billion and available capacity of \$1.3 billion, net of letters of credit and commercial paper borrowings as of September 30, 2013. We consider outstanding borrowings under our commercial paper program to be a reduction of the available capacity on our revolving credit facility.

We maintain a commercial paper program under which we may issue unsecured commercial paper notes up to a maximum amount of \$750 million. As of September 30, 2013, we had \$164 million of outstanding borrowings and the total available remaining capacity was \$586 million.

Our two-year securitized vacation ownership bank conduit facility has a total capacity of \$650 million and available capacity of \$377 million as of September 30, 2013. During August 2013, we renewed this facility for a two-year term that expires in August 2015.

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, 2013 and 2012, the net change in cash and cash equivalents was \$74 million and \$90 million, respectively. The following table summarizes such changes:

	<b>Nine Months Ended September 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Cash provided by/(used in)			
Operating activities	\$ 858	\$ 808	\$ 50
Investing activities	(317)	(377)	60
Financing activities	(464)	(340)	(124)
Effects of changes in exchange rates on cash and cash equivalents	(3)	(1)	(2)
Net change in cash and cash equivalents	<u>\$ 74</u>	<u>\$ 90</u>	<u>\$ (16)</u>

***Operating Activities***

During the nine months ended September 30, 2013, net cash provided by operating activities increased \$50 million compared to the nine months ended September 30, 2012. Net income contributed \$28 million to cash provided by operating activities.

Cash provided by operating activities also reflects a \$17 million reduction in working capital (net change in assets and liabilities) primarily from a decrease in vacation ownership contract receivables due to higher collections and lower originations partially offset by higher inventory spend.

***Investing Activities***

During the nine months ended September 30, 2013, net cash used in investing activities decreased by \$60 million as compared to the nine months ended September 30, 2012, which principally reflects \$76 million of lower payments for acquisitions and the absence of a \$41 million investment in the Rio Mar joint venture during 2012, partially offset by a \$51 million increase in development advance payments resulting primarily from new franchise and management agreements executed at our lodging business.

### ***Financing Activities***

During the nine months ended September 30, 2013, net cash used in financing activities increased by \$124 million compared to the nine months ended September 30, 2012, which principally reflects \$134 million of lower net borrowings related to securitized vacation ownership debt and \$60 million of lower net borrowings related to non-securitized debt, partially offset by \$87 million of cash received in connection with the sale of vacation ownership inventory which is subject to conditional repurchase.

### ***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 managing 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.

We expect to generate annual net cash provided by operating activities less property and equipment additions (which we also refer to as capital expenditures) of approximately \$750 million in 2013. During 2013, we anticipate net cash provided by operating activities of \$1 billion and net cash used on capital expenditures of \$250 million to \$260 million. Net cash provided by operating activities less capital expenditures amounted to \$796 million during 2012, which was comprised of net cash provided by operating activities of \$1 billion less capital expenditures of \$208 million. The decrease in the 2013 expected net cash provided by operating activities less capital expenditures of approximately \$46 million is related to the higher anticipated spending on capital expenditures during 2013. We believe net cash provided by operating activities less capital expenditures is a useful operating performance measure to evaluate the ability of our operations to generate cash for uses other than capital expenditures and, after debt service and other obligations, our ability to grow our business through acquisitions, development advances, and equity investments, as well as our ability to return cash to shareholders through dividends and share repurchases.

During the nine months ended September 30, 2013, we spent \$85 million related to vacation ownership development projects (inventory). We believe that our vacation ownership business currently has adequate finished inventory on our balance sheet to support vacation ownership sales for at least the next year. We anticipate spending on average approximately \$150 million annually from 2012 through 2016 on vacation ownership development projects (approximately \$120 million to \$130 million during 2013), including projects currently under development. After factoring in the anticipated additional average spending, we expect to have adequate inventory to support vacation ownership sales through at least the next 4 to 5 years.

We also spent \$153 million on capital expenditures during the nine months ended September 30, 2013, primarily on information technology enhancement projects, leasehold improvements for a new Corporate facility and renovations of owned bungalows at our Landal GreenParks business.

In addition, we utilized \$54 million of our net cash provided by operating activities less capital expenditures during the nine months ended September 30, 2013 on development advances related to new franchise and management agreements entered into with multi-unit owners. In an effort to support growth in our lodging business, we will continue to provide development advances which may include additional agreements with multi-unit owners. We will also continue to provide mezzanine financing, performance guarantees and other financial support.

During the nine months ended September 30, 2013, an SPE that we consolidated into our financial statements, purchased a hotel in NYC which is currently being converted to vacation ownership inventory, for \$115 million. Such purchase was reported within net assets acquired, net of cash acquired on our Consolidated Statement of Cash Flows. For further information regarding acquisitions, see Note 3 - Acquisitions.

In connection with our focus on optimizing cash flow, we are expanding on our approach to our asset-light efforts in vacation ownership by seeking opportunities with financial partners whereby they make strategic investments for our future use. The partner may invest in new ground-up development projects or purchase from us, for cash, existing in-process inventory which currently resides on our balance sheet. The partner will complete the development of the project and we will purchase finished inventory at a future date as needed or as obligated under the agreement.

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.

Part of our capital allocation policy is to return cash to shareholders through the repurchase of common stock and payment of dividends.

#### ***Stock Repurchase Program***

On August 20, 2007, our Board of Directors (the “Board”) authorized a stock repurchase program that enables us to purchase our common stock. The Board has since authorized five increases to the repurchase program, most recently on July 23, 2013 for \$750 million, bringing the total authorization under our current program to \$3.0 billion.

Under our current stock repurchase program, we repurchased 7.9 million shares at an average price of \$59.84 for a cost of \$475 million during the nine months ended September 30, 2013. From August 20, 2007 through September 30, 2013 we repurchased 60.9 million shares at an average price of \$37.65 for a cost of \$2.3 billion and repurchase capacity increased \$77 million from proceeds received from stock option exercises.

As of September 30, 2013, we have repurchased under our current and prior stock repurchase plans, a total of 86.1 million shares at an average price of \$36.09 for a cost of \$3.1 billion since our Separation.

During the period October 1, 2013 through October 22, 2013, we repurchased an additional 816,000 shares at an average price of \$61.23 for a cost of \$50 million. We currently have \$732 million of 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 each of the quarterly periods ended March 31, June 30 and September 30, 2013, we paid cash dividends of \$0.29 per share (\$119 million in the aggregate). During each of the quarterly periods ended March 31, June 30 and September 30, 2012, we paid cash dividends of \$0.23 per share (\$102 million in the aggregate).

Our ongoing dividend policy for the future is to grow our dividend at least at the rate of growth of our earnings. The 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 2.5 to 1.0 as of the measurement date and a maximum consolidated leverage ratio not to exceed 4.0 to 1.0 as of the measurement date (provided that the consolidated leverage ratio may be increased for a limited period to 5.0 to 1.0 in connection with a material acquisition). 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, 2013, our consolidated interest coverage ratio was 8.3 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, 2013, our consolidated leverage ratio was 2.7 times. Covenants in this credit facility also include limitations on indebtedness of material subsidiaries; liens; mergers, consolidations, liquidations and dissolutions; and the sale of all or substantially all of our assets. 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, 2013, 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, 2013, 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 2015 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.

As of September 30, 2013, we had \$377 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.

We maintain a commercial paper program under which we may issue unsecured commercial paper notes up to a maximum amount of \$750 million. We allocate a portion of our available capacity under our revolving credit facility to repay outstanding commercial paper borrowings in the event that the commercial paper market is not available to us for any reason when outstanding borrowings mature. As of September 30, 2013, we had \$164 million of outstanding borrowings and the total available capacity was \$586 million.

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 thirteen surety providers in the amount of \$1.2 billion, of which we had \$360 million outstanding as of September 30, 2013. 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.

Our senior unsecured debt is rated Baa3 with a “stable outlook” by Moody’s Investors Service and BBB- with a “stable outlook” by both Standard and Poor’s and Fitch Rating Agency. 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, 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, due to increased leisure travel during the summer months. Revenues from vacation rentals are generally highest in the third quarter, when vacation arrivals are highest combined with a compressed booking window. 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 business. Litigation 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. As of September 30, 2013, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to approximately \$13 million in excess of recorded accruals. 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:

	10/01/13- 9/30/14	10/01/14- 9/30/15	10/01/15- 9/30/16	10/01/16- 9/30/17	10/01/17- 9/30/18	Thereafter	Total
Securitized debt <sup>(a)</sup>	\$ 186	\$ 205	\$ 419	\$ 191	\$ 183	\$ 704	\$ 1,888
Long-term debt <sup>(b)</sup>	55	45	44	648	714	1,437	2,943
Interest on debt <sup>(c)</sup>	191	185	175	141	122	235	1,049
Operating leases	73	80	67	56	53	216	545
Other purchase commitments <sup>(d)</sup>	139	111	64	22	12	121	469
Inventory sold subject to conditional repurchase	59	27	30	33	36	124	309
Separation liabilities <sup>(e)</sup>	24	15	2	—	—	—	41
Total <sup>(f)</sup>	\$ 727	\$ 668	\$ 801	\$ 1,091	\$ 1,120	\$ 2,837	\$ 7,244

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

(b) Includes a \$124 million purchase commitment for WAAM related VOI Inventory from an SPE, that is consolidated in our financial statements, of which \$107 million is included in long-term debt.

(c) 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.

(d) Primarily represents commitments for the development of vacation ownership properties. The \$121 million balance due after September 30, 2018 includes approximately \$100 million of vacation ownership development commitments which we may terminate at minimal cost.

(e) 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.)

(f) Excludes \$43 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 15, 2013, 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 risks 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, 2013 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.**

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. As of September 30, 2013, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

**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, 2013:

**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, 2013	1,298,000	\$ 59.27	1,298,000	\$ 865,216,635
August 1-30, 2013	731,000	\$ 60.39	731,000	\$ 821,073,416
September 1-30, 2013 <sup>(*)</sup>	627,400	\$ 61.61	627,400	\$ 782,421,004
<b>Total</b>	<b>2,656,400</b>	<b>\$ 60.13</b>	<b>2,656,400</b>	<b>\$ 782,421,004</b>

(\*) Includes 97,400 shares purchased for which the trade date occurred during September 2013 while settlement occurred during October 2013.

On August 20, 2007, our Board of Directors authorized a stock repurchase program that enables us to purchase our common stock. The Board has since increased the program five times, most recently on July 23, 2013 for \$750 million, bringing the total authorization under the program to \$3.0 billion as of September 30, 2013.

During the period October 1, 2013 through October 22, 2013, we repurchased an additional 816,000 shares at an average price of \$61.23. We currently have \$732 million of 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.



**Exhibit Index**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
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*	Fourth Amendment, dated as of August 29, 2013, 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 Rule 13a-14(a) Under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934
32**	Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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\* Filed with this report

\*\* Furnished with this report

FOURTH AMENDMENT

Dated as of August 29, 2013

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

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## FOURTH AMENDMENT

to

### AMENDED AND RESTATED INDENTURE AND SERVICING AGREEMENT

**THIS FOURTH AMENDMENT** dated as of August 29, 2013 (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, that Second Amendment dated as of May 17, 2012 and that Third Amendment dated as of August 30, 2012 (the Amended and Restated Indenture and Servicing Agreement together with the First Amendment, the Second Amendment and the Third Amendment thereto, 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 Granting Clauses and Definitions. (a) Granting Clauses. Clause (c) of the Granting Clauses in the Original Indenture is hereby amended to read in its entirety as follows:

(c) all money, investment property, instruments and other property credited to, carried in or deposited in the Control Account, any Issuer account described in clause (4) of Section 6.1(g) or any other bank or similar account into which Collections are deposited, to the extent such money, investment property, instruments and other property constitutes Collections;

(b) Definitions. The definition of each of the following terms 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%;

(iv) as of August 30, 2012 to but excluding the August 2013 Amendment Effective Date, 58%; and

(v) as of the August 2013 Amendment Effective Date and thereafter 58.5%; 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 58.5%.

“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 58.5% and (y) on which the Advance Rate is decreased pursuant to the proviso to clause (v) 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 Date 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.

“Maturity Date” shall mean the August 2031 Payment Date.

“Rating Downgrade Condition” shall mean that two or more of the following conditions have occurred: (i) the senior unsecured debt of Wyndham Worldwide is rated below “Baa3” by Moody’s, or Moody’s has withdrawn its rating of the senior unsecured debt of Wyndham Worldwide and has not reinstated a rating of at least “Baa3,” (ii) the senior unsecured debt of Wyndham Worldwide is rated below “BBB-” by S&P, or S&P has withdrawn its rating of the senior unsecured debt of Wyndham Worldwide and has not reinstated a rating of at least “BBB-” and (iii) the senior unsecured debt of Wyndham Worldwide is rated below “BBB-” by Fitch, or Fitch has withdrawn its rating of the senior unsecured debt of Wyndham Worldwide and has not reinstated a rating of at least “BBB-” The occurrence of any Ratings Downgrade Condition shall continue until the date on which the senior unsecured debt of Wyndham Worldwide meets or exceeds at least two of the following three ratings: “Baa3” by Moody’s, “BBB-” by S&P and “BBB-” by Fitch.

“Reserve Required Amount” shall mean (i) so long as no Amortization Event has occurred, as of any date an amount equal to the sum of (x) 2.0% of the Aggregate Loan Balance on such date and (y) an amount equal to the sum of the Green Loan Reserve Percentage of the Loan Balance for each Pledged Loan which is a Green Loan multiplied by the applicable Advance Rate on such date, and (ii) on and after the first Payment Date following the occurrence of an Amortization Event, the lesser of (x) 0.25% of the Notes Principal Amount as of the date on which the Amortization Event occurred and (y) 50% of the Notes Principal Amount as of such Payment Date before taking into account any distributions of principal on such Payment Date.

“Revolving Credit Agreement” shall mean the Credit Agreement dated as of May 22, 2013 among Wyndham Worldwide, as borrower, the lenders party to the agreement from time to time, JPMorgan Chase Bank, N.A., as syndication agent, The Bank of Nova Scotia, Deutsche Bank Securities Inc., The Royal Bank of Scotland PLC, Credit Suisse AG, Cayman Islands Branch, Compass Bank, U.S. Bank National Association and SunTrust Bank as co-documentation agents, and Bank of America, N.A., as administrative agent, as amended from time to time in accordance with the terms thereof.

SECTION 2. 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 2013 Amendment Effective Date” shall mean August 29, 2013.

“August 2013 NPA Amendment” shall mean the Fourth Amendment to Amended and Restated Note Purchase Agreement dated as of August 29, 2013 which amends the Note Purchase Agreement.

“Shell Loans” shall mean Pledged Loans which were originated by a Shell Originator.

“Shell Originator” shall mean SVC-Americana, LLC, an Arizona limited liability company, SVC-Hawaii, LLC, a Hawaii limited liability company, and SVC-West, LLC, a California limited liability company and their respective successors and assigns.

SECTION 3. Deletion of Definitions. Section 1.1 of the Original Indenture is hereby amended by deleting in their entirety the definitions of the terms “Consolidated Interest Coverage Ratio,” “Consolidated Leverage Ratio,” “Estimated Fees,” “Reported EBITDA” and “Rolling Period.”

SECTION 4. Amendment to Section 1.2. Section 1.2(a) of the Original Indenture is hereby amended by deleting the term “August 2012 Amendment Effective Date” therein, and inserting “August 2013 Amendment Effective Date” in lieu thereof.

SECTION 5. Amendment to Section 2.16(a). Section 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 or provided by a Purchaser Group added under the provisions of Section 2.3(d) of the Note Purchase Agreement, as provided to the Trustee in writing at the time of such addition.

SECTION 6. Amendment to Section 2.19. Section 2.19 of the Original Indenture is hereby amended by the addition of the following provision (d) at the end of such section which provision (d) shall read in its entirety as follows:

(d) Notwithstanding any of the foregoing to the contrary, the Issuer shall on the August 2013 Amendment Effective Date redeem in whole the Series 2008-A Note held by the Exiting Purchaser Group (as defined in Section 6(e) of the August 2013 NPA Amendment) upon presentation of such Series 2008-A Note to the Trustee for payment and cancellation. The redemption price shall be equal to \$29,129,657.46 representing the full principal amount then outstanding and without any premium and without any accrued interest, and receipt of such redemption price by the Exiting Purchaser Group shall constitute full payment and satisfaction of such Series 2008-A Note and the Trustee shall thereupon cancel such Series 2008-A Note.

SECTION 7. Amendment to Section 6.1(g). Section 6.1(g) is hereby amended by adding at the end of such section a clause (4) which shall read in its entirety as follows:

(4) Compliance with the foregoing provisions of this clause (g) shall not be required with respect to Collections on Shell Loans so long as and to the extent (i) the Obligor on such Shell Loans are directed to make payments into a separate bank account held in the name of the Issuer for the purpose of receiving Collections on Shell Loans for transfer to the Collection Account or Collections on the Shell Loans are otherwise directed to be deposited into such Issuer account, (ii) Collections deposited into such Issuer account are transferred to the Collection Account within two Business Days following the deposit into such Issuer account and (iii) no deposits other than Collections in respect of the Pledged Loans will be made into such Issuer account (provided that this provision (iii) shall not be violated if funds not constituting Collections in respect of Pledged Loans are inadvertently deposited into the account and are promptly segregated and removed from the account). The Issuer's representation in Section 3.1(w) with respect to the perfection of the security interest in the Collateral, shall not apply to amounts in such Issuer account until such amounts are transferred to the Collection Account.

SECTION 8. Amendment to Section 7.11(f). Section 7.11(f) is hereby amended by adding at the end of such section a clause (5) which shall read in its entirety as follows:

(5) Compliance with the foregoing provisions of this clause (f) shall not be required with respect to Collections on Shell Loans so long as and to the extent (i) the Obligor on such Shell Loans are directed to make payments into a separate bank account held in the name of the Issuer for the purpose of receiving Collections on Shell Loans for transfer to the Collection Account or Collections on the Shell Loans are otherwise directed to be deposited into such Issuer account, (ii) Collections deposited into such Issuer account are transferred to the Collection Account within two Business Days following the deposit into such Issuer account and (iii) no deposits other than Collections in respect of the Pledged Loans will be made into such Issuer account (provided that this provision (iii) shall not be violated if funds not constituting Collections in respect of Pledged Loans are inadvertently deposited into the account and are promptly segregated and removed from the account).

SECTION 9. Amendment to Section 7.15. Section 7.15 of the Original Indenture is hereby amended to read in its entirety as follows:

Section 7.15. Delegation of Duties; Subservicing. (a) In the ordinary course of business, the Servicer, including any Successor Servicer, may at any time delegate any duties hereunder to any Person who agrees to conduct such duties in accordance with the terms of this Indenture, and any such Person to whom such duties have been delegated may be terminated concurrently with the termination of the Servicer hereunder. Any such delegations shall not constitute a resignation within the meaning of Section 7.12 of this Indenture. Notwithstanding anything to the contrary contained herein, or in any agreement relating to such delegations, the Servicer shall remain obligated and liable to the Trustee, the Issuer, the Collateral Agent and the Noteholders for the servicing and administration of the Pledged Loans in accordance with the provisions of this Indenture

to the same extent and under the same terms and conditions as if it alone were servicing and administering the Pledged Loans.

(b) In addition, the Servicer may service the Pledged Loans or certain portions of the Pledged Loans by retaining the services of a subservicer or subservicers and by entering into subservicing agreements with such subservicers provided, that any such subservicing agreement is not inconsistent with this Indenture. References in this Indenture to action taken or to be taken by the Servicer include actions taken or to be taken by any subservicer retained by the Servicer. As part of its servicing activities hereunder, the Servicer shall monitor the performance and enforce the obligations of each subservicer retained by it. Subject to the terms of any subservicing Agreement, the Servicer shall have the right to remove any subservicer retained by it at any time it considers to be appropriate. Notwithstanding anything to the contrary contained herein, or in any subservicing agreement, the Servicer shall remain obligated and liable to the Trustee, the Issuer, the Collateral Agent and the Noteholders for the servicing and administration of the Pledged Loans in accordance with the provisions of this Indenture to the same extent and under the same terms and conditions as if it were servicing and administering the Pledged Loans directly.

SECTION 10. Amendment to Section 12.1. Section 12.1 of the Original Indenture is hereby amended by (i) deleting clause (g) of such Section 12.1, (ii) relettering clause (h) of such Section 12.1 as clause (g), (iii) deleting clauses (i) and (j) of such Section 12.1 and (iv) adding the following clause (h) to such Section 12.1:

(h) so long as WCF is the Servicer, the breach by the Parent Corporation or any of its Affiliates of any covenant under the Revolving Credit Agreement to the extent such covenant requires compliance by the Parent Corporation or its Affiliates with a leverage ratio, an interest coverage ratio, or a minimum EBITDA level, whether or not such breach is waived pursuant to the terms of the Revolving Credit Agreement,

SECTION 11. 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 12. Execution and Delivery of New Series 2008-A Note. On the August 2013 Amendment Effective Date, upon receipt of payment for such note or evidence satisfactory to the officers of the Issuer that payment or other consideration for the note has been received by the Issuer, the Issuer shall execute and deliver a new Series 2008-A Note to the Trustee and direct the Trustee to authenticate such Series 2008-A Note, register it to the Purchaser Group for which the CS Additional Funding Agent (as defined in the August 2013 NPA Amendment) is the Funding Agent and which includes the CS Additional Conduit (as defined in the August 2013 NPA Amendment) as Conduit. Such Series 2008-A Note shall be in a principal amount not to exceed \$100,000,000 and shall accrue interest from and including August 13, 2013 and shall evidence an initial principal amount of \$29,129,657.46 outstanding on the August 2013 Amendment Effective Date subject to increase on such date as provided in the August 2013 NPA

Amendment. Execution of this Amendment by an officer of the Issuer shall constitute conclusive evidence that the officers of the Issuer have received satisfactory evidence that payment or other consideration for such note has been received by the Issuer. Upon the execution of this Amendment and the execution of such note by the Issuer, authentication of such note by the Trustee and delivery of such note to the purchaser thereof, such note shall be a Series 2008-A Note validly issued and outstanding under the Indenture, ranking pari passu with all other Series 2008-A Notes and entitled to the security and benefits provided by the Indenture and shall be enforceable against the Issuer in accordance with its terms.

SECTION 13. 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 14. 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 15. Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

SECTION 16. 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 August 2013 NPA Amendment shall have been executed and delivered by each party thereto.

SECTION 17. Notes Principal Amount. The Issuer hereby notifies the Trustee that on August 29, 2013 the Series 2008-A Notes shall represent the aggregate Notes Principal Amount of \$210,380,858.95 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. In addition to the note to be executed and delivered under Section 12 of this Amendment, the Trustee is authorized to authenticate and deliver new or replacement Series 2008-A Notes to the Purchasers in connection with the transfers occurring under the August 2013 NPA Amendment and in accordance with the schedule and written 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.,**  
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 ASSOCIATION,** as  
as Collateral Agent

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

[Fourth Amendment – 2008-A Indenture]

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

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Earnings available to cover fixed charges:</b>		
Income before income taxes	\$ 548	\$ 506
Less: Income from equity investees	(2)	(1)
	546	505
Plus: Fixed charges	180	191
Amortization of capitalized interest	2	4
Net (income)/loss attributable to noncontrolling interest	(1)	1
Less: Capitalized interest	3	4
<b>Earnings available to cover fixed charges</b>	<b>\$ 724</b>	<b>\$ 697</b>
<b>Fixed charges <sup>(a)</sup>:</b>		
Interest	\$ 157	\$ 167
Capitalized interest	3	4
Interest portion of rental expense	20	20
<b>Total fixed charges</b>	<b>\$ 180</b>	<b>\$ 191</b>
<b>Ratio of earnings to fixed charges</b>	<b>4.02x</b>	<b>3.65x</b>

<sup>(a)</sup> 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.

\* \* \*

October 23, 2013

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, 2013, and 2012, as indicated in our report dated October 23, 2013; 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, 2013, 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

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## 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 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 23, 2013

/s/ STEPHEN P. HOLMES

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

## 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 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 23, 2013

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/S/ THOMAS G. CONFORTI  
CHIEF FINANCIAL OFFICER

**CERTIFICATION OF CHAIRMAN AND CEO AND CFO PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Wyndham Worldwide Corporation (the "Company") on Form 10-Q for the period ended September 30, 2013, 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

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STEPHEN P. HOLMES  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
OCTOBER 23, 2013

/S/ THOMAS G. CONFORTI

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THOMAS G. CONFORTI  
CHIEF FINANCIAL OFFICER  
OCTOBER 23, 2013