

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2021
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 number **001-32876**

TRAVEL + LEISURE CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

*(State or Other Jurisdiction
of Incorporation or Organization)*

**6277 Sea Harbor Drive
Orlando, Florida**

(Address of Principal Executive Offices)

20-0052541

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

32821

(Zip Code)

(407) 626-5200

(Registrant's Telephone Number, Including Area Code)

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Trading Symbol</i>	<i>Name of each exchange on which registered</i>
Common Stock, \$0.01 par value per share	TNL	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 latest practicable date:

86,297,536 shares of common stock outstanding as of June 30, 2021.

Table of Contents

	Page
PART I	FINANCIAL INFORMATION
Item 1.	Condensed Consolidated Financial Statements (Unaudited) 3
	Report of Independent Registered Public Accounting Firm 3
	Condensed Consolidated Statements of Income/(Loss) 4
	Condensed Consolidated Statements of Comprehensive Income/(Loss) 5
	Condensed Consolidated Balance Sheets 6
	Condensed Consolidated Statements of Cash Flows 7
	Condensed Consolidated Statements of Deficit 8
	Notes to Condensed Consolidated Financial Statements 9
	Note 1 - Background and Basis of Presentation 9
	Note 2 - New Accounting Pronouncements 10
	Note 3 - Revenue Recognition 10
	Note 4 - Earnings/(Loss) Per Share 15
	Note 5 - Acquisitions 16
	Note 6 - Discontinued Operations 16
	Note 7 - Vacation Ownership Contract Receivables 16
	Note 8 - Inventory 19
	Note 9 - Property and Equipment 20
	Note 10 - Debt 20
	Note 11 - Variable Interest Entities 23
	Note 12 - Fair Value 24
	Note 13 - Derivative Instruments and Hedging Activities 25
	Note 14 - Income Taxes 25
	Note 15 - Leases 26
	Note 16 - Commitments and Contingencies 28
	Note 17 - Accumulated Other Comprehensive (Loss)/Income 29
	Note 18 - Stock-Based Compensation 30
	Note 19 - Segment Information 32
	Note 20 - COVID-19 Related Items 34
	Note 21 - Impairments 36
	Note 22 - Restructuring 36
	Note 23 - Transactions with Former Parent and Former Subsidiaries 37
	Note 24 - Related Party Transactions 39
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 40
	Forward-Looking Statements 40
Item 3.	Quantitative and Qualitative Disclosures About Market Risks 59
Item 4.	Controls and Procedures 59
PART II	OTHER INFORMATION
Item 1.	Legal Proceedings 60
Item 1A.	Risk Factors 60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 60
Item 3.	Defaults Upon Senior Securities 60
Item 4.	Mine Safety Disclosures 60
Item 5.	Other Information 60
Item 6.	Exhibits 61
	Signatures 62

GLOSSARY OF TERMS

The following terms and acronyms appear in the text of this report and have the definitions indicated below:

A non-GAAP measure, defined by the Company as Net income/(loss) from continuing operations before Depreciation and amortization, Interest expense (excluding Consumer financing interest), early extinguishment of debt, Interest income (excluding Consumer financing revenues) and income taxes. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, legacy items, transaction costs for acquisitions and divestitures, impairments, gains and losses on sale/disposition of business, and items that meet the conditions of unusual and/or infrequent. Legacy items include the resolution of and adjustments to certain contingent liabilities related to acquisitions of continuing businesses and dispositions, including the separation of Wyndham Hotels and Cendant, and the sale of the vacation rentals businesses.

Accumulated Other Comprehensive Loss

Alliance Reservations Network

American Rescue Plan Act of 2021

Australian Dollar

Awaze Limited, formerly Compass IV Limited, an affiliate of Platinum Equity, LLC

Board of Directors

Coronavirus Aid, Relief, and Economic Security Act

Travel + Leisure Co. and its subsidiaries

Novel coronavirus global pandemic

An amendment to the Company's credit agreement governing its revolving credit facility and term loan B

Earnings/(loss) Per Share

Financial Accounting Standards Board

Generally Accepted Accounting Principles in the United States

London Interbank Offered Rate

Meredith Corporation

Moody's Investors Service, Inc.

Non-Qualified stock options

New Zealand Dollar

Public Company Accounting Oversight Board

Performance-vested restricted Stock Units

Relief period of the Credit Agreement Amendment

Restricted Stock Unit

Standard & Poor's Rating Services

Securities and Exchange Commission

Special Purpose Entity

Spin-off of Wyndham Hotels & Resorts, Inc.

Stock-Settled Appreciation Rights

Travel + Leisure Co. and its subsidiaries

Vacasa LLC

Variable Interest Entity

Vacation Ownership Contract Receivable

Vacation Ownership Interest

Volume Per Guest

Wyndham Hotels & Resorts, Inc.

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Travel + Leisure Co.

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Travel + Leisure Co. and subsidiaries (the "Company") as of June 30, 2021, the related condensed consolidated statements of income/(loss), comprehensive income/(loss), and deficit for the three-month and six-month periods ended June 30, 2021 and 2020, and the cash flows for the six-month periods ended June 30, 2021 and 2020, and the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying 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) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2020, and the related consolidated statements of (loss)/income, comprehensive (loss)/income, cash flows and equity/(deficit) for the year then ended (not presented herein); and in our report dated February 24, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

The interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ Deloitte & Touche LLP

Tampa, FL
July 28, 2021

TRAVEL + LEISURE CO.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME/(LOSS)
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenues				
Service and membership fees	\$ 388	\$ 227	\$ 736	\$ 554
Vacation ownership interest sales	294	(13)	466	77
Consumer financing	102	119	201	246
Other	13	10	22	24
Net revenues	<u>797</u>	<u>343</u>	<u>1,425</u>	<u>901</u>
Expenses				
Operating	349	200	639	598
Cost/(recovery) of vacation ownership interests	41	(17)	62	(48)
Consumer financing interest	20	25	44	50
General and administrative	112	85	218	195
Marketing	92	32	161	163
Depreciation and amortization	31	31	63	62
COVID-19 related costs	1	45	2	67
Asset impairments	—	33	—	44
Restructuring	—	23	(1)	25
Total expenses	<u>646</u>	<u>457</u>	<u>1,188</u>	<u>1,156</u>
Operating income/(loss)	151	(114)	237	(255)
Other (income), net	—	(5)	(1)	(7)
Interest expense	47	46	100	87
Interest (income)	(1)	(2)	(1)	(4)
Income/(loss) before income taxes	105	(153)	139	(331)
Provision/(benefit) for income taxes	31	11	37	(33)
Net income/(loss) from continuing operations	74	(164)	102	(298)
Loss on disposal of discontinued business, net of income taxes	(2)	—	(2)	—
Net income/(loss) attributable to Travel + Leisure shareholders	<u>\$ 72</u>	<u>\$ (164)</u>	<u>\$ 100</u>	<u>\$ (298)</u>
Basic earnings/(loss) per share				
Continuing operations	\$ 0.85	\$ (1.92)	\$ 1.18	\$ (3.46)
Discontinued operations	(0.02)	—	(0.02)	—
	<u>\$ 0.83</u>	<u>\$ (1.92)</u>	<u>\$ 1.16</u>	<u>\$ (3.46)</u>
Diluted earnings/(loss) per share				
Continuing operations	\$ 0.84	\$ (1.92)	\$ 1.17	\$ (3.46)
Discontinued operations	(0.02)	—	(0.02)	—
	<u>\$ 0.82</u>	<u>\$ (1.92)</u>	<u>\$ 1.15</u>	<u>\$ (3.46)</u>

See Notes to Condensed Consolidated Financial Statements.

TRAVEL + LEISURE CO.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 72	\$ (164)	\$ 100	\$ (298)
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments, net of tax	2	40	(11)	(25)
Other comprehensive income/(loss), net of tax	2	40	(11)	(25)
Comprehensive income/(loss)	<u>\$ 74</u>	<u>\$ (124)</u>	<u>\$ 89</u>	<u>\$ (323)</u>

See Notes to Condensed Consolidated Financial Statements.

TRAVEL + LEISURE CO.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 328	\$ 1,196
Restricted cash (VIE - \$83 as of 2021 and \$92 as of 2020)	118	121
Trade receivables, net	110	115
Vacation ownership contract receivables, net (VIE - \$2,158 as of 2021 and \$2,458 as of 2020)	2,319	2,482
Inventory	1,339	1,347
Prepaid expenses	204	204
Property and equipment, net	645	666
Goodwill	965	964
Other intangibles, net	224	131
Other assets	387	387
Total assets	<u>\$ 6,639</u>	<u>\$ 7,613</u>
Liabilities and (deficit)		
Accounts payable	\$ 56	\$ 62
Accrued expenses and other liabilities	971	929
Deferred income	419	447
Non-recourse vacation ownership debt (VIE)	2,018	2,234
Debt	3,385	4,184
Deferred income taxes	708	725
Total liabilities	<u>7,557</u>	<u>8,581</u>
Commitments and contingencies (Note 16)		
Stockholders' (deficit):		
Preferred stock, \$0.01 par value, authorized 6,000,000 shares, none issued and outstanding	—	—
Common stock, \$0.01 par value, 600,000,000 shares authorized, 222,178,671 issued as of 2021 and 221,755,960 as of 2020	2	2
Treasury stock, at cost – 135,824,676 shares as of 2021 and 2020	(6,508)	(6,508)
Additional paid-in capital	4,171	4,157
Retained earnings	1,437	1,390
Accumulated other comprehensive loss	(27)	(16)
Total stockholders' (deficit)	<u>(925)</u>	<u>(975)</u>
Noncontrolling interest	7	7
Total (deficit)	<u>(918)</u>	<u>(968)</u>
Total liabilities and (deficit)	<u>\$ 6,639</u>	<u>\$ 7,613</u>

See Notes to Condensed Consolidated Financial Statements.

TRAVEL + LEISURE CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net income/(loss)	\$ 100	\$ (298)
Loss on disposal of discontinued business, net of income taxes	2	—
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization	63	62
Provision for loan losses	71	345
Deferred income taxes	(19)	(83)
Stock-based compensation	16	8
Asset impairments	—	44
Non-cash lease expense	8	14
Non-cash interest	12	11
Other, net	3	(4)
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:		
Trade receivables	4	11
Vacation ownership contract receivables	90	154
Inventory	(40)	(87)
Deferred income	(34)	(6)
Accounts payable, accrued expenses, prepaid expenses, other assets and other liabilities	14	(41)
Net cash provided by operating activities	290	130
Investing activities		
Property and equipment additions	(25)	(39)
Acquisitions	(37)	—
Other, net	—	3
Net cash used in investing activities	(62)	(36)
Financing activities		
Proceeds from non-recourse vacation ownership debt	709	836
Principal payments on non-recourse vacation ownership debt	(922)	(869)
Proceeds from debt	10	1,065
Principal payments on debt	(560)	(169)
Repayment of notes	(252)	(42)
Repayments of vacation ownership inventory arrangement	—	(5)
Payment of deferred acquisition consideration	(20)	—
Dividends to shareholders	(53)	(86)
Proceeds from issuance of common stock	7	4
Repurchase of common stock	—	(128)
Debt issuance/modification costs	(8)	(5)
Net share settlement of incentive equity awards	(9)	(2)
Other, net	—	(1)
Net cash (used in)/provided by financing activities	(1,098)	598
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(1)	(8)
Net change in cash, cash equivalents and restricted cash	(871)	684
Cash, cash equivalents and restricted cash, beginning of period	1,317	502
Cash, cash equivalents and restricted cash, end of period	446	1,186
Less: Restricted cash	118	134
Cash and cash equivalents	\$ 328	\$ 1,052

See Notes to Condensed Consolidated Financial Statements.

TRAVEL + LEISURE CO.
CONDENSED CONSOLIDATED STATEMENTS OF DEFICIT
(In millions)
(Unaudited)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Deficit
Balance as of December 31, 2020	86	\$ 2	\$ (6,508)	\$ 4,157	\$ 1,390	\$ (16)	\$ 7	\$ (968)
Net income	—	—	—	—	29	—	—	29
Other comprehensive loss	—	—	—	—	—	(13)	—	(13)
Stock option exercises	—	—	—	3	—	—	—	3
Net share settlement of stock-based compensation	—	—	—	(7)	—	—	—	(7)
Change in stock-based compensation	—	—	—	7	—	—	—	7
Dividends (\$0.30 per share)	—	—	—	—	(27)	—	—	(27)
Balance as of March 31, 2021	86	2	(6,508)	4,160	1,392	(29)	7	(976)
Net income	—	—	—	—	72	—	—	72
Other comprehensive income	—	—	—	—	—	2	—	2
Stock option exercises	—	—	—	1	—	—	—	1
Net share settlement of stock-based compensation	—	—	—	(2)	—	—	—	(2)
Employee stock purchase program issuances	—	—	—	3	—	—	—	3
Change in stock-based compensation	—	—	—	9	—	—	—	9
Dividends (\$0.30 per share)	—	—	—	—	(27)	—	—	(27)
Balance as of June 30, 2021	86	2	(6,508)	4,171	1,437	(27)	7	(918)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Deficit
Balance as of December 31, 2019	88	\$ 2	\$ (6,383)	\$ 4,118	\$ 1,785	\$ (52)	\$ 6	\$ (524)
Net loss	—	—	—	—	(134)	—	—	(134)
Other comprehensive loss	—	—	—	—	—	(65)	—	(65)
Change in stock-based compensation	—	—	—	1	—	—	—	1
Repurchase of common stock	(3)	—	(125)	—	—	—	—	(125)
Dividends (\$0.50 per share)	—	—	—	—	(44)	—	—	(44)
Balance as of March 31, 2020	85	2	(6,508)	4,119	1,607	(117)	6	(891)
Net loss	—	—	—	—	(164)	—	—	(164)
Other comprehensive income	—	—	—	—	—	40	—	40
Net share settlement of stock-based compensation	—	—	—	(2)	—	—	—	(2)
Employee stock purchase program issuances	—	—	—	4	—	—	—	4
Change in stock-based compensation	—	—	—	7	—	—	—	7
Dividends (\$0.50 per share)	—	—	—	—	(44)	—	—	(44)
Balance as of June 30, 2020	85	2	(6,508)	4,128	1,399	(77)	6	(1,050)

See Notes to Condensed Consolidated Financial Statements.

TRAVEL + LEISURE CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise noted, all amounts are in millions, except share and per share amounts)
(Unaudited)

1. Background and Basis of Presentation

Background

On January 5, 2021, Wyndham Destinations, Inc. acquired the Travel + Leisure brand and related assets from Meredith Corporation. The aggregate purchase price was \$100 million, of which \$35 million was paid at closing with an additional \$20 million paid during the second quarter of 2021. The remaining payments are to be completed by June 2024. In connection with this acquisition, Wyndham Destinations, Inc. changed its name to Travel + Leisure Co. and its ticker symbol to TNL on February 17, 2021.

Travel + Leisure Co. and its subsidiaries (collectively, “Travel + Leisure,” or the “Company,” formerly Wyndham Destinations, Inc.) is a global provider of hospitality services and travel products. The Company operates in two segments: Vacation Ownership (formerly Wyndham Vacation Clubs) and Travel and Membership (formerly Panorama or Vacation Exchange). In connection with the Travel + Leisure brand acquisition the Company updated the names and composition of its reportable segments to better align with how the segments are managed.

The Vacation Ownership segment develops, markets and sells vacation ownership interests (“VOIs”) to individual consumers, provides consumer financing in connection with the sale of VOIs, and provides property management services at resorts. This segment is wholly comprised of the Wyndham Destinations business line, formerly Wyndham Vacation Clubs. The following brands operate under the Wyndham Destinations business line: Club Wyndham, WorldMark by Wyndham, Shell Vacations Club, Margaritaville Vacation Club by Wyndham, and Presidential Reserve by Wyndham.

The Travel and Membership segment operates a variety of travel businesses, including three vacation exchange brands, a home exchange network, travel technology platforms, travel memberships, and direct-to-consumer rentals. This segment is comprised of the Panorama and new Travel + Leisure Group business lines. With the formation of Travel + Leisure Group, the Company decided that the operations of its Extra Holidays business, which focuses on direct to consumer bookings, better aligns with the operations of this new business line and therefore transitioned the management of the Extra Holidays business to the Travel and Membership segment. As such, the Company reclassified the results of its Extra Holidays business, which was previously reported within the Vacation Ownership segment, into the Travel and Membership segment. Prior period segment information has been restated to reflect this change. The following brands operate under the Panorama business line: RCI, Panorama Travel Solutions, Alliance Reservations Network (“ARN”), 7Across, The Registry Collection, and Love Home Swap. The Travel + Leisure Group operates the BookTandL.com, Travel + Leisure Travel Clubs, and Extra Holidays brands.

Impact of COVID-19

The results of operations for the three and six months ended June 30, 2021 and 2020 include impacts related to the novel coronavirus global pandemic (“COVID-19”), which have been significantly negative for the travel industry, the Company, its customers, and employees. In response to COVID-19, the Vacation Ownership segment temporarily closed its resorts in mid-March 2020 across the globe and suspended its sales and marketing operations. In the Travel and Membership segment, affiliate resort closures and regional travel restrictions contributed to decreased bookings and increased cancellations. As a result, the Company significantly reduced its workforce and furloughed thousands of associates in the second quarter of 2020. As of June 30, 2021, the Company has reopened 96% of its resorts and 95% of the sales offices it expects to reopen. The Company estimates that the remaining suspended resorts and sales offices that it intends to reopen will resume operations in 2021. As a result of these reopenings the majority of the Company’s furloughed employees have returned to work.

As a precautionary measure to enhance liquidity, in the first quarter of 2020 the Company drew down its \$1.0 billion revolving credit facility and suspended its share repurchase activity, and in the third quarter of 2020 amended its revolving credit facility and term loan B, which provides flexibility during the relief period spanning from July 15, 2020 through April 1, 2022, or upon earlier termination by the Company. The Company has since repaid its \$1.0 billion revolving credit facility. See Note 10—*Debt* for additional details.

Given these significant events, the Company’s revenues were negatively impacted and while revenues have begun to recover, not all product and service lines have yet reached pre-pandemic levels. The Company reversed \$15 million of COVID-19 charges primarily related to the COVID-19 related allowance for loan losses on vacation ownership contract

receivables during the three and six months ended June 30, 2021, compared to \$06 million and \$346 million of charges incurred for the same periods last year. The \$15 million of net reversals was primarily due to a \$26 million reduction in the COVID-19 related loan loss provision recorded in the prior year. This provision was released as the Company is experiencing improvements in net new defaults. In connection with this provision release the Company also recorded \$10 million of cost of vacation ownership interests representing the associated reduction in estimated recoveries. Refer to Note 20—*COVID-19 Related Items* for additional details.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q include the accounts and transactions of Travel + Leisure, as well as the entities in which Travel + Leisure directly or indirectly has a controlling financial interest. The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the U.S. (“GAAP”). All intercompany balances and transactions have been eliminated in the Condensed Consolidated Financial Statements. In addition, prior period segment results have been restated to reflect the aforementioned reclassification of the Extra Holidays business into the Travel and Membership segment.

The Company presents an unclassified balance sheet which conforms to that of the Company’s peers and industry practice.

In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates and assumptions. In management’s opinion, the Condensed 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 Condensed Consolidated Financial Statements should be read in conjunction with the Company’s 2020 Consolidated Financial Statements included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2021.

2. New Accounting Pronouncements

Recently Issued Accounting Pronouncements

Reference Rate Reform. In March 2020, the Financial Accounting Standards Board (“FASB”) issued guidance, amended in January 2021, which provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020, and will apply through December 31, 2022. The transition from LIBOR based benchmark is expected to begin January 1, 2022 and to be completed when U.S. Dollar (“USD”) LIBOR rates are phased out by June 30, 2023. The Company is currently evaluating the impact of the transition from LIBOR on its financial statements and related disclosures and the related impact of this guidance on the transition. On October 27, 2020, the Company closed on the renewal of its USD bank conduit facility and adopted appropriate LIBOR disclosures for asset-backed securities (“ABS”) financing structures as part of the renewal. The Company intends to adopt such language, as appropriate, in its other relevant agreements prior to the end of 2021.

Recently Adopted Accounting Pronouncements

Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued guidance to simplify the accounting for income taxes and clarify the financial statement presentation for tax benefits related to tax deductible dividends. This guidance became effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company’s Condensed Consolidated Financial Statements and related disclosures.

3. Revenue Recognition

Vacation Ownership

The Company 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. The Company’s sales of VOIs are either cash sales or developer-financed sales. Developer-financed sales are typically collateralized by the underlying VOI. Revenue is recognized on VOI sales upon transfer of control, which is defined as the point in time when a binding sales contract has been executed, the financing contract has been executed for the remaining transaction price, the statutory rescission period has expired, and the transaction price has been deemed to be collectible.

For developer-financed sales, the Company reduces the VOI sales transaction price by an estimate of uncollectible consideration at the time of the sale. The Company's estimates of uncollectible amounts are based largely on the results of the Company's static pool analysis which relies on historical payment data by customer class.

In connection with entering into a VOI sale, the Company may provide its customers with certain non-cash incentives, such as credits for future stays at its resorts. For those VOI sales, the Company bifurcates the sale and allocates the sales price between the VOI sale and the non-cash incentive. Non-cash incentives generally have expiration periods of 18 months or less and are recognized at a point in time upon transfer of control.

The Company provides day-to-day property management services including oversight of housekeeping services, maintenance, and certain accounting and administrative services for property owners' associations and clubs. These services may also include reservation and resort renovation activities. Such agreements are generally for terms of one year or less, and are renewed automatically on an annual basis. The Company's management agreements contain cancellation clauses, which allow for either party to cancel the agreement, by either a majority board vote or a majority vote of non-developer interests. The Company receives fees for such property management services which are collected monthly in advance and are based upon total costs to operate such resorts (or as services are provided in the case of resort renovation activities). Fees for property management services typically approximate 10% of budgeted operating expenses. The Company is entitled to consideration for reimbursement of costs incurred on behalf of the property owners' association in providing management services ("reimbursable revenue"). These reimbursable costs principally relate to the payroll costs for management of the associations, club and resort properties where the Company is the employer and are reflected as a component of Operating expenses on the Condensed Consolidated Statements of Income/(Loss). The Company reduces its management fees for amounts it has paid to the property owners' association that reflect maintenance fees for VOIs for which it retains ownership, as the Company has concluded that such payments are consideration payable to a customer.

Property management fee revenues are recognized when the services are performed and are recorded as a component of Service and membership fees on the Condensed Consolidated Statements of Income/(Loss). Property management revenues, which are comprised of management fee revenue and reimbursable revenue were (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020 ^(a)	2021	2020 ^(a)
Management fee revenues	\$ 91	\$ 73	\$ 179	\$ 166
Reimbursable revenues	70	49	139	126
Property management revenues	<u>\$ 161</u>	<u>\$ 122</u>	<u>\$ 318</u>	<u>\$ 292</u>

^(a) Reflects the impact of reclassifying the Extra Holidays business line from the Vacation Ownership segment to Travel and Membership.

One of the associations that the Company manages paid its Travel and Membership segment \$7 million and \$6 million for exchange services during the three months ended June 30, 2021 and 2020, and \$14 million and \$13 million during six months ended June 30, 2021 and 2020.

Travel and Membership

As a provider of vacation exchange services, the Company enters into affiliation agreements with developers of vacation ownership properties to allow owners of VOIs to trade their intervals for intervals at other properties affiliated with the Company's vacation exchange network and, for some members, for other leisure-related services and products.

Travel and Membership derives a majority of revenues from membership dues and fees for facilitating members' trading of their intervals. Revenues from membership dues represent the fees paid by members or affiliated clubs on their behalf. The Company recognizes revenues from membership dues paid by the member on a straight-line basis over the membership period as the performance obligations are fulfilled through delivery of publications, if applicable, and by providing access to travel-related products and services. Estimated net contract consideration payable by affiliated clubs for memberships is recognized as revenue over the term of the contract with the affiliated club in proportion to the estimated average monthly member count. Such estimates are adjusted periodically for changes in the actual and forecasted member activity. For additional fees, members have the right to exchange their intervals for intervals at other properties affiliated with the Company's vacation exchange networks and, for certain members, for other leisure-related services and products. The Company also derives revenue from facilitating bookings of travel accommodations for both members and non-members. Revenue is recognized when these transactions have been confirmed, net of expected cancellations.

The Company's vacation exchange business also derives revenues from programs with affiliated resorts, club servicing, and loyalty programs; and additional exchange-related products that provide members with the ability to protect trading power or points, extend the life of deposits, and combine two or more deposits for the opportunity to exchange into intervals with higher trading power. Other vacation exchange related product fees are deferred and recognized as revenue upon the occurrence of a future exchange, event, or other related transaction.

The Company also derives revenue from other travel products and services, enabled as a result of the 2019 acquisition of ARN and via the Company's resort services solution business, optimizing business to business ("B2B") capabilities, and integration for consumer travel planning. The Company's relationships and buying power with major travel suppliers provide its partners with access to exclusive travel inventory. The Company's affiliates and members have access to inventory from accommodation wholesalers, airfare, and rental car providers.

The Company earns revenue from its RCI Elite Rewards co-branded credit card program, which is primarily generated by cardholder spending and the enrollment of new cardholders. The advance payments received under the program are recognized as a contract liability until the Company's performance obligations have been satisfied. The primary performance obligation for the program relates to brand performance services. Total contract consideration is estimated and recognized on a straight-line basis over the contract term.

Other Items

The Company records property management services revenues and RCI Elite Rewards revenues for its Vacation Ownership and Travel and Membership segments gross as a principal.

Contract Liabilities

Contract liabilities generally represent payments or consideration received in advance for goods or services that the Company has not yet transferred to the customer. Contract liabilities as of June 30, 2021 and December 31, 2020, were as follows (in millions):

	June 30, 2021	December 31, 2020
Deferred subscription revenue	\$ 178	\$ 176
Deferred VOI trial package revenue	101	115
Deferred exchange-related revenue ^(a)	63	59
Deferred VOI incentive revenue	61	74
Deferred co-branded credit card programs revenue	13	16
Deferred other revenue	3	8
Total	\$ 419	\$ 448

^(a) Includes contractual liabilities to accommodate members for cancellations initiated by the Company due to unexpected events. These amounts are included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

In the Company's Vacation Ownership business, deferred VOI trial package revenue represents consideration received in advance for a trial VOI, which allows customers to utilize a vacation package typically within one year of purchase. Deferred VOI incentive revenue represents payments received in advance for additional travel-related services and products at the time of a VOI sale. Revenue is recognized when a customer utilizes the additional services and products, which is typically within one year of the VOI sale.

Within the Company's Travel and Membership business, deferred subscription revenue represents billings and payments received in advance from members and affiliated clubs for memberships in the Company's travel programs which are recognized in future periods. Deferred revenue primarily represents payments received in advance from members for the right to access the Company's vacation travel network to book vacation exchanges, rent travel accommodations, and for other leisure-related services and products which are generally recognized as revenue within one year.

Changes in contract liabilities for the six months ended June 30, 2021 and 2020, follow (in millions):

	2021	2020
Beginning balance	\$ 448	\$ 539
Additions	145	145
Revenue recognized	(174)	(149)
Ending balance	<u>\$ 419</u>	<u>\$ 535</u>

Capitalized Contract Costs

The Company's Vacation Ownership segment incurs certain direct and incremental selling costs in connection with VOI trial package and incentive revenues. Such costs are capitalized and subsequently amortized over the utilization period, which is typically within one year of the sale. As of June 30, 2021 and December 31, 2020, these capitalized costs were \$34 million and \$41 million and are included within Other assets on the Condensed Consolidated Balance Sheets.

The Company's Travel and Membership segment incurs certain direct and incremental selling costs to obtain contracts with customers in connection with subscription revenues and exchange-related revenues. Such costs, which are primarily comprised of commissions paid to internal and external parties and credit card processing fees, are deferred at the inception of the contract and recognized when the benefit is transferred to the customer. As of June 30, 2021 and December 31, 2020, these capitalized costs were \$17 million and \$16 million; and are included within Other assets on the Condensed Consolidated Balance Sheets.

Practical Expedients

The Company has not adjusted the consideration for the effects of a significant financing component if it expected, at contract inception, that the period between when the Company satisfied the performance obligation and when the customer paid for that good or service was one year or less.

Performance Obligations

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. The consideration received from a customer is allocated to each distinct performance obligation and recognized as revenue when, or as, each performance obligation is satisfied.

The following table summarizes the Company's remaining performance obligations for the 12-month periods set forth below (in millions):

	7/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023	7/1/2023 - 6/30/2024	Thereafter	Total
Subscription revenue	\$ 106	\$ 37	\$ 18	\$ 17	\$ 178
VOI trial package revenue	101	—	—	—	101
Exchange-related revenue	59	3	1	—	63
VOI incentive revenue	61	—	—	—	61
Co-branded credit card programs revenue	3	3	3	4	13
Other revenue	3	—	—	—	3
Total	<u>\$ 333</u>	<u>\$ 43</u>	<u>\$ 22</u>	<u>\$ 21</u>	<u>\$ 419</u>

Disaggregation of Net Revenues

The table below presents a disaggregation of the Company's net revenues from contracts with customers by major services and products for each of the Company's segments (in millions)^(a):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Vacation Ownership				
Vacation ownership interest sales ^(b)	\$ 294	\$ (13)	\$ 466	\$ 77
Property management fees and reimbursable revenues	161	122	318	292
Consumer financing	102	119	201	246
Fee-for-Service commissions	29	—	41	3
Ancillary revenues	13	10	22	23
Total Vacation Ownership	599	238	1,048	641
Travel and Membership				
Transaction revenues	153	44	285	140
Subscription revenues	43	33	84	77
Ancillary revenues	8	29	18	48
Total Travel and Membership	204	106	387	265
Corporate and other				
Eliminations	(6)	(1)	(10)	(5)
Total Corporate and other	(6)	(1)	(10)	(5)
Net revenues	\$ 797	\$ 343	\$ 1,425	\$ 901

^(a) This table reflects the reclassification of Extra Holidays from the Vacation Ownership segment into the Travel and Membership segment for all periods presented. Extra Holidays revenue is included within Transaction revenues.

^(b) The Company recorded a COVID-19 related provision for loan losses of \$ 225 million in the first quarter of 2020, due to an expected increase in defaults driven by higher unemployment associated with COVID-19, which is reflected as a reduction to Vacation ownership interest sales on the Condensed Consolidated Statements of Income/(Loss) during the six months ended June 30, 2020. During the second quarter of 2021, the Company analyzed the adequacy of this COVID-19 related provision consistent with past methodology, resulting in a \$26 million reversal which is reflected as an increase in Vacation ownership interest sales on the Condensed Consolidated Statements of Income/(Loss) during the three and six months ended June 30, 2021.

4. Earnings/(Loss) Per Share

The computations of basic and diluted earnings/(loss) per share (“EPS”) are based on Net income/(loss) attributable to Travel + Leisure shareholders divided by the basic weighted average number of common shares and diluted weighted average number of common shares outstanding. The following table sets forth the computations of basic and diluted EPS (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income/(loss) from continuing operations attributable to Travel + Leisure shareholders	\$ 74	\$ (164)	\$ 102	\$ (298)
Loss on disposal of discontinued business attributable to Travel + Leisure shareholders, net of income taxes	(2)	—	(2)	—
Net income/(loss) attributable to Travel + Leisure shareholders	<u>\$ 72</u>	<u>\$ (164)</u>	<u>\$ 100</u>	<u>\$ (298)</u>
<i>Basic earnings/(loss) per share ^(a)</i>				
Continuing operations	\$ 0.85	\$ (1.92)	\$ 1.18	\$ (3.46)
Discontinued operations	(0.02)	—	(0.02)	—
	<u>\$ 0.83</u>	<u>\$ (1.92)</u>	<u>\$ 1.16</u>	<u>\$ (3.46)</u>
<i>Diluted earnings/(loss) per share ^(a)</i>				
Continuing operations	\$ 0.84	\$ (1.92)	\$ 1.17	\$ (3.46)
Discontinued operations	(0.02)	—	(0.02)	—
	<u>\$ 0.82</u>	<u>\$ (1.92)</u>	<u>\$ 1.15</u>	<u>\$ (3.46)</u>
Basic weighted average shares outstanding	86.5	85.4	86.4	86.1
RSUs, ^(b) PSUs ^(c) and NQs ^(d)	0.9	—	0.7	—
Diluted weighted average shares outstanding ^(e)	<u>87.4</u>	<u>85.4</u>	<u>87.1</u>	<u>86.1</u>
<i>Dividends:</i>				
Aggregate dividends paid to shareholders	\$ 27	\$ 43	\$ 53	\$ 86

(a) Earnings/(loss) per share amounts are calculated using whole numbers.

(b) Excludes 1.6 million and 1.4 million of anti-dilutive restricted stock units (“RSUs”) for the three and six months ended June 30, 2020, of which 0.4 million and 0.3 million would have been dilutive had the Company not been in a net loss position during these periods. These shares could potentially dilute EPS in the future.

(c) Excludes performance-vested restricted stock units (“PSUs”) of 0.4 million for both the three and six months ended June 30, 2021, as the Company had not met the required performance metrics. Excludes 0.3 million PSUs for both the three and six months ended June 30, 2020, as the Company has not met the required performance metrics. These PSUs could potentially dilute EPS in the future.

(d) Excludes 1.4 million of outstanding non-qualified stock option (“NQs”) awards that would have been anti-dilutive to EPS for both the three and six months ended June 30, 2021. Excludes 2.4 million and 2.0 million of outstanding awards that would have been anti-dilutive to EPS for the three and six months ended June 30, 2020. These outstanding stock option awards could potentially dilute EPS in the future.

(e) The dilutive impact of the Company’s potential common stock is computed utilizing the treasury stock method using average market prices during the period.

Stock Repurchase Program

The following table summarizes stock repurchase activity under the current stock repurchase program (in millions):

	Shares	Cost
As of December 31, 2020	111.3	\$ 5,727
Repurchases	—	—
As of June 30, 2021	<u>111.3</u>	<u>\$ 5,727</u>

Proceeds received from stock option exercises increase the repurchase capacity under the program. Cash proceeds received from stock option exercises during the six months ended June 30, 2021 were \$4 million. As of June 30, 2021, the Company had \$354 million of remaining availability under its program. In March 2020, the Company suspended its share repurchase activity due to the uncertainty resulting from COVID-19. On July 15, 2020, the Company amended the credit agreement for its revolving credit facility and term loan B. Among other changes, the amendment places the Company into a relief

period from July 15, 2020 through April 1, 2022 (“Relief Period”) that prohibits the use of cash for share repurchases until such time as the Company chooses to exercise its option to exit the Relief Period. The Company has the option to terminate the Relief Period at any time it can demonstrate compliance with the 4.25 to 1.0 first lien leverage ratio.

5. Acquisitions

Travel + Leisure. On January 5, 2021, the Company acquired the Travel + Leisure brand from Meredith Corporation for \$100 million, of which the Company paid \$35 million at closing and an additional \$20 million during the second quarter of 2021. The remaining payments are to be completed by June 2024. This transaction was accounted for as an asset acquisition, with the full consideration allocated to the related trademark indefinite-lived intangible asset.

6. Discontinued Operations

During 2018, the Company completed the spin-off of its hotel business (“Spin-off”) Wyndham Hotels & Resorts, Inc. (“Wyndham Hotels”) and the sale of its European vacation rentals business. As a result, the Company has classified the results of operations for these businesses as discontinued operations in its Condensed Consolidated Financial Statements and related notes. Discontinued operations include direct expenses clearly identifiable to the businesses being discontinued. The Company does not expect to incur significant ongoing expenses classified as discontinued operations except for certain tax adjustments that may be required as final tax returns are completed. The Company recognized a Loss on disposal of discontinued business, net of income taxes of \$2 million during the three and six months ended June 30, 2021.

7. Vacation Ownership Contract Receivables

The Company generates vacation ownership contract receivables (“VOCRs”) by extending financing to the purchasers of its VOIs. Vacation ownership contract receivables, net consisted of (in millions):

	June 30, 2021	December 31, 2020
<i>Vacation ownership contract receivables:</i>		
Securitized ^(a)	\$ 2,158	\$ 2,458
Non-securitized ^(b)	734	717
Vacation ownership contract receivables, gross	2,892	3,175
Less: Allowance for loan losses	573	693
Vacation ownership contract receivables, net	<u>\$ 2,319</u>	<u>\$ 2,482</u>

^(a) Excludes \$17 million and \$23 million of accrued interest on securitized VOCRs as of June 30, 2021 and December 31, 2020, which are included in Trade receivables, net on the Condensed Consolidated Balance Sheets.

^(b) Excludes \$6 million and \$9 million of accrued interest on non-securitized VOCRs as of June 30, 2021 and December 31, 2020, which are included in Trade receivables, net on the Condensed Consolidated Balance Sheets.

During the three and six months ended June 30, 2021, the Company’s securitized VOCRs generated interest income of \$7 million and \$156 million. During the three and six months ended June 30, 2020, the Company’s securitized VOCRs generated interest income of \$105 million and \$211 million. Such interest income is included within Consumer financing revenue on the Condensed Consolidated Statements of Income/(Loss).

During the six months ended June 30, 2021 and 2020, the Company originated VOCRs of \$299 million and \$233 million, and received principal collections of \$389 million and \$387 million. The weighted average interest rate on outstanding VOCRs was 14.5% and 14.4% as of June 30, 2021 and December 31, 2020.

The activity in the allowance for loan losses on VOCRs was as follows (in millions):

	Amount
Allowance for loan losses as of December 31, 2020	\$ 693
Provision for loan losses, net	71
Contract receivables write-offs, net	(191)
Allowance for loan losses as of June 30, 2021	<u>\$ 573</u>
	Amount
Allowance for loan losses as of December 31, 2019	\$ 747
Provision for loan losses, net	345
Contract receivables write-offs, net	(246)
Allowance for loan losses as of June 30, 2020	<u>\$ 846</u>

Due to the economic downturn resulting from COVID-19 during the first quarter of 2020, the Company evaluated the potential impact of COVID-19 on its owners' ability to repay their contract receivables and as a result of current and projected unemployment rates at that time, the Company recorded a COVID-19 related allowance for loan losses. This allowance consisted of a \$225 million COVID-19 related provision, which was reflected as a reduction to Vacation ownership interest sales and \$5 million of estimated recoveries, which were reflected as a reduction to Cost/(recovery) of vacation ownership interests on the Condensed Consolidated Statements of Income/(Loss). During the second quarter of 2021, the Company analyzed the adequacy of the COVID-19 related allowance consistent with past methodology, and due to the improvement in net new defaults the Company reduced this allowance resulting in a \$26 million increase to Vacation ownership interest sales and a corresponding \$10 million increase to Cost/(recovery) of vacation ownership interests on the Condensed Consolidated Statements of Income/(Loss).

Estimating the amount of the COVID-19 related allowance involves the use of significant estimates and assumptions. Management based its estimates upon historical data on the relationship between unemployment rates and net new defaults observed during the most recent recession in 2008. Specifically, historical data indicated that net new defaults did not return to prior levels until 15-20 months after the peak in unemployment. As of June 30, 2021, given the significant amount of government assistance provided to consumers during the pandemic, the Company estimated default rates would remain elevated for the next six to nine months as these programs expire. The Company will continue to monitor this reserve as more information becomes available.

The Company recorded net provisions for loan losses of \$33 million and \$71 million as a reduction of net revenues during the three and six months ended June 30, 2021, and \$30 million and \$345 million for the three and six months ended June 30, 2020, inclusive of the aforementioned COVID-19 related adjustments.

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 Fair Isaac Corporation ("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 to 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 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, from 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 Vacation Ownership Asia Pacific business for which scores are not readily available).

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

As of June 30, 2021							
	700+	600-699	<600	No Score	Asia Pacific	Total	
Current	\$ 1,624	\$ 764	\$ 129	\$ 80	\$ 197	\$ 2,794	
31 - 60 days	15	16	10	2	1	44	
61 - 90 days	8	10	7	1	1	27	
91 - 120 days	8	10	7	1	1	27	
Total ^(a)	\$ 1,655	\$ 800	\$ 153	\$ 84	\$ 200	\$ 2,892	

As of December 31, 2020							
	700+	600-699	<600	No Score	Asia Pacific	Total	
Current	\$ 1,706	\$ 835	\$ 160	\$ 96	\$ 221	\$ 3,018	
31 - 60 days	20	25	13	4	2	64	
61 - 90 days	13	18	12	3	1	47	
91 - 120 days	12	16	14	3	1	46	
Total ^(a)	\$ 1,751	\$ 894	\$ 199	\$ 106	\$ 225	\$ 3,175	

^(a) Includes contracts under temporary deferment (up to 180 days). As of June 30, 2021 and December 31, 2020, contracts under deferment total \$ 12 million and \$ 37 million.

The Company ceases to accrue interest on VOI contract receivables once the contract has remained delinquent for greater than 90 days and reverses all of the associated accrued interest recognized to date against interest income included within Consumer financing revenue on the Condensed Consolidated Statements of Income/(Loss). 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.

The following table details the year of origination of financing receivables using the most recently updated FICO scores, based on the policy described above (in millions):

As of June 30, 2021							
	700+	600-699	<600	No Score	Asia Pacific	Total	
2021	\$ 262	\$ 86	\$ 1	\$ 6	\$ 29	\$ 384	
2020	295	147	22	7	49	520	
2019	386	204	49	22	43	704	
2018	285	147	34	16	30	512	
2017	188	92	21	13	18	332	
Prior	239	124	26	20	31	440	
Total	\$ 1,655	\$ 800	\$ 153	\$ 84	\$ 200	\$ 2,892	

As of December 31, 2020							
	700+	600-699	<600	No Score	Asia Pacific	Total	
2020	\$ 424	\$ 173	\$ 11	\$ 17	\$ 55	\$ 680	
2019	476	269	67	27	70	909	
2018	339	183	50	21	36	629	
2017	220	115	31	16	22	404	
2016	128	63	16	10	16	233	
Prior	164	91	24	15	26	320	
Total	\$ 1,751	\$ 894	\$ 199	\$ 106	\$ 225	\$ 3,175	

8. Inventory

Inventory consisted of (in millions):

	June 30, 2021	December 31, 2020
Completed VOI inventory	\$ 1,085	\$ 1,049
Estimated VOI recoveries, net	206	246
VOI construction in process	31	30
Inventory sold subject to repurchase	13	13
Vacation exchange credits and other	3	8
Land held for VOI development	1	1
Total inventory	\$ 1,339	\$ 1,347

The Company had net transfers of VOI inventory to property and equipment of \$11 million and \$13 million during the six months ended June 30, 2021 and 2020.

During 2020, as a result of resort closures and cancellations surrounding COVID-19, the Company recorded \$48 million of reductions to exchange inventory consisting of costs previously incurred by RCI to provide enhanced out-of-network travel options to members. These write-offs were included within Operating expenses on the Condensed Consolidated Statements of Income/(Loss), \$8 million of which is included in the results for the six months ended June 30, 2020. The Company anticipates that remaining inventory will be fully utilized to maximize exchange supply for its members in 2021 and beyond.

Inventory Sale Transactions

During 2020, the Company acquired properties in Orlando, Florida, and Moab, Utah, from third-party developers for vacation ownership inventory and property and equipment.

During 2013, the Company sold real property located in Las Vegas, Nevada, to a third-party developer, consisting of vacation ownership inventory and property and equipment. The Company recognized no gain or loss on this sale transaction.

In accordance with the agreements with the third-party developers, the Company has conditional rights and conditional obligations to repurchase the completed properties from the developers subject to the properties conforming to the Company's vacation ownership resort standards and provided that the third-party developers have not sold the properties to another party. Under the sale of real estate accounting guidance, the conditional rights and obligations of the Company constitute continuing involvement and thus the Company was unable to account for these transactions as a sale.

The following table summarizes the activity related to the Company's inventory obligations (in millions):

	Las Vegas ^(a)	Moab ^(a)	Orlando ^(a)	Other ^(b)	Total
December 31, 2020	\$ 13	\$ 31	\$ 22	\$ 17	\$ 83
Purchases	2	25	1	39	67
Payments	(2)	(56)	(5)	(46)	(109)
June 30, 2021	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ 10</u>	<u>\$ 41</u>
December 31, 2019	\$ 43	\$ —	\$ —	\$ 6	\$ 49
Purchases	15	—	—	70	85
Payments	(19)	—	—	(65)	(84)
June 30, 2020	<u>\$ 39</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 50</u>

^(a) Included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

^(b) Included in Accounts payable on the Condensed Consolidated Balance Sheets.

The Company has committed to repurchase the completed property located 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 may be required to make under this commitment was \$65 million as of June 30, 2021.

9. Property and Equipment

Property and equipment, net, consisted of (in millions):

	June 30, 2021	December 31, 2020
Land	\$ 31	\$ 30
Building and leasehold improvements	596	591
Furniture, fixtures and equipment	208	207
Capitalized software	707	694
Finance leases	15	14
Construction in progress	19	12
Total property and equipment	1,576	1,548
Less: Accumulated depreciation and amortization	931	882
Property and equipment, net	\$ 645	\$ 666

10. Debt

The Company's indebtedness consisted of (in millions):

	June 30, 2021	December 31, 2020
<i>Non-recourse vacation ownership debt.</i> ^(a)		
Term notes ^(b)	\$ 1,719	\$ 1,893
USD bank conduit facility (due October 2022) ^(c)	154	168
AUD/NZD bank conduit facility (due April 2023) ^(d)	145	173
Total	\$ 2,018	\$ 2,234
<i>Debt.</i> ^(e)		
\$1.0 billion secured revolving credit facility (due May 2023) ^(f)	\$ —	\$ 547
\$300 million secured term loan B (due May 2025) ^(g)	290	291
\$250 million 5.625% secured notes (due March 2021)	—	250
\$650 million 4.25% secured notes (due March 2022) ^(h)	650	650
\$400 million 3.90% secured notes (due March 2023) ⁽ⁱ⁾	402	402
\$300 million 5.65% secured notes (due April 2024)	299	299
\$350 million 6.60% secured notes (due October 2025) ^(j)	344	344
\$650 million 6.625% secured notes (due July 2026)	642	641
\$400 million 6.00% secured notes (due April 2027) ^(k)	407	408
\$350 million 4.625% secured notes (due March 2030)	345	345
Finance leases	6	7
Total	\$ 3,385	\$ 4,184

^(a) Represents non-recourse debt that is securitized through bankruptcy-remote special purpose entities ("SPEs"), the creditors of which have no recourse to the Company for principal and interest. These outstanding borrowings (which legally are not liabilities of the Company) are collateralized by \$2.26 billion and \$2.57 billion of underlying gross VOCRs and related assets (which legally are not assets of the Company) as of June 30, 2021 and December 31, 2020.

^(b) The carrying amounts of the term notes are net of deferred financing costs of \$ 19 million and \$ 21 million as of June 30, 2021 and December 31, 2020.

^(c) The Company has a borrowing capacity of \$ 800 million under the USD bank conduit facility through October 2022. Borrowings under this facility are required to be repaid as the collateralized receivables amortize but no later than November 2023.

^(d) The Company has a borrowing capacity of 250 million Australian dollars ("AUD") and 48 million New Zealand dollars ("NZD") under the AUD/NZD bank conduit facility through April 2023. Borrowings under this facility are required to be repaid no later than April 2025.

^(e) The carrying amounts of the secured notes and term loan are net of unamortized discounts of \$ 14 million and \$ 16 million as of June 30, 2021 and December 31, 2020, and net of unamortized debt financing costs of \$ 7 million as of June 30, 2021 and December 31, 2020.

^(f) The weighted average effective interest rate on borrowings from this facility were 3.19% and 3.02% as of June 30, 2021 and December 31, 2020. In late March 2020, the Company drew down its \$1.0 billion secured revolving credit facility as a precautionary measure due to COVID-19. As of June 30, 2021, these borrowings have been repaid.

^(g) The weighted average effective interest rate on borrowings from this facility was 2.39% and 2.93% as of June 30, 2021 and December 31, 2020.

^(h) Includes less than \$1 million of unamortized gains from the settlement of a derivative as of June 30, 2021 and December 31, 2020.

- (i) Includes \$2 million and \$3 million of unamortized gains from the settlement of a derivative as of June 30, 2021 and December 31, 2020.
 (j) Includes \$4 million and \$5 million of unamortized losses from the settlement of a derivative as of June 30, 2021 and December 31, 2020.
 (k) Includes \$10 million and \$11 million of unamortized gains from the settlement of a derivative as of June 30, 2021 and December 31, 2020.

Sierra Timeshare 2021-1 Receivables Funding LLC

On March 8, 2021, the Company closed on a placement of a series of term notes payable, issued by Sierra Timeshare 2021-1 Receivables Fundings LLC, with an initial principal amount of \$500 million, secured by VOCRs and bearing interest at a weighted average coupon rate of 1.57%. The advance rate for this transaction was 98%.

AUD/NZD Bank Conduit Renewal

On April 27, 2021, the Company renewed its AUD/NZD timeshare receivables conduit facility, extending the end of the commitment period from September 2021 to April 2023. The renewal includes a reduction of the AUD borrowing capacity from A\$255 million to A\$250 million, while the NZD capacity remains unchanged at NZ\$48 million. The renewal bears interest at variable rates based on the Bank Bill Swap Bid Rate plus 1.65%.

Maturities and Capacity

The Company's outstanding debt as of June 30, 2021, matures as follows (in millions):

	Non-recourse Vacation Ownership Debt	Debt	Total
Within 1 year	\$ 274	\$ 655	\$ 929
Between 1 and 2 years	372	407	779
Between 2 and 3 years	207	303	510
Between 3 and 4 years	207	281	488
Between 4 and 5 years	227	344	571
Thereafter	731	1,395	2,126
	<u>\$ 2,018</u>	<u>\$ 3,385</u>	<u>\$ 5,403</u>

Required principal payments on the non-recourse vacation ownership debt are based on the contractual repayment terms of the underlying VOCRs. Actual maturities may differ as a result of prepayments by the VOCR obligors.

As of June 30, 2021, available capacity under the Company's borrowing arrangements was as follows (in millions):

	Non-recourse Conduit Facilities (a)	Revolving Credit Facilities (b)
Total capacity	\$ 1,025	\$ 1,000
Less: Outstanding borrowings	299	—
Less: Letters of credit	—	66
Available capacity	<u>\$ 726</u>	<u>\$ 934</u>

- (a) Consists of the Company's USD bank conduit facility and AUD/NZD bank conduit facility. The capacity of these facilities is subject to the Company's ability to provide additional assets to collateralize additional non-recourse borrowings.
 (b) Consists of the Company's \$1.0 billion secured revolving credit facility.

Debt Covenants

The revolving credit facilities and term loan B are subject to covenants including the maintenance of specific financial ratios as defined in the credit agreement. The financial ratio covenants consist of a minimum interest coverage ratio of at least 2.5 to 1.0 as of the measurement date and a maximum first lien leverage ratio not to exceed 4.25 to 1.0 as of the measurement date. The interest coverage ratio is calculated by dividing consolidated EBITDA (as defined in the credit agreement) by consolidated interest expense (as defined in the credit agreement), both as measured on a trailing 12-month basis preceding the measurement date. The first lien leverage ratio is calculated by dividing consolidated first lien debt (as defined in the credit agreement) as of the measurement date by consolidated EBITDA (as defined in the credit agreement) as measured on a trailing 12-month basis preceding the measurement date.

On July 15, 2020, the Company entered into an amendment to the Company's credit agreement governing its revolving credit facility and term loan B ("Credit Agreement Amendment"). The Credit Agreement Amendment establishes a Relief Period with respect to the Company's secured revolving credit facility, which commenced on July 15, 2020 and will end on

April 1, 2022, or upon earlier termination by the Company of the Relief Period, subject to certain conditions. The Credit Agreement Amendment increased the existing leverage-based financial covenant of 4.25 to 1.0 by varying levels for each applicable quarter during the Relief Period. The maximum first lien leverage ratio for the test period ending June 30, 2021 was 7.5 to 1.0. The maximum first lien leverage ratio will decrease 0.75 each quarter beginning in the third quarter of 2021 through the end of the Relief Period.

Beginning in the first quarter of 2021, and extending through the third quarter of 2021, the Credit Agreement Amendment provides that consolidated EBITDA (as defined in the credit agreement), for the purposes of the first lien leverage ratio, will be measured based on the greater of either a trailing 12-months preceding the measurement date basis or an annualized basis. Thereafter, consolidated EBITDA will be measured on a trailing 12-months basis, and following the Relief Period, the Credit Agreement Amendment reestablishes the leverage-based financial covenant of 4.25 to 1.0 which was in existence prior to the effective date of the Credit Agreement Amendment. In addition, the Credit Agreement Amendment, among other things, increased the interest rate applicable to borrowings under the Company's secured revolving credit facility utilizing a tiered pricing grid based on the Company's first lien leverage ratio in any quarter it exceeds 4.25 to 1.0, until the end of the Relief Period; adds a new minimum liquidity covenant, tested quarterly until the end of the Relief Period, of (i) \$250 million plus (ii) 50% of the aggregate amount of dividends paid after the effective date of the Credit Agreement Amendment and on or prior to the last day of the relevant fiscal quarter; and requires the Company to maintain an interest coverage ratio (as defined in the credit agreement) of not less than 2.0 to 1.0, which shall increase to 2.5 to 1.0 after the Relief Period, the level existing prior to the effective date of the Credit Agreement Amendment. Finally, the Credit Agreement Amendment amends the definition of "Material Adverse Effect" in the credit agreement to take into consideration the impacts of the COVID-19 pandemic during the Relief Period. The Relief Period includes certain restrictions on the use of cash including the prohibition of share repurchases until such time as the Company is able to and chooses to exercise its option to exit the amendment. Additionally, the amendment limits the payout of dividends during the Relief Period to not exceed \$0.50 per share, the rate in effect prior to the amendment. The Company has the option to terminate the Relief Period at any time it can demonstrate compliance with the 4.25 to 1.0 first lien leverage ratio, subject to certain conditions.

As of June 30, 2021, the Company's interest coverage ratio was 3.1 to 1.0 and the first lien leverage ratio was 4.7 to 1.0. These ratios do not include interest expense or indebtedness related to any qualified securitization financing (as defined in the credit agreement). As of June 30, 2021, the Company was in compliance with the financial covenants described above. Under the Credit Agreement Amendment, when the first lien leverage ratio exceeds 4.25 to 1.0, the interest rate on revolver borrowings increases, and the Company is subject to higher fees associated with its letters of credit based on a tiered pricing grid. Given the first lien leverage ratio of 5.4 to 1.0 at December 31, 2020, the Company is now subject to higher fees associated with letters of credit and the interest rate on the revolver borrowings increased 25 basis points effective March 2, 2021. This interest rate and fees associated with letters of credit are subject to future changes based on the Company's first lien leverage ratio which could serve to further increase the rate up to an additional 25 basis points if this ratio were to exceed 5.75 to 1.0, or reduce this rate if this ratio were to decrease to 4.25 to 1.0 or below.

Each of the Company's non-recourse, securitized term notes, and the bank conduit facilities contain various triggers relating to the performance of the applicable loan pools. If the VOCRs pool that collateralizes one of the Company's 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 June 30, 2021, all of the Company's securitized loan pools were in compliance with applicable contractual triggers.

Interest Expense

The Company incurred interest expense of \$47 million and \$100 million during the three and six months ended June 30, 2021. Such amounts consisted primarily of interest on debt, excluding non-recourse vacation ownership debt, and included an offset of less than \$1 million of capitalized interest during both the three and six months ended June 30, 2021. Cash paid related to such interest was \$105 million during the six months ended June 30, 2021.

The Company incurred interest expense of \$46 million and \$87 million during the three and six months ended June 30, 2020. Such amounts consisted primarily of interest on debt, excluding non-recourse vacation ownership debt, and included an offset of less than \$1 million and \$1 million of capitalized interest during the three and six months ended June 30, 2020. Cash paid related to such interest was \$81 million during the six months ended June 30, 2020.

Interest expense incurred in connection with the Company’s non-recourse vacation ownership debt was \$20 million and \$44 million during the three and six months ended June 30, 2021, and \$25 million and \$50 million during the three and six months ended June 30, 2020, and is recorded within Consumer financing interest on the Condensed Consolidated Statements of Income/(Loss). Cash paid related to such interest was \$31 million and \$37 million for the six months ended June 30, 2021 and 2020.

11. Variable Interest Entities

In accordance with the applicable accounting guidance for the consolidation of a variable interest entity (“VIE”), 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 VOCRs and sells them to bankruptcy-remote entities. VOCRs qualify for securitization based primarily on the credit strength of the VOI purchaser to whom financing has been extended. VOCRs are securitized through bankruptcy-remote SPEs that are consolidated within the Company’s Condensed 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 VOCRs. The Company services the securitized VOCRs pursuant to servicing agreements negotiated on an arm’s-length basis based on market conditions. The activities of these SPEs are limited to (i) purchasing VOCRs 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 non-recourse debt that is securitized through the SPEs is legally not a liability of the Company and thus, 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 (in millions):

	June 30, 2021	December 31, 2020
Securitized contract receivables, gross ^(a)	\$ 2,158	\$ 2,458
Securitized restricted cash ^(b)	83	92
Interest receivables on securitized contract receivables ^(c)	17	23
Other assets ^(d)	5	5
Total SPE assets	2,263	2,578
Non-recourse term notes ^{(e) (f)}	1,719	1,893
Non-recourse conduit facilities ^(e)	299	341
Other liabilities ^(g)	9	2
Total SPE liabilities	2,027	2,236
SPE assets in excess of SPE liabilities	\$ 236	\$ 342

- ^(a) The Company does not allocate allowance for loan losses to SPEs. This amount is included in Vacation ownership contract receivables, net on the Condensed Consolidated Balance Sheets.
- ^(b) Included in Restricted cash on the Condensed Consolidated Balance Sheets.
- ^(c) Included in Trade receivables, net on the Condensed Consolidated Balance Sheets.
- ^(d) Primarily includes deferred financing costs for the bank conduit facility and a security investment asset, which is included in Other assets on the Condensed Consolidated Balance Sheets.
- ^(e) Included in Non-recourse vacation ownership debt on the Condensed Consolidated Balance Sheets.
- ^(f) Includes deferred financing costs of \$ 19 million and \$21 million as of June 30, 2021 and December 31, 2020, related to non-recourse debt.
- ^(g) Primarily includes accrued interest on non-recourse debt, which is included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

In addition, the Company has VOCRs that have not been securitized through bankruptcy-remote SPEs. Such gross receivables were \$34 million and \$717 million as of June 30, 2021 and December 31, 2020. A summary of total vacation ownership receivables and other securitized assets, net of securitized liabilities and the allowance for loan losses, is as follows (in millions):

	June 30, 2021	December 31, 2020
SPE assets in excess of SPE liabilities	\$ 236	\$ 342
Non-securitized contract receivables	734	717
Less: Allowance for loan losses	573	693
Total, net	\$ 397	\$ 366

12. Fair Value

The Company measures its financial assets and liabilities at fair value on a recurring basis and utilizes the fair value hierarchy 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 Company's derivative instruments currently consist of foreign exchange forward contracts and interest rate caps.

As of June 30, 2021, the Company had foreign exchange contracts which resulted in less than \$ million of assets which are included within Other assets and \$1 million of liabilities which are included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets. On a recurring basis, such assets and liabilities are remeasured at estimated fair value (all of which are Level 2) and thus are equal to the carrying value.

The impact of interest rate caps was immaterial as of June 30, 2021 and 2020.

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 were as follows (in millions):

	June 30, 2021		December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Vacation ownership contract receivables, net (Level 3)	\$ 2,319	\$ 2,811	\$ 2,482	\$ 3,035
Liabilities				
Debt (Level 2)	\$ 5,403	\$ 5,691	\$ 6,418	\$ 6,705

The Company estimates the fair value of its VOCRs 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 non-recourse 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 debt, excluding finance leases, using Level 2 inputs based on indicative bids from investment banks and determines the fair value of its secured notes using quoted market prices (such secured notes are not actively traded).

13. Derivative Instruments and Hedging Activities

Foreign Currency Risk

The Company has foreign currency rate exposure to exchange rate fluctuations worldwide with particular exposure to the euro, British pound, Australian and Canadian dollars, and the Mexican peso. The Company uses freestanding foreign currency forward contracts to manage a portion of its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables, payables, and forecasted earnings of foreign subsidiaries. Additionally, the Company has used foreign currency forward contracts designated as cash flow hedges to manage a portion of its exposure to changes in forecasted foreign currency denominated vendor payments. The amount of gains or losses relating to contracts designated as cash flow hedges that the Company expects to reclassify from Accumulated other comprehensive loss ("AOCL") to earnings over the next 12 months is not material.

Interest Rate Risk

A portion of the debt used to finance the Company's operations is exposed to interest rate fluctuations. The Company periodically uses financial derivatives to strategically adjust its mix of fixed to floating rate debt. The derivative instruments utilized include interest rate swaps which convert fixed-rate debt into variable-rate debt (i.e. fair value hedges) and interest rate caps (undesignated hedges) to manage the overall interest cost. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in income, with offsetting adjustments to the carrying amount of the hedged debt. As of June 30, 2021 and 2020, the Company had no fair value interest rate hedges.

Losses on derivatives recognized in AOCL for the three and six months ended June 30, 2021 and 2020, were not material.

14. Income Taxes

The Company files U.S. federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2016. In addition, with few exceptions, the Company is no longer subject to state, local or foreign income tax examinations for years prior to 2011.

The Company's effective tax rate was 29.5% and (7.2)% for the three months ended June 30, 2021 and 2020; and 26.6% and 10.0% for the six months ended June 30, 2021 and 2020. The effective tax rate was significantly impacted during the three and six months ended June 30, 2020, due to COVID-19, which led to a mix of earnings in higher tax rate jurisdictions and losses in lower tax rate jurisdictions that significantly reduced our overall effective tax rate in 2020. In addition, the effective tax rate for the three months ended June 30, 2021, increased due to additions to certain unrecognized tax benefits and remeasurement of net deferred tax liabilities as a result of changes in certain state and foreign tax rates.

The Company made income tax payments, net of tax refunds, of \$65 million and \$5 million during the six months ended June 30, 2021 and 2020.

Tax positions are reviewed at least quarterly and adjusted as new information becomes available. The recoverability of deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, available tax planning strategies and forecasted operating earnings. These estimates of future taxable income inherently require significant judgment. To the extent it is considered more likely than not that a deferred tax asset will be not recovered, a valuation allowance is established. Due to various factors including negative impacts of COVID-19, the Company had net increases in its valuation allowances related to foreign tax credits and other deferred assets of \$1 million and \$2 million during the six months ended June 30, 2021 and 2020.

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARPA”) was signed into law, which is the latest stimulus package to provide COVID-19 relief. ARPA includes an extension of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Employee Retention Tax Credit until December 31, 2021. The Company recorded \$1 million of additional employee retention tax credits during the six months ended June 30, 2021. In addition to the expansion of the employee retention credit (among other provisions), ARPA includes several revenue-raising and business tax provisions. One such provision that will impact the Company is the expansion of the limitation of compensation deductions above \$1 million for certain covered employees of publicly held corporations. Effective for taxable years after December 31, 2026, ARPA expands the limitation to cover the next five highest compensated employees.

On March 27, 2020, the CARES Act was established to provide emergency assistance and health care for individuals, families, and businesses affected by COVID-19 and generally support the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. The Company recorded \$21 million of employee retention tax credits for the three months ended June 30, 2020, including credits from similar programs outside the U.S. The Company has deferred certain social security payments and had additional depreciation deductions relating to qualified improvement property.

While the Company continues to review and consider any available benefits under the CARES Act, ARPA, or similar legislation that may be enacted in response to COVID-19 for which it qualifies, the Company cannot predict the manner in which such benefits will be allocated or administered and cannot assure that it will be able to receive such benefits in a timely manner.

15. Leases

The Company leases property and equipment under finance and operating leases for its corporate headquarters, administrative functions, marketing and sales offices, and various other facilities and equipment. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of lease payments over the term. Many of its leases include rental escalation clauses, lease incentives, renewal options and/or termination options that are factored into the Company’s determination of lease payments. The Company elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases. The Company also made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments on a straight-line basis over the lease term in the Condensed Consolidated Statements of Income/(Loss).

When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of its leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The majority of the Company’s leases have remaining lease terms of one to 20 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within one year.

The table below presents certain information related to the lease costs for finance and operating leases (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 6	\$ 9	\$ 11	\$ 17
Short-term lease cost	\$ 3	\$ 2	\$ 6	\$ 7
Finance lease cost:				
Amortization of right-of-use assets	\$ 1	\$ 1	\$ 2	\$ 1
Interest on lease liabilities	—	—	—	—
Total finance lease cost	\$ 1	\$ 1	\$ 2	\$ 1

The table below presents the lease-related assets and liabilities recorded on the Condensed Consolidated Balance Sheets:

	Balance Sheet Classification	June 30, 2021	December 31, 2020
Operating leases (in millions):			
Operating lease right-of-use assets	Other assets	\$ 86	\$ 92
Operating lease liabilities	Accrued expenses and other liabilities	\$ 147	\$ 157
Finance leases (in millions):			
Finance lease assets ^(a)	Property and equipment, net	\$ 7	\$ 8
Finance lease liabilities	Debt	\$ 6	\$ 7
Weighted average remaining lease term:			
Operating leases		6.7 years	7.1 years
Finance leases		2.5 years	2.6 years
Weighted average discount rate:			
Operating leases ^(b)		5.8 %	5.9 %
Finance leases		5.0 %	5.6 %

^(a) Presented net of accumulated depreciation.

^(b) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

The table below presents supplemental cash flow information related to leases (in millions):

	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 19	\$ 19
Operating cash flows from finance leases	—	—
Financing cash flows from finance leases	2	1
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 5	\$ 8
Finance leases	1	5

The table below presents maturities of lease liabilities as of June 30, 2021 (in millions):

	Operating Leases	Finance Leases
Six months ending December 31, 2021	\$ 17	\$ 1
2022	31	3
2023	30	2
2024	28	1
2025	24	—
Thereafter	49	—
Total minimum lease payments	179	7
Less: Amount of lease payments representing interest	(32)	(1)
Present value of future minimum lease payments	\$ 147	\$ 6

Due to the impact of COVID-19 during the second quarter of 2020, the Company decided to abandon the remaining portion of its administrative offices in New Jersey. The Company was also notified that Wyndham Hotels exercised its early termination rights under the sublease agreement for this building. As a result, the Company recorded \$22 million of restructuring charges associated with non-lease components of the office space and \$24 million of impairment charges associated with the write-off of right-of-use assets and furniture, fixtures and equipment for both the three and six months ended June 30, 2020.

16. Commitments and Contingencies

The Company is involved in claims, legal and regulatory proceedings, and governmental inquiries related to its business, none of which, in the opinion of management, is expected to have a material effect on the Company's results of operations or financial condition.

Travel + Leisure Litigation

The Company may be from time to time 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 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 or in relation to guest reservations and bookings; and negligence, breach of contract, fraud, consumer protection and other statutory claims by guests and other consumers for alleged injuries sustained at or acts or occurrences related to vacation ownership units or resorts or in relation to guest reservations and bookings; for its Travel and Membership 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, guests and other consumers for alleged injuries sustained at or acts or occurrences related to affiliated resorts, or in relation to guest reservations and bookings; and for each of its businesses, bankruptcy proceedings involving efforts to collect receivables from a debtor in bankruptcy, employment matters including but not limited to, claims of wrongful termination, retaliation, discrimination, harassment and wage and hour claims, whistleblower claims, claims of infringement upon third parties' intellectual property rights, claims relating to information security, privacy and consumer protection, fiduciary duty/trust claims, tax claims, environmental claims, and landlord/tenant disputes.

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 fiscal quarter 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 \$16 million and \$13 million as of June 30, 2021 and December 31, 2020. 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 June 30, 2021, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to \$36 million in excess of recorded accruals. Such reserves and potential exposure are exclusive of matters relating to the Company's separation from Cendant, matters relating to the

Spin-off, matters relating to the sale of the European vacation rentals business, and matters relating to the sale of the North American vacation rentals business, which are discussed in Note 23—*Transactions with Former Parent and Former Subsidiaries*. 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 and/or liquidity.

For matters deemed reasonably possible, therefore 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. As of June 30, 2021, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to an amount of \$1 million.

GUARANTEES/INDEMNIFICATIONS

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for specified breaches of, or third-party claims relating to, an underlying agreement. Such underlying agreements are typically entered into by one of the Company's subsidiaries. The various underlying agreements generally govern purchases, sales or outsourcing of products or services, leases of real estate, licensing of software and/or development of vacation ownership properties, access to credit facilities, derivatives and issuances of debt securities. Also in the ordinary course of business, the Company provides corporate guarantees for its operating business units relating to merchant credit-card processing for prepaid customer stays and other deposits. While a majority of these guarantees and indemnifications extend only for the duration of the underlying agreement, some survive the expiration of the agreement. The Company is not able to estimate the maximum potential amount of future payments to be made under these guarantees and indemnifications as the triggering events are not predictable. In certain cases, the Company maintains insurance coverage that may mitigate any potential payments.

Other Guarantees and Indemnifications

Vacation Ownership

The Company has committed to repurchase completed property located in Las Vegas, Nevada, from a third-party developer subject to such property meeting the Company's vacation ownership resort standards and provided that the third-party developer has not sold such property to another party. See Note 8—*Inventory* for additional details.

For information on guarantees and indemnifications related to the Company's former parent and subsidiaries see Note 23—*Transactions with Former Parent and Former Subsidiaries*.

17. Accumulated Other Comprehensive (Loss)/Income

The components of accumulated other comprehensive loss are as follows (in millions):

	Foreign Currency Translation Adjustments	Unrealized (Losses)/Gains on Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive (Loss)/Income
Pretax				
Balance, December 31, 2020	\$ (113)	\$ (1)	\$ —	\$ (114)
Other comprehensive loss	(11)	—	—	(11)
Balance, June 30, 2021	<u>\$ (124)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (125)</u>
Tax				
Balance, December 31, 2020	\$ 97	\$ 1	\$ —	\$ 98
Other comprehensive loss	—	—	—	—
Balance, June 30, 2021	<u>\$ 97</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 98</u>
Net of Tax				
Balance, December 31, 2020	\$ (16)	\$ —	\$ —	\$ (16)
Other comprehensive loss	(11)	—	—	(11)
Balance, June 30, 2021	<u>\$ (27)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (27)</u>

	Foreign Currency Translation Adjustments	Unrealized (Losses)/Gains on Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive (Loss)/Income
Pretax				
Balance, December 31, 2019	\$ (148)	\$ (1)	\$ 1	\$ (148)
Other comprehensive loss	(25)	—	—	(25)
Balance, June 30, 2020	<u>\$ (173)</u>	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ (173)</u>
Tax				
Balance, December 31, 2019	\$ 95	\$ 1	\$ —	\$ 96
Other comprehensive loss	—	—	—	—
Balance, June 30, 2020	<u>\$ 95</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 96</u>
Net of Tax				
Balance, December 31, 2019	\$ (53)	\$ —	\$ 1	\$ (52)
Other comprehensive loss	(25)	—	—	(25)
Balance, June 30, 2020	<u>\$ (78)</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (77)</u>

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.

18. Stock-Based Compensation

The Company has a stock-based compensation plan available to grant RSUs, PSUs, Stock-settled appreciation rights (“SSARs”), NQs, and other stock-based awards to key employees, non-employee directors, advisors, and consultants.

The Wyndham Worldwide Corporation 2006 Equity and Incentive Plan was originally adopted in 2006 and was amended and restated in its entirety and approved by shareholders on May 17, 2018, (the “Amended and Restated Equity Incentive Plan”). Under the Amended and Restated Equity Incentive Plan, a maximum of 15.7 million shares of common stock may be awarded. As of June 30, 2021, 11.3 million shares remain available.

Incentive Equity Awards Granted by the Company

During the six months ended June 30, 2021, the Company granted incentive equity awards to key employees and senior officers totaling \$3 million in the form of RSUs, \$7 million in the form of PSUs, and \$2 million in the form of stock options. Of these awards, the NQs and RSUs will vest ratably over a period of four years. The PSUs will cliff vest on the third anniversary of the grant date, contingent upon the Company achieving certain performance metrics.

During the six months ended June 30, 2020, the Company granted incentive equity awards to key employees and senior officers totaling \$5 million in the form of RSUs, \$8 million in the form of PSUs, and \$8 million in the form of stock options.

The activity related to incentive equity awards granted to the Company's key employees and senior officers by the Company for the six months ended June 30, 2021, consisted of the following (in millions, except grant prices):

	Balance, December 31, 2020		Granted		Vested/Exercised		Forfeitures ^(a)		Balance, June 30, 2021	
RSUs										
Number of RSUs		1.6		0.5		(0.4)		—		1.7 ^(b)
Weighted average grant price	\$	38.22	\$	59.03	\$	44.73	\$	—	\$	47.71
PSUs										
Number of PSUs		0.3		0.1		—		—		0.4 ^(c)
Weighted average grant price	\$	42.57	\$	59.00	\$	—	\$	—	\$	48.18
SSARs										
Number of SSARs		0.2		—		(0.2)		—		— ^(d)
Weighted average grant price	\$	34.51	\$	—	\$	34.51	\$	—	\$	—
NQs ^(f)										
Number of NQs		2.3		0.1		(0.1)		—		2.3 ^(e)
Weighted average grant price	\$	44.15	\$	59.00	\$	44.50	\$	—	\$	45.32

^(a) The Company recognizes forfeitures as they occur.

^(b) Aggregate unrecognized compensation expense related to RSUs was \$ 64 million as of June 30, 2021, which is expected to be recognized over a weighted average period of 2.8 years.

^(c) There was no unrecognized compensation expense related to PSUs as these awards were not probable of vesting as of June 30, 2021. The maximum amount of compensation expense associated with these awards would be \$8 million which would be recognized over a weighted average period of 2.5 years.

^(d) As of June 30, 2021, all SSARs had been exercised and thus there was no unrecognized compensation expense.

^(e) There were 0.9 million NQs which were exercisable as of June 30, 2021. These exercisable NQs will expire over a weighted average period of 7.4 years and carry a weighted average grant date fair value of \$8.39. Unrecognized compensation expense for NQs was \$ 10 million as of June 30, 2021, which is expected to be recognized over a weighted average period of 2.6 years.

^(f) Upon exercise of NQs, the Company issues new shares to participants.

The fair values of stock options granted by the Company during 2021 were estimated on the date of grant using the Black-Scholes option-pricing model with the relevant weighted average assumptions outlined in the table below. Expected volatility was based on both historical and implied volatilities of the Company's stock and the stock of comparable companies over the estimated expected life for options. The expected life represents the period of time these awards are expected to be outstanding. 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 options. 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.

Stock Options	2021		2020	
Grant date fair value	\$18.87		\$7.27 - \$7.28	
Grant date strike price	\$59.00		\$41.04	
Expected volatility	44.80%		32.60% - 32.88%	
Expected life	6.25 years		6.25 - 7.50 years	
Risk-free interest rate	1.09%		0.95% - 1.03%	
Projected dividend yield	3.12%		4.87%	

Stock-Based Compensation Expense

The Company recorded stock-based compensation expense of \$9 million and \$16 million during the three and six months ended June 30, 2021, and \$7 million and \$8 million during the three and six months ended June 30, 2020, related to incentive equity awards granted to key employees, senior officers, and non-employee directors.

The Company paid \$9 million and \$2 million of taxes for the net share settlement of incentive equity awards that vested during the six months ended June 30, 2021 and 2020.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan which allows eligible employees to purchase common shares of Company stock through payroll deductions at a 10% discount off the fair market value at the grant date. The Company issued 0.1 million shares and recognized less than \$1 million of compensation expense related to grants under this plan during the six months ended June 30, 2021 and 2020.

19. Segment Information

The Company has two reportable segments: Vacation Ownership (formerly Wyndham Vacation Clubs) and Travel and Membership (formerly Panorama or Vacation Exchange). In connection with the Travel + Leisure brand acquisition the Company updated the names and composition of its reportable segments to better align with how the segments are managed. The Vacation Ownership segment 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. The Travel and Membership segment operates a variety of travel businesses, including three vacation exchange brands, a home exchange network, travel technology platforms, travel memberships, and direct-to-consumer rentals. With the formation of Travel + Leisure Group the Company decided that the operations of its Extra Holidays business, which focuses on direct to consumer bookings, better aligns with the operations of this new business line and therefore transitioned the management of the Extra Holidays business to the Travel and Membership segment. As such, the Company reclassified the results of its Extra Holidays business, which was previously reported within the Vacation Ownership segment, into the Travel and Membership segment. This change is reflected in all periods reported. The reportable segments presented below represent the Company's operating segments for which discrete financial information is available and which are utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management uses net revenues and Adjusted EBITDA to assess the performance of the reportable segments. Adjusted EBITDA is defined by the Company as Net income/(loss) from continuing operations before Depreciation and amortization, Interest expense (excluding Consumer financing interest), early extinguishment of debt, Interest income (excluding Consumer financing revenues) and income taxes. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, legacy items, transaction costs for acquisitions and divestitures, impairments, gains and losses on sale/disposition of business, and items that meet the conditions of unusual and/or infrequent. Legacy items include the resolution of and adjustments to certain contingent liabilities related to acquisitions of continuing businesses and dispositions, including the separation of Wyndham Hotels and Cendant, and the sale of the vacation rentals businesses. The Company believes that Adjusted EBITDA is a useful measure of performance for its segments which, when considered with GAAP measures, the Company believes gives a more complete understanding of its operating performance. The Company's presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

The following tables present the Company's segment information (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenues				
Vacation Ownership	\$ 599	\$ 238	\$ 1,048	\$ 641
Travel and Membership	204	106	387	265
Total reportable segments	803	344	1,435	906
Corporate and other ^(a)	(6)	(1)	(10)	(5)
Total Company	\$ 797	\$ 343	\$ 1,425	\$ 901

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Net income/(loss) to Adjusted EBITDA				
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 72	\$ (164)	\$ 100	\$ (298)
Loss on disposal of discontinued business, net of income taxes	2	—	2	—
Provision/(benefit) for income taxes	31	11	37	(33)
Depreciation and amortization	31	31	63	62
Interest expense	47	46	100	87
Interest (income)	(1)	(2)	(1)	(4)
Stock-based compensation	9	6	16	7
Legacy items	1	1	4	2
COVID-19 related costs ^(b)	1	26	2	38
Asset impairments ^(c)	—	38	—	48
Restructuring	—	23	(1)	25
Exchange inventory write-off	—	—	—	38
Adjusted EBITDA	\$ 193	\$ 16	\$ 322	\$ (28)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA				
Vacation Ownership	\$ 133	\$ (12)	\$ 200	\$ (87)
Travel and Membership	75	35	150	79
Total reportable segments	208	23	350	(8)
Corporate and other ^(a)	(15)	(7)	(28)	(20)
Total Company	\$ 193	\$ 16	\$ 322	\$ (28)

^(a) Includes the elimination of transactions between segments.

^(b) Reflects severance and other employee costs associated with layoffs due to the COVID-19 workforce reduction offset in part by employee retention credits received in connection with the U.S. CARES Act, ARPA, and similar international programs for wages paid to certain employees despite having operations suspended. This amount does not include costs associated with idle pay.

^(c) Includes \$5 million of bad debt expense related to a note receivable for the three and six months ended June 30, 2020, included in Operating expenses on the Condensed Consolidated Statements of Income/(Loss).

Segment Assets ^(a)	June 30,	December 31, 2020
	2021	
Vacation Ownership	\$ 4,782	\$ 5,000
Travel and Membership	1,472	1,372
Total reportable segments	6,254	6,372
Corporate and other	385	1,241
Total Company	\$ 6,639	\$ 7,613

^(a) Excludes investment in consolidated subsidiaries.

20. COVID-19 Related Items

During the three months ended June 30, 2021, the Company had expenses directly related to COVID-19 as detailed in the table below (in millions):

	Vacation Ownership	Travel and Membership	Corporate	Consolidated	Income Statement Classification
Allowance for loan losses:					
Provision	\$ (26)	\$ —	\$ —	\$ (26)	Vacation ownership interest sales
Recoveries	10	—	—	10	Cost/(recovery) of vacation ownership interests
Employee compensation related and other	1	—	—	1	COVID-19 related costs
Total COVID-19	\$ (15)	\$ —	\$ —	\$ (15)	

During the six months ended June 30, 2021, the Company had expenses directly related to COVID-19 as detailed in the table below (in millions):

	Vacation Ownership	Travel and Membership	Corporate	Consolidated	Income Statement Classification
Allowance for loan losses:					
Provision	\$ (26)	\$ —	\$ —	\$ (26)	Vacation ownership interest sales
Recoveries	10	—	—	10	Cost/(recovery) of vacation ownership interests
Employee compensation related and other	1	—	1	2	COVID-19 related costs
Lease related	(1)	—	—	(1)	Restructuring
Total COVID-19	\$ (16)	\$ —	\$ 1	\$ (15)	

During the three months ended June 30, 2020, the Company had expenses directly related to COVID-19 as detailed in the table below (in millions):

	Vacation Ownership	Travel and Membership	Corporate	Consolidated	Income Statement Classification
Employee compensation related and other	\$ 32	\$ 5	\$ 8	\$ 45	COVID-19 related costs
Asset impairments	8	30	—	38	Asset impairments/ Operating expenses
Lease related	1	22	—	23	Restructuring
Total COVID-19	\$ 41	\$ 57	\$ 8	\$ 106	

During the six months ended June 30, 2020, the Company had expenses directly related to COVID-19 as detailed in the table below (in millions):

	Vacation Ownership	Travel and Membership	Corporate	Consolidated	Income Statement Classification
Allowance for loan losses:					
Provision	\$ 225	\$ —	\$ —	\$ 225	Vacation ownership interest sales
Recoveries	(55)	—	—	(55)	Cost/(recovery) of vacation ownership interests
Employee compensation related and other	51	5	11	67	COVID-19 related costs
Asset impairments	14	34	—	48	Asset impairments/ Operating expenses
Exchange inventory write-off	—	38	—	38	Operating expenses
Lease related	1	22	—	23	Restructuring
Total COVID-19	\$ 236	\$ 99	\$ 11	\$ 346	

Allowance for loan losses - Due to the closure of resorts and sales centers and the economic downturn resulting from COVID-19 during the first quarter of 2020, the Company evaluated the potential impact of COVID-19 on its owners' ability to repay their contract receivables and as a result of higher unemployment, the Company recorded a COVID-19 related allowance for loan losses. This allowance consisted of a \$225 million COVID-19 related provision, which was reflected as a reduction to Vacation ownership interest sales and \$55 million of estimated recoveries, which were reflected as a reduction to Cost/(recovery) of vacation ownership interests on the Condensed Consolidated Statements of Income/(Loss). The net negative impact of this COVID-19 related allowance on Adjusted EBITDA was \$170 million for the six months ended June 30, 2020.

During the second quarter of 2021, the Company analyzed the adequacy of the COVID-19 related allowance consistent with past methodology, and due to the improvement in net new defaults the Company reduced this allowance resulting in a \$26 million increase to Vacation ownership interest sales and a corresponding \$10 million increase to Cost/(recovery) of vacation ownership interests on the Condensed Consolidated Statements of Income/(Loss). The net positive impact of this allowance release on Adjusted EBITDA was \$16 million for the six months ended June 30, 2021. The Company will continue to monitor this reserve as more information becomes available. Refer to Note 7—*Vacation Ownership Contract Receivables* for additional details.

Employee compensation related and other - During the three and six months ended June 30, 2020, these costs included \$39 million and \$59 million related to severance and other employee costs resulting from the layoffs, salary and benefits continuation for certain employees while operations were suspended, and vacation payments associated with furloughed employees; and \$6 million and \$8 million of expenses during the three and six months ended June 30, 2020 related to renegotiating or exiting certain agreements and other professional fees; partially offset by \$21 million of employee retention credits earned in connection with government programs, primarily the CARES Act.

In connection with these actions the Company recorded COVID-19 employee-related liabilities which are included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets. The activity associated with these COVID-19 related liabilities is summarized as follows (in millions):

	Liability as of December 31, 2020	Costs Recognized	Cash Payments	Liability as of June 30, 2021
COVID-19 employee-related	\$ 6	\$ —	\$ (5)	\$ 1
	\$ 6	\$ —	\$ (5)	\$ 1

Asset impairments - During the three and six months ended June 30, 2020, the Company incurred \$8 million and \$48 million of COVID-19 related impairments. These impairments include \$33 million and \$44 million recorded within Asset impairments on the Condensed Consolidated Statements of Income/(Loss) during each period as discussed in Note 21—*Impairments*, and \$5 million included in Operating expenses during the second quarter of 2020.

Exchange inventory write-off - During the six months ended June 30, 2020, the Company wrote-off \$8 million of exchange inventory, which is included in Operating expenses on the Condensed Consolidated Statements of Income/(Loss) as discussed in Note 8—*Inventory*.

Lease related - The Company also recognized \$23 million of restructuring charges during the second quarter of 2020. This was driven by \$2 million related to the New Jersey lease discussed in Note 22—*Restructuring*.

21. Impairments

During the three and six months ended June 30, 2020, the Company recorded \$3 million and \$44 million of asset impairments, all of which were COVID-19 related. In the first quarter of 2020, there were \$6 million of impairments at the Vacation Ownership segment related to prepaid development costs and undeveloped land and \$ million at the Travel and Membership segment related to the Love Home Swap trade name. In the second quarter of 2020, the Company recorded a \$24 million impairment at the Travel and Membership segment related to the New Jersey lease discussed in Note 22—*Restructuring* and the associated furniture, fixtures and equipment, a \$6 million impairment for equity investments held at the Travel and Membership segment, and a \$3 million impairment at the Vacation Ownership segment related to lease assets and furniture, fixtures and equipment. These impairments are included within the Asset impairments on the Condensed Consolidated Statements of Income/(Loss).

There were no impairment charges for the three and six months ended June 30, 2021.

22. Restructuring

2020 Restructuring Plans

During 2020, the Company recorded \$37 million of restructuring charges, \$36 million of which were COVID-19 related. Due to the impact of COVID-19, the Company decided in the second quarter of 2020 to abandon the remaining portion of its administrative offices in New Jersey. The Company was notified in the second quarter of 2020 that Wyndham Hotels exercised its early termination rights under the sublease agreement. As a result, the Company recorded \$22 million of restructuring charges associated with non-lease components of the office space and \$24 million of impairment charges associated with the write-off of right-of-use assets and furniture, fixtures and equipment at its Travel and Membership segment. The Company also recognized \$12 million of lease-related charges due to the renegotiation of an agreement and \$2 million of facility-related restructuring charges associated with closed sales centers at its Vacation Ownership segment. The Travel and Membership segment additionally recognized \$1 million in employee-related expenses associated with the consolidation of a shared service center. During 2020, the Company reduced its restructuring liability by \$12 million of cash payments. The remaining 2020 restructuring liability of \$27 million is expected to be paid by the end of 2029.

The Company implemented other restructuring plans prior to 2020. The remaining liability of less than \$ million as of June 30, 2021, is mostly personnel-related and is expected to be paid by the end of 2021.

The activity associated with the Company’s restructuring plans is summarized as follows (in millions):

	Liability as of December 31, 2020	Costs Recognized	Cash Payments	Other	Liability as of June 30, 2021
Personnel-related	\$ 1	\$ —	\$ (1)	\$ —	\$ —
Facility-related	23	—	—	—	23
Marketing-related	2	(1) ^(a)	—	3 ^(b)	4
	<u>\$ 26</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 3</u>	<u>\$ 27</u>

^(a) Includes \$1 million reversal of expense related to the reimbursement of prepaid licensing fees that were previously written-off at the Vacation Ownership segment.

^(b) Includes \$2 million reimbursement of termination payments and \$1 million reimbursement of license fees at the Vacation Ownership segment.

23. Transactions with Former Parent and Former Subsidiaries

Matters Related to Cendant

Pursuant to the Separation and Distribution Agreement with Cendant (the Company's former parent company), the Company entered into certain guarantee commitments with Cendant and Cendant's former subsidiary, Realogy. These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and Cendant contingent and other corporate liabilities, of which Wyndham Worldwide Corporation assumed 37.5% of the responsibility while Cendant's former subsidiary Realogy is responsible for the remaining 62.5%. In connection with the Spin-off, Wyndham Hotels agreed to retain one-third of Cendant's contingent and other corporate liabilities and associated costs; therefore, Travel + Leisure is effectively responsible for 25% of such matters subsequent to the separation. Since Cendant's separation, Cendant has settled the majority of the lawsuits that were pending on the date of the separation.

As of June 30, 2021, the Cendant separation and related liabilities of \$3 million are comprised of \$12 million for tax related liabilities and \$1 million for other contingent and corporate liabilities. As of December 31, 2020, the Company had \$13 million of Cendant separation-related liabilities. These liabilities are included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

Matters Related to Wyndham Hotels

In connection with the Spin-off on May 31, 2018, Travel + Leisure entered into several agreements with Wyndham Hotels that govern the relationship of the parties following the separation including the Separation and Distribution Agreement, the Employee Matters Agreement, the Tax Matters Agreement, the Transition Services Agreement and the License, Development and Noncompetition Agreement.

On January 4, 2021, the Company and Wyndham Hotels entered into a letter agreement pursuant to which, among other things Wyndham Hotels waived its right to enforce certain noncompetition covenants in the License, Development and Noncompetition Agreement.

In accordance with these agreements governing the relationship between Travel + Leisure and Wyndham Hotels, Travel + Leisure assumed two-thirds and Wyndham Hotels assumed one-third of certain contingent corporate liabilities of the Company incurred prior to the distribution, including liabilities of the Company related to certain terminated or divested businesses, certain general corporate matters, and any actions with respect to the separation plan. Likewise, Travel + Leisure is entitled to receive two-thirds and Wyndham Hotels is entitled to receive one-third of the proceeds from certain contingent corporate assets of the Company arising or accrued prior to the distribution.

Travel + Leisure entered into a transition service agreement with Wyndham Hotels, pursuant to which the companies agreed to provide each other certain transitional services including human resources, facilities, payroll, tax, information technology, information management and related services, treasury, finance, sourcing, and employee benefits administration on an interim, transitional basis. For both the three and six months ended June 30, 2020, transition service agreement expenses were less than \$1 million and included within General and administrative expense on the Condensed Consolidated Statements of Income/(Loss). These transition services ended in 2020.

Matters Related to the European Vacation Rentals Business

In connection with the sale of the Company's European vacation rentals business to Awaze Limited ("Awaze"), formerly Compass IV Limited, an affiliate of Platinum Equity, LLC, the Company and Wyndham Hotels agreed to certain post-closing credit support for the benefit of certain credit card service providers, a British travel association, and certain regulatory authorities to allow them to continue providing services or regulatory approval to the business. Post-closing credit support may be called if the business fails to meet its primary obligation to pay amounts when due. Awaze has provided an indemnification to Travel + Leisure in the event that the post-closing credit support is enforced or called upon.

At closing, the Company agreed to provide additional post-closing credit support to a British travel association and regulatory authority. An escrow was established at closing, of which \$46 million was subsequently released in exchange for a secured bonding facility and a perpetual guarantee denominated in pound sterling of \$46 million. The estimated fair value of the guarantee was \$22 million as of June 30, 2021. The Company maintains a \$7 million receivable from Wyndham Hotels for its portion of the guarantee.

In addition, the Company agreed to indemnify Awaze against certain claims and assessments, including income tax, value-added tax and other tax matters, related to the operations of the European vacation rentals business for the periods prior to

the transaction. The estimated fair value of the indemnifications was \$42 million at June 30, 2021. The Company has a \$14 million receivable from Wyndham Hotels for its portion of the guarantee.

Wyndham Hotels provided certain post-closing credit support primarily for the benefit of a British travel association in the form of guarantees which are mainly denominated in pound sterling of up to an approximate \$81 million on a perpetual basis. These guarantees totaled \$39 million at June 30, 2021. Travel + Leisure is responsible for two-thirds of these guarantees.

As part of this agreement Wyndham Hotels is required to maintain minimum credit ratings which increased to Ba1 for Moody's Investors Services, Inc. ("Moody's") and BB+ for Standard & Poor's Rating Services ("S&P") on May 9, 2020. In April 2020, S&P downgraded Wyndham Hotels' credit rating from BB+ to BB. Although any ultimate exposure relative to indemnities retained from the European vacation rentals sale will be shared two-thirds by Travel + Leisure and one-third by Wyndham Hotels, as the selling entity, Travel + Leisure is responsible for administering additional security to enhance corporate guarantees in the event either company falls below a certain credit rating threshold. As a result of the Wyndham Hotels credit ratings downgrade, during 2020, the Company posted a £58 million surety bond and a £36 million letter of credit (\$80 million and \$49 million as of June 30, 2021) which will be maintained until such time that either companies' S&P and Moody's credit rating improves to BB+/Ba1.

The estimated fair value of the guarantees and indemnifications for which Travel + Leisure is responsible related to the sale of the European vacation rentals business at June 30, 2021, including the two-thirds portion related to guarantees provided by Wyndham Hotels, totaled \$90 million and was recorded in Accrued expenses and other liabilities and total receivables of \$21 million were included in Other assets on the Condensed Consolidated Balance Sheets, representing the portion of these guarantees and indemnifications for which Wyndham Hotels is responsible.

During 2019, Awaze proposed certain post-closing adjustments of \$44 million which could serve to reduce the net consideration received from the sale of the European vacation rentals business. The Company finds no basis for such adjustments. In the third quarter of 2020, Awaze filed a claim in the English court. The Company filed its defense on September 25, 2020, in which it denied that any sum was due.

Travel + Leisure entered into a transition service agreement with Awaze, pursuant to which the companies agreed to provide each other certain transitional services including human resources, facilities, payroll, tax, information technology, information management and related services, treasury, finance, and sourcing on an interim, transitional basis. During both the three and six months ended June 30, 2020, transition service agreement expenses were less than \$1 million and transition service agreement income was less than \$1 million. Transition service agreement expenses were included in General and administrative expense and transition service income was included in Net revenues on the Condensed Consolidated Statements of Income/(Loss). These transition services ended in 2020.

Matters Related to the North American Vacation Rentals Business

In connection with the sale of the North American vacation rentals business, the Company agreed to indemnify Vacasa LLC ("Vacasa") against certain claims and assessments, including income tax and other tax matters related to the operations of the North American vacations rentals business for the periods prior to the transaction. The estimated fair value of the indemnifications was \$2 million, which was included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets at June 30, 2021.

In connection with the sale of the North American vacations rentals business in the fourth quarter of 2019, the Company entered into a transition service agreement with Vacasa, pursuant to which the companies agreed to provide each other certain transitional services including human resources, facilities, payroll, information technology, information management and related services, treasury, and finance on an interim, transitional basis. During the six months ended June 30, 2021, transition service agreement expenses were less than \$1 million and transition service agreement income was less than \$1 million. During both the three and six months ended June 30, 2020, transition service agreement expenses were \$1 million and transition service agreement income was \$1 million. Transition service agreement expenses were included in General and administrative expense and transition service income was included in Other revenue on the Condensed Consolidated Statements of Income/(Loss). These transition services ended in February 2021.

24. Related Party Transactions

In March 2019, the Company entered into an agreement with a former executive of the Company whereby the former executive through an SPE would develop and construct VOI inventory located in Orlando, Florida. On July 8, 2020, the Company acquired the completed vacation ownership property for \$45 million. This agreement was subsequently amended increasing the purchase to \$47 million.

The Company occasionally sublets an aircraft from its former CEO and current Chairman of the Board of Directors for business travel through a timesharing arrangement. The Company incurred less than \$1 million of expenses as of June 30, 2020 and did not sublet the aircraft during the six months ended June 30, 2021.

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”). 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,” “will,” “expects,” “should,” “believes,” “plans,” “anticipates,” “estimates,” “predicts,” “potential,” “continue,” “future” or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results of Travel + Leisure Co. and its subsidiaries (“Travel + Leisure” or “we”) 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, uncertainty with respect to our ability to realize the benefits of the Travel + Leisure acquisition; the scope and duration of the novel coronavirus global pandemic (“COVID-19”), any resurgences and the pace of recovery; the timing of the widespread distribution of an effective vaccine or treatment for COVID-19; the potential impact of governmental, business and individuals’ actions in response to the COVID-19 pandemic and our related contingency plans, including reductions in investment in our business, vacation ownership interest sales and tour flow, and consumer demand and liquidity; our ability to comply with financial and restrictive covenants under our indebtedness and our ability to access capital on reasonable terms, at a reasonable cost or at all; our ability and the ability of Wyndham Hotels & Resorts, Inc. (“Wyndham Hotels”) to maintain credit ratings; general economic conditions and unemployment rates, the performance of the financial and credit markets, the competition in and the economic environment for the leisure travel industry; risks associated with employees working remotely or operating with a reduced workforce; the impact of war, terrorist activity, political strife, severe weather events and other natural disasters, and pandemics (including COVID-19) or threats of pandemics; operating risks associated with the Vacation Ownership and Travel and Membership segments; uncertainties related to strategic transactions, including the spin-off of our hotels business, Wyndham Hotels, and any potential impact on our relationships with our customers, suppliers, employees and others with whom we have relationships, and possible disruption to our operations; our ability to execute on our strategy; the timing and amount of future dividends and share repurchases, if any, and those other factors disclosed as risks under “Risk Factors” in documents we have filed with the SEC, including in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 24, 2021. 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 undertake no 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 travel products and operate our business in the following two segments:

- **Vacation Ownership** (formerly Wyndham Vacation Clubs)—develops, markets and sells vacation ownership interests (“VOIs”) to individual consumers, provides consumer financing in connection with the sale of VOIs, and provides property management services at resorts. This segment is wholly comprised of our Wyndham Destinations business line. The following brands operate under the Wyndham Destinations business line: Club Wyndham, WorldMark by Wyndham, Shell Vacations Club, Margaritaville Vacation Club by Wyndham, and Presidential Reserve by Wyndham.
- **Travel and Membership** (formerly Panorama or Vacation Exchange)—operates a variety of travel businesses, including three vacation exchange brands, a home exchange network, travel technology platforms, travel memberships, and direct-to-consumer rentals. This segment is comprised of our Panorama and Travel + Leisure Group business lines. The following brands operate under the Panorama business line: RCI, Panorama Travel Solutions, Alliance Reservations Network (“ARN”), 7Across, The Registry Collection, and Love Home Swap. The Travel + Leisure Group operates the BookTandL.com, Travel + Leisure Travel Clubs, and Extra Holidays brands.

Travel + Leisure Brand Acquisition

On January 5, 2021, Wyndham Destinations, Inc. acquired the Travel + Leisure brand and related assets from Meredith Corporation (“Meredith”) for \$100 million, of which we paid \$35 million at closing and an additional \$20 million during the second quarter of 2021. The remaining payments are to be completed by June 2024. This acquisition included Travel + Leisure’s travel clubs and their nearly 60,000 members. The transaction created a strategic alliance between Travel + Leisure Co. and Meredith, with Meredith continuing to operate and monetize Travel + Leisure’s multi-platform media assets across multiple channels under a 30-year royalty-free, renewable licensing relationship. In connection with this acquisition, on February 17, 2021, Wyndham Destinations, Inc. was renamed Travel + Leisure Co. and continues to trade on the New York Stock Exchange under the new ticker symbol TNL.

In connection with the Travel + Leisure brand acquisition we updated the names and composition of our reportable segments to better align with how they are managed. We created the Travel + Leisure Group which falls under the Travel and Membership segment along with the Panorama business line. With the formation of Travel + Leisure Group, we decided that the operations of our Extra Holidays business, which focuses on direct to consumer bookings, better aligns with the operations of this new business line and therefore transitioned the management of our Extra Holidays business to the Travel and Membership segment. As such, we reclassified the results of our Extra Holidays business, which were previously reported within the Vacation Ownership segment, into the Travel and Membership segment.

Impact of COVID-19 on Our Business

The results of operations for the three and six months ended June 30, 2021 and 2020 include impacts related to the novel coronavirus global pandemic (“COVID-19”), which have been significantly negative for the travel industry, our company, our customers, and our employees.

Our response to COVID-19 initially focused on the health and safety of our owners, members, guests, and employees when we closed the majority of our resorts and sales centers in early 2020. As a result, we significantly reduced our workforce and furloughed thousands of employees. As of June 30, 2021, we had reopened 96% of our resorts and 95% of the sales offices we expect to reopen. We estimate that the remaining suspended resorts and sales offices that we intend to reopen will resume operations in 2021. As a result of reopening substantially all of our resorts, the majority of furloughed employees have returned to work.

Given the significant impacts of COVID-19 on our business, our revenues have been negatively impacted. While revenues have begun to recover, not all product and service lines have yet reached pre-pandemic levels, and we believe that COVID-19 will continue to have an adverse effect on our financial condition and results of operations in the near term. With the recent increase in consumer confidence, reduction in travel restrictions, and faster than anticipated vaccine roll-out, we are seeing a positive inflection in travel sentiment that we expect will continue the strong recovery we are experiencing in summer travel.

Similar to the impact on revenue, COVID-19 also had a significant impact on our expenses. During the three and six months ended June 30, 2020, we incurred \$106 million and \$346 million of COVID-19 related charges. During the three and six months ended June 30, 2021 we reversed \$15 million of COVID-19 charges, primarily due to the COVID-19 related allowance for loan losses on vacation ownership contract receivables (“VOCRs”). We believe our COVID-19 related expenses will continue to be at a significantly lower level in 2021 compared to 2020. See Note 20—*COVID-19 Related Items* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details on the impact COVID-19 had on our business.

Included in the \$346 million of COVID-19 related charges during the six months ended June 30, 2020 was a \$225 million COVID-19 related loan loss provision recorded as a result of our evaluation of the impact of COVID-19 on our owners’ ability to repay their VOCRs. As we began to see an improvement in net new defaults and lower than expected unemployment rates, we reduced this provision by \$20 million in the fourth quarter of 2020. During the second quarter of 2021, we further reduced this provision by \$26 million as a result of continued improvement in net new defaults.

As of June 30, 2021, given the significant amount of government assistance provided to consumers during the pandemic, we expect default risk to remain elevated for the next six to nine months as those programs expire. If unemployment rates or our collection experience for our VOCRs differ significantly from current expectations, we may need to further increase or decrease our allowance for loan losses for VOCRs.

As a precautionary measure to enhance liquidity during the pandemic, in the first quarter of 2020, we drew down our \$1.0 billion revolving credit facility and suspended share repurchase activity. In the third quarter of 2020, we amended the credit agreement governing our revolving credit facility and term loan B, which provides financial covenant flexibility during the relief period spanning from July 15, 2020 through April 1, 2022 (the “Relief Period”) or upon our earlier termination. Although we are currently prohibited from using cash for share repurchases during the Relief Period, we maintain our ability to pay dividends and make investments in our business. During 2021 we repaid our \$1.0 billion revolving credit facility and our \$250 million 5.625% secured notes which came due in March 2021. See Note 10—*Debt* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

During 2020 we successfully executed \$900 million of timeshare receivables financing and issued \$650 million of senior secured notes due 2026 with an interest rate of 6.625%. In the first quarter of 2021 we closed on a \$500 million securitization financing at a more favorable cost than any securitization transaction we have completed in the past. These transactions reinforce our expectation that we will be able to maintain adequate liquidity.

As part of our reopening strategy, we focused on higher margin owner business by leveraging our owner upgrade pipeline. Prior to the impacts of COVID-19, just under 40% of our sales transactions were to lower margin new owners as compared to 30% in the second quarter of 2021.

We also raised our credit standards and no longer market to sub-640 Fair Isaac Corporation (“FICO”) scores, which we expect will continue to strengthen our receivables portfolio going forward. Additionally, we closed certain unprofitable marketing and sales locations and shifted marketing channels and resources to our most productive channels. All of these changes were designed to result in higher volume per guest (“VPG”), which is a measure of sales efficiency and is strongly correlated to profitability.

For certain of the events, uncertainties, trends, and risks associated with the impact of the COVID-19 pandemic on our future results and financial condition, see “Risks Related to the COVID-19 Pandemic” included in Part 1A in the Annual Report filed on Form 10-K with the SEC on February 24, 2021.

RESULTS OF OPERATIONS

We have two reportable segments: Vacation Ownership (formerly Wyndham Vacation Clubs) and Travel and Membership (formerly Panorama or Vacation Exchange). In connection with the Travel + Leisure brand acquisition and creation of the Travel + Leisure Group business line, we decided that the operations of our Extra Holidays business, which focuses on direct to consumer bookings, better aligns with the operations of the new Travel + Leisure Group business line and therefore transitioned the management of this business to the Travel and Membership segment. As such, we reclassified the results of our Extra Holidays business, which was previously reported within the Vacation Ownership segment, into the Travel and Membership segment. This change is reflected in all periods reported. The reportable segments presented below represent our operating segments for which discrete financial information is available and which are utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying the reportable segments, we also consider the nature of services provided by our operating segments. Management uses net revenues and Adjusted EBITDA to assess the performance of the reportable segments. We define Adjusted EBITDA as Net income/(loss) from continuing operations before Depreciation and amortization, Interest expense (excluding Consumer financing interest), early extinguishment of debt, Interest income (excluding Consumer financing revenues) and income taxes. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, legacy items, transaction costs for acquisitions and divestitures, impairments, gains and losses on sale/disposition of business, and items that meet the conditions of unusual and/or infrequent. Legacy items include the resolution of and adjustments to certain contingent liabilities related to acquisitions of continuing businesses and dispositions, including the separation of Wyndham Hotels and Cendant, and the sale of the vacation rentals businesses. We believe that Adjusted EBITDA is a useful measure of performance for our segments which, when considered with GAAP measures, we believe gives a more complete understanding of our operating performance. Our presentation of Adjusted 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 June 30, 2021 and 2020. These operating statistics are the drivers of our revenues and therefore provide an enhanced understanding of our businesses. Refer to the Three Months Ended June 30, 2021 vs. Three Months Ended June 30, 2020 section for a discussion on how these operating statistics affected our business for the periods presented.

	Three Months Ended June 30,		
	2021	2020	% Change ^(h)
Vacation Ownership			
Gross VOI sales (in millions) ^{(a) (i)}	\$ 383	\$ 18	NM
Tours (in 000s) ^(b)	117	6	NM
Volume Per Guest (“VPG”) ^(c)	\$ 3,151	NM	NM
Travel and Membership ^(d)			
Transactions (in 000s) ^(e)			
Exchange	314	72	339.9
Non-exchange	210	44	374.5
Total transactions	524	116	353.1
Revenue per transaction ^(f)			
Exchange	\$ 331	\$ 540	(38.6)
Non-exchange	\$ 231	\$ 133	74.3
Total revenue per transaction	\$ 291	\$ 384	(24.2)
Average number of members (in 000s) ^(g)	3,582	3,799	(5.7)

NM Not Meaningful

^(a) Represents total sales of VOIs, including sales under the Fee-for-Service program before the effect of loan loss provisions. We believe that Gross VOI sales provide an enhanced understanding of the performance of our Vacation Ownership business because it directly measures the sales volume of this business during a given reporting period.

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

^(c) VPG is calculated by dividing Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) by the number of tours. We believe that VPG provides an enhanced understanding of the performance of our Vacation Ownership business because it directly measures the efficiency of this business’ tour selling efforts during a given reporting period.

^(d) Includes the impact from acquisitions from the acquisition dates forward.

^(e) Represents the number of vacation bookings recognized as revenue during the period, net of cancellations.

^(f) Represents transactional revenue divided by transactions.

^(g) Represents paid members in our vacation exchange programs who are current on their annual membership dues or within the allowed grace period.

^(h) Percentage of change may not calculate due to rounding.

⁽ⁱ⁾ The following table provides a reconciliation of Vacation ownership interest sales, net to Gross VOI sales for the three months ended June 30, 2021 and 2020 (in millions):

	2021	2020
Vacation ownership interest sales, net	\$ 294	\$ (13)
Loan loss provision	33	30
Gross VOI sales, net of Fee-for-Service sales	327	17
Fee-for-Service sales ⁽¹⁾	56	1
Gross VOI sales	\$ 383	\$ 18

⁽¹⁾ Represents total sales of VOIs through our Fee-for-Service programs where inventory is sold through our sales and marketing channels for a commission. There were \$29 million and less than \$1 million Fee-for-Service commission revenues for the three months ended June 30, 2021 and 2020. These commissions are reported within Service and membership fees on the Condensed Consolidated Statements of Income/(Loss) included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Our 2020 operating statistics include the impacts of COVID-19 which were significantly negative for the travel industry, our company, our customers, and our employees. In response to COVID-19, our Vacation Ownership segment temporarily closed its resorts in mid-March 2020 across the globe and suspended its sales and marketing operations. These closures resulted in lower tours which negatively impacted gross VOI sales. In our Travel and Membership segment, affiliate resort closures and regional travel restrictions contributed to decreased bookings and increased cancellations, which resulted in lower transactions and revenue per transaction during 2020. Given the pace of COVID-19 vaccinations in the U.S., reduced travel restrictions, increased consumer confidence and pent-up leisure travel demand, we experienced significant improvements in VOI sales, VPG, and the number of Travel and Membership transactions, finishing the first half of 2021 with increased momentum in

these areas; however, not all product and service lines have yet returned to pre-pandemic levels. We expect the impact of COVID-19 on our operating statistics to continue in 2021; however we do not expect to incur the level of COVID-19 expenses in 2021 that we did in 2020.

THREE MONTHS ENDED JUNE 30, 2021 VS. THREE MONTHS ENDED JUNE 30, 2020

Our consolidated results are as follows (in millions):

	Three Months Ended June 30,		
	2021	2020	Favorable/(Unfavorable)
Net revenues	\$ 797	\$ 343	\$ 454
Expenses	646	457	(189)
Operating income/(loss)	151	(114)	265
Other (income), net	—	(5)	(5)
Interest expense	47	46	(1)
Interest (income)	(1)	(2)	(1)
Income/(loss) before income taxes	105	(153)	258
Provision for income taxes	31	11	(20)
Net income/(loss) from continuing operations	74	(164)	238
Loss on disposal of discontinued business, net of income taxes	(2)	—	(2)
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 72	\$ (164)	\$ 236

Net revenues increased \$454 million for the three months ended June 30, 2021, compared with the same period last year. In the second quarter of 2021, we analyzed the adequacy of the COVID-19 related allowance consistent with past methodology, and as a result of the improvements in net new defaults we released \$26 million of the COVID-19 related provision which positively impacted revenues and recorded a corresponding \$10 million increase in cost of vacation ownership interests representing the associated reduction in estimated recoveries. The net positive impact of the COVID-19 related allowance release on Adjusted EBITDA was \$16 million.

Revenue growth of \$449 million (130.9%) was favorably impacted by foreign currency of \$5 million (1.5%). Excluding the impacts of foreign currency and the COVID-19 related provision release discussed above, the remaining revenue increase was primarily the result of:

- \$332 million of increased revenues at our Vacation Ownership segment primarily due to an increase in gross VOI sales, property management revenues, and commission revenues driven by the positive impact of our operations being open during the current year compared to resort closures and suspended sales and marketing activities due to COVID-19 during the prior year; partially offset by a decrease in consumer financing revenues driven by a lower average portfolio balance; and
- \$96 million of increased revenues at our Travel and Membership segment driven by higher vacation transaction revenues primarily due to increased leisure travel demand in the current year compared to the prior year, which was negatively impacted by lower bookings and higher cancellations due to COVID-19; partially offset by a decrease in subscription revenues driven by lower new owner sales in the timeshare industry.

Expenses increased \$189 million for the three months ended June 30, 2021, compared with the same period last year. The increase in expenses of \$184 million (40.3%) was unfavorably impacted by foreign currency of \$5 million (1.1%). Excluding the foreign currency impact, the increase in expenses was primarily the result of:

- \$65 million increase in sales and commission expenses primarily due to higher gross VOI sales;
- \$60 million increase in marketing costs in support of increased revenue;
- \$58 million increase in the cost of VOIs sold primarily due to higher gross VOI sales and a \$10 million reduction in estimated recoveries related to the partial reversal of our COVID-19 related provision;
- \$53 million increase in operating costs in support of higher Travel and Membership revenues;
- \$33 million increase in property management expenses due to higher management fees and reimbursable expenses;
- \$25 million increase in general and administrative expenses primarily due to higher employee-related costs; and
- \$21 million increase in commission expense as a result of higher Fee-for-Service VOI sales.

These increases were partially offset by:

- \$104 million decrease in COVID-19 related costs including employee compensation related costs (\$43 million); impairments (\$38 million); and restructuring charges (\$23 million); and

- \$15 million decrease in maintenance fees on unsold inventory primarily due to the resumption of our sales and marketing operations.

Other income, net of other expenses decreased by \$5 million for the three months ended June 30, 2021, compared with the same period last year, primarily due to lower business interruption recoveries in 2021.

Our effective tax rates were 29.5% and (7.2)% during the three months ended June 30, 2021 and 2020. The change in the effective tax rate was significantly impacted by COVID-19, which led to a mix of earnings in higher tax rate jurisdictions and losses in lower tax rate jurisdictions that significantly reduced our overall effective tax rate in 2020. In addition, the effective tax rate for the three months ended June 30, 2021 increased due to additions to certain unrecognized tax benefits and remeasurement of net deferred tax liabilities as a result of changes in certain state and foreign tax rates.

As a result of these items, Net income attributable to Travel + Leisure shareholders was \$72 million for the three months ended June 30, 2021 as compared to a Net loss attributable to Travel + Leisure shareholders of \$164 million the same period last year.

Our segment results are as follows (in millions):

	Three Months Ended June 30,	
	2021	2020
Net revenues		
Vacation Ownership	\$ 599	\$ 238
Travel and Membership	204	106
Total reportable segments	803	344
Corporate and other ^(a)	(6)	(1)
Total Company	\$ 797	\$ 343
Reconciliation of Net income to Adjusted EBITDA		
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 72	\$ (164)
Loss on disposal of discontinued business, net of income taxes	2	—
Provision for income taxes	31	11
Depreciation and amortization	31	31
Interest expense	47	46
Interest (income)	(1)	(2)
Stock-based compensation	9	6
Legacy items	1	1
COVID-19 related costs ^(b)	1	26
Asset impairments ^(c)	—	38
Restructuring	—	23
Adjusted EBITDA	\$ 193	\$ 16
Adjusted EBITDA		
	2021	2020
Vacation Ownership	\$ 133	\$ (12)
Travel and Membership	75	35
Total reportable segments	208	23
Corporate and other ^(a)	(15)	(7)
Total Company	\$ 193	\$ 16

^(a) Includes the elimination of transactions between segments.

^(b) Reflects severance and other costs associated with layoffs due to the COVID-19 workforce reduction offset in part by employee retention credits received in connection with the U.S. Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, the American Rescue Plan Act of 2021 (“ARPA”), and similar international programs for wages paid to certain employees despite having operations suspended. This amount does not include costs associated with idle pay.

^(c) Includes \$5 million of bad debt expense related to a note receivable for the three months ended June 30, 2020, included in Operating expenses on the Condensed Consolidated Statements of Income/(Loss) included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Vacation Ownership

Net revenues increased \$361 million and Adjusted EBITDA increased \$145 million during the three months ended June 30, 2021, compared with the same period of 2020. The net revenue growth of \$358 million (150.4%) was favorably impacted by foreign currency of \$3 million (1.3%) and the total Adjusted EBITDA growth of \$144 million (1,200.0%) was favorably impacted by foreign currency of \$1 million (8.3%).

The net revenue increase excluding the impact of foreign currency was primarily driven by:

- \$308 million increase in gross VOI sales, net of Fee-for-Service sales, due to the ongoing recovery of our operations from the impact of COVID-19;
- \$37 million increase in property management revenues primarily due to higher management fees and reimbursable revenues; and
- \$29 million increase in commission revenues as a result of higher Fee-for-Service VOI sales.

These increases were partially offset by:

- \$16 million decrease in consumer financing revenues primarily due to a lower average portfolio balance; and
- \$3 million increase in our provision for loan losses inclusive of a \$26 million reduction of our COVID-19 related provision.

In addition to the drivers above, Adjusted EBITDA excluding the impact of foreign currency was further impacted by:

- \$65 million increase in sales and commission expenses due to higher gross VOI sales;
- \$58 million increase in the cost of VOIs sold primarily due to higher gross VOI sales and a \$10 million reduction in estimated recoveries related to the partial reversal of our COVID-19 related provision;
- \$55 million increase in marketing costs in support of increased revenue;
- \$33 million increase in property management expenses primarily due to higher management fees and reimbursable expenses;
- \$21 million increase in commission expense as a result of higher Fee-for-Service VOI sales; and
- \$15 million increase in general and administrative expenses primarily due to higher employee-related costs.

These increases were partially offset by:

- \$19 million decrease in COVID-19 related costs associated with workforce reductions in 2020; and
- \$15 million decrease in maintenance fees on unsold inventory primarily due to the resumption of our sales and marketing operations.

Travel and Membership

Net revenues increased \$98 million and Adjusted EBITDA increased \$40 million during the three months ended June 30, 2021, compared with the same period of 2020. The revenue growth of \$96 million (90.6%) was favorably impacted by foreign currency of \$2 million (1.9%). The Adjusted EBITDA growth of \$41 million (117.1%) was unfavorably impacted by foreign currency of \$1 million (2.9%).

Increases in net revenues excluding the impact of foreign currency were driven by:

- \$99 million increase in transaction revenue driven by an increase in vacation transactions booked compared to the prior year, due to the ongoing recovery of our operations from the impact of COVID-19; partially offset by
- \$3 million decrease in subscription revenue due to a 5.7% decrease in the average member count in our exchange business driven by lower new owner sales in the timeshare industry.

In addition to the drivers above, Adjusted EBITDA, excluding the impact of foreign currency was further impacted by:

- \$42 million increase in cost of sales, primarily in support of increased non-exchange transactional revenue; and
- \$13 million increase in marketing and other operational costs in support of increased revenues.

Corporate and other

Corporate Adjusted EBITDA decreased \$8 million for the three months ended June 30, 2021 compared to 2020 and was not materially impacted by foreign currency. The decrease in Adjusted EBITDA was primarily due to higher employee-related costs.

SIX MONTHS ENDED JUNE 30, 2021 VS. SIX MONTHS ENDED JUNE 30, 2020

Our consolidated results are as follows (in millions):

	Six Months Ended June 30,		
	2021	2020	Favorable/(Unfavorable)
Net revenues	\$ 1,425	\$ 901	\$ 524
Expenses	1,188	1,156	(32)
Operating income/(loss)	237	(255)	492
Other (income), net	(1)	(7)	(6)
Interest expense	100	87	(13)
Interest (income)	(1)	(4)	(3)
Income/(loss) before income taxes	139	(331)	470
Provision/(benefit) for income taxes	37	(33)	(70)
Net income/(loss) from continuing operations	102	(298)	400
Loss on disposal of discontinued business, net of income taxes	(2)	—	(2)
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 100	\$ (298)	\$ 398

Net revenues increased \$524 million for the six months ended June 30, 2021 compared with the same period last year. In the first quarter of 2020 and in anticipation of increased defaults due to the impacts of COVID-19 we recorded a \$225 million COVID-19 related provision which negatively impacted revenues and a corresponding \$55 million benefit to cost of vacation ownership interests, representing estimated recoveries related to this provision. These adjustments negatively impacted prior year adjusted EBITDA by \$170 million. In the second quarter of 2021, we analyzed the adequacy of the COVID-19 related allowance consistent with past methodology, resulting in a \$26 million release of the COVID-19 related provision, which positively impacted revenues, and a corresponding \$10 million increase in cost of vacation ownership interests representing the associated reduction in estimated recoveries. The net positive impact of the COVID-19 related allowance release on Adjusted EBITDA was \$16 million.

Total revenue growth of \$514 million (57.0%) was favorably impacted by foreign currency of \$10 million (1.1%). Excluding the impacts of foreign currency and the COVID-19 related provision adjustments discussed above, the increase in net revenues was primarily the result of:

- \$149 million of increased revenues at our Vacation Ownership segment primarily due to an increase in gross VOI sales, higher commission and property management revenues driven by the positive impact of our operations being open during the current year compared to resort closures and suspended sales and marketing activities due to COVID-19 during the prior year; partially offset by a decrease in consumer financing revenues driven by a lower average portfolio balance; and
- \$119 million of increased revenues at our Travel and Membership segment driven by higher vacation transaction revenues primarily due to increased leisure travel demand in the current year compared to the prior year, which was negatively impacted by lower bookings and higher cancellations due to COVID-19, partially offset by a decrease in subscription revenues driven by lower new owner sales in the timeshare industry.

Expenses increased \$32 million for the six months ended June 30, 2021 compared with the same period last year. The increase in expenses of \$23 million (2.0%) was unfavorably impacted by foreign currency of \$9 million (0.8%). Excluding the foreign currency impact, the increase in expenses was primarily the result of:

- \$109 million increase in the cost of VOIs sold primarily due to the absence of a \$55 million benefit recorded in the prior year representing estimated recoveries related to the COVID-19 related provision, higher gross VOI sales, and a \$10 million increase associated with the COVID-19 related provision release in the current year;
- \$55 million increase in operating costs in support of higher Travel and Membership revenues;
- \$29 million increase in sales and commission expenses primarily due to higher gross VOI sales; and
- \$21 million increase in general and administrative expenses primarily due to higher employee-related costs.

These increases were partially offset by:

- \$176 million decrease in COVID-19 related costs including employee compensation related costs (\$65 million); impairments (\$48 million); the write-down of exchange inventory (\$38 million) and restructuring charges (\$25 million).

Other income, net of other expenses decreased by \$6 million for the six months ended June 30, 2021 compared with the same period last year, primarily due to lower business interruption recoveries in 2021.

Interest expense increased \$13 million for the six months ended June 30, 2021 compared with the same period last year primarily due to interest on the \$650 million 6.625% secured notes issued during the third quarter of 2020.

Our effective tax rates were 26.6% and 10.0% for the six months ended June 30, 2021 and 2020. The change in the effective tax rate was significantly impacted by COVID-19, which led to a mix of earnings in higher tax rate jurisdictions and losses in lower tax rate jurisdictions that significantly reduced our overall effective tax rate in 2020.

As a result of these items, Net income attributable to Travel + Leisure shareholders was \$100 million for the six months ended June 30, 2021, as compared to a Net loss attributable to Travel + Leisure shareholders of \$298 million during the same period last year.

Our segment results are as follows (in millions):

	Six Months Ended June 30,	
	2021	2020
Net Revenues		
Vacation Ownership	\$ 1,048	\$ 641
Travel and Membership	387	265
Total reportable segments	1,435	906
Corporate and other ^(a)	(10)	(5)
Total Company	\$ 1,425	\$ 901

	Six Months Ended June 30,	
	2021	2020
Reconciliation of Net income to Adjusted EBITDA		
Net income/(loss) attributable to Travel + Leisure shareholders	\$ 100	\$ (298)
Loss on disposal of discontinued business, net of income taxes	2	—
Provision/(benefit) for income taxes	37	(33)
Depreciation and amortization	63	62
Interest expense	100	87
Interest (income)	(1)	(4)
Stock-based compensation	16	7
Legacy items	4	2
COVID-19 related costs ^(b)	2	38
Asset impairments ^(c)	—	48
Restructuring	(1)	25
Exchange inventory write-off	—	38
Adjusted EBITDA	\$ 322	\$ (28)

	Six Months Ended June 30,	
	2021	2020
Adjusted EBITDA		
Vacation Ownership	\$ 200	\$ (87)
Travel and Membership	150	79
Total reportable segments	350	(8)
Corporate and other ^(a)	(28)	(20)
Total Company	\$ 322	\$ (28)

^(a) Includes the elimination of transactions between segments.

^(b) Reflects severance and other employee costs associated with layoffs due to the COVID-19 workforce reduction offset in part by employee retention credits received in connection with the U.S. CARES Act, ARPA, and similar international programs for wages paid to certain employees despite having operations suspended. This amount does not include costs associated with idle pay.

^(c) Includes \$5 million of bad debt expense related to a note receivable for the six months ended June 30, 2021, included in Operating expenses on the Condensed Consolidated Statements of Income/(Loss) included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Vacation Ownership

Net revenues increased \$407 million and Adjusted EBITDA increased \$287 million during the six months ended June 30, 2021 compared with the same period of 2020. The net revenue growth of \$400 million (62.4%) was favorably impacted by foreign currency of \$7 million (1.1%) and the total Adjusted EBITDA growth of \$285 million (327.6%) was favorably impacted by foreign currency of \$2 million (2.3%).

The net revenue increase excluding the impact of foreign currency was primarily driven by:

- \$275 million decrease in our provision for loan losses primarily due to the COVID-19 related provision adjustments (\$225 million provision recorded in the first quarter of 2020 and a \$26 million reversal in the second quarter of 2021);
- \$110 million increase in gross VOI sales, net of Fee-for-Service sales, due to the ongoing recovery of our operations from the impact of COVID-19;
- \$38 million increase in commission revenues as a result of higher Fee-for-Service VOI sales; and

- \$23 million increase in property management revenues primarily due to higher management fees and reimbursable revenues.

These increases were partially offset by a \$45 million decrease in consumer financing revenues primarily due to a lower average portfolio balance.

In addition to the drivers above, Adjusted EBITDA excluding the impact of foreign currency was further impacted by:

- \$109 million increase in the cost of VOIs sold primarily due to the absence of a \$55 million benefit recorded in the first quarter of 2020 representing estimated recoveries related to the COVID-19 related provision, higher gross VOI sales, and a \$10 million reduction in estimated recoveries related to the partial reversal of our COVID-19 related provision;
- \$29 million increase in commission expense as a result of higher Fee-for-Service VOI sales;
- \$14 million increase in property management expenses primarily due to higher management fees and reimbursable expenses; and
- \$8 million increase in general and administrative expenses primarily due to higher employee-related costs.

These increased expenses were partially offset by:

- \$28 million decrease in COVID-19 related costs associated with workforce reduction;
- \$8 million decrease in maintenance fees on unsold inventory due to the resumption of our sales and marketing operations;
- \$6 million decrease in consumer financing interest expense primarily due to a lower average non-recourse debt balance; and
- \$5 million decrease in marketing costs primarily due to the closure of certain sales and marketing operations during 2020.

Travel and Membership

Net revenues increased \$122 million and Adjusted EBITDA increased \$71 million during the six months ended June 30, 2021 compared with the same period of 2020. Revenue growth of \$119 million (44.9%) was favorably impacted by foreign currency of \$3 million (1.1%). Adjusted EBITDA growth of \$72 million (91.1%) was unfavorably impacted by foreign currency of \$1 million (1.3%).

Increases in net revenues excluding the impact of foreign currency were primarily driven by:

- \$128 million increase in transaction revenue driven by an increase in vacation transactions booked compared to the prior year, which was negatively impacted by lower bookings and higher cancellations due to COVID-19; partially offset by
- \$9 million decrease in subscription revenue due to a 6.6% decrease in the average member count in our exchange business driven by lower new owner sales in the timeshare industry.

In addition to the drivers mentioned above, Adjusted EBITDA excluding the impact of foreign currency was further impacted by:

- \$54 million increase in cost of sales and other operating costs in support of increased revenues; partially offset by
- \$7 million decrease in general and administrative expenses resulting from staff reductions and cost savings initiatives implemented after the first quarter of 2020.

Corporate and other

Corporate Adjusted EBITDA decreased \$8 million for the six months ended June 30, 2021 compared to 2020 and was not materially impacted by foreign currency. The decrease in Adjusted EBITDA was primarily due to higher employee-related costs.

RESTRUCTURING PLANS

During 2020, we recorded \$37 million of restructuring charges, \$36 million of which were COVID-19 related. Due to the impact of COVID-19, we decided in the second quarter of 2020 to abandon the remaining portion of our administrative offices in New Jersey. We were notified in the second quarter of 2020 that Wyndham Hotels exercised its early termination rights under the sublease agreement. As a result, we recorded \$22 million of restructuring charges associated with non-lease components of the office space and \$24 million of impairment charges associated with the write-off of right-of-use assets and furniture, fixtures and equipment at the Travel and Membership segment. We also recognized \$12 million of lease-related charges due to the renegotiation of an agreement and \$2 million of facility-related restructuring charges associated with closed

sales centers at the Vacation Ownership segment. The Travel and Membership segment additionally recognized \$1 million in employee-related expenses associated with the consolidation of a shared service center. During 2020, we reduced our restructuring liability by \$12 million of cash payments. During the six months ended June 30, 2021, we reduced our restructuring liability by \$1 million of cash payments. We also reversed \$1 million of expense related to the reimbursement of prepaid licensing fees that were previously written-off, and increased the liability by \$3 million of cash reimbursements during this period at our Vacation Ownership segment. The remaining 2020 restructuring liability of \$27 million is expected to be paid by the end of 2029.

We have other restructuring plans implemented prior to 2020. The remaining liability of less than \$1 million as of June 30, 2021, is mostly personnel-related and is expected to be paid by the end of 2021.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

(In millions)	June 30, 2021	December 31, 2020	Change
Total assets	\$ 6,639	\$ 7,613	\$ (974)
Total liabilities	7,557	8,581	(1,024)
Total (deficit)	(918)	(968)	50

Total assets decreased by \$974 million from December 31, 2020 to June 30, 2021, primarily due to:

- \$868 million decrease in Cash and cash equivalents primarily due to net repayments on the revolving credit facility, notes, and non-recourse debt, interest payments, payments associated with the acquisition of the Travel + Leisure brand, and dividend payments, partially offset by VOICR principal collections;
- \$163 million decrease in Vacation ownership contract receivables, net, primarily due to principal collections and an increase to the provision for loan losses, partially offset by higher net VOI originations; and
- \$21 million decrease in Property and equipment, net.

These decreases were partially offset by a \$93 million increase in Other intangibles, net primarily related to the acquisition of the Travel + Leisure brand from Meredith.

Total liabilities decreased by \$1.02 billion from December 31, 2020 to June 30, 2021, primarily due to:

- \$28 million decrease in Deferred income due to increased usage of deferred packages as a result of owners and members returning to vacation as COVID-19 travel restrictions are lifted;
- \$216 million decrease in Non-recourse vacation ownership debt due to net repayments;
- \$799 million decrease in Debt due to net repayments on the revolving credit facility and the \$250 million notes which were repaid in March 2021; and
- \$17 million decrease in Deferred income taxes primarily driven by installment sales partially offset by bad debt allowance.

These decreases were partially offset by a \$42 million increase in Accrued expenses and other liabilities primarily related to the acquisition of the Travel + Leisure brand from Meredith.

Total deficit decreased \$50 million from December 31, 2020 to June 30, 2021, primarily due to \$100 million of Net income attributable to Travel + Leisure shareholders; partially offset by \$54 million of dividends.

Liquidity and Capital Resources

Currently, our financing needs are supported by cash generated from operations and borrowings under our revolving credit facility as well as the issuance of secured debt. In addition, we use our bank conduit facilities and non-recourse debt borrowings to finance our VOICRs. We believe that our net cash from operations, cash and cash equivalents, access to our revolving credit facilities and bank conduit facilities, and continued access to the debt markets provide us with sufficient liquidity to meet our ongoing cash needs for the foreseeable future, inclusive of the \$650 million 4.25% secured notes which come due in March 2022.

As a precautionary measure at the onset of the global pandemic, in March 2020 we fully drew down our revolving credit facility. Based on the recovery of our business to date, our strong liquidity position and ability to access secured debt capital markets, during 2021 we fully repaid the remaining outstanding revolver balance. The revolving credit facility expires in May

2023 and has a total capacity of \$1.0 billion. As of June 30, 2021, we had \$934 million of available capacity, net of letters of credit.

We repaid our \$250 million 5.625% secured notes which came due in March 2021.

On July 15, 2020, we amended our credit agreement governing our revolving credit facility and term loan B (“Credit Agreement Amendment”). The Credit Agreement Amendment established a Relief Period with respect to our secured revolving credit facility, which commenced on July 15, 2020, and will end on April 1, 2022 or upon our earlier termination in accordance with the Credit Agreement Amendment. Among other changes, this amendment adds a new minimum liquidity covenant, tested quarterly until the end of the Relief Period, of (i) \$250 million plus (ii) 50% of the aggregate amount of dividends paid after the effective date of the Credit Agreement Amendment and on or prior to the last day of the relevant fiscal quarter.

During 2020 we successfully executed \$900 million of timeshare receivables financing and issued \$650 million senior secured notes due 2026 with an interest rate of 6.625%. We plan to continue to use our conduit facilities and non-recourse debt borrowings to finance VOCRs. During the first quarter of 2021, we closed on our first asset-backed securities (“ABS”) transaction of the year. High demand allowed us to upsize the transaction and we closed on a \$500 million securitization financing at a 98% advance rate and a record low weighted average yield of 1.57%. We also called the notes issued in the ABS transaction that we closed in April of 2020 and included that collateral in the 2021 ABS transaction, reducing the interest rate going forward on our non-recourse debt. This transaction positively impacted our liquidity and reinforces our expectation that we will maintain adequate liquidity.

Our non-recourse timeshare receivables U.S. dollars (“USD”) bank conduit facility has a borrowing capacity of \$800 million through October 2022, and had \$646 million of available capacity as of June 30, 2021. Borrowings under this facility are required to be repaid as the collateralized receivables amortize, but no later than November 2023.

Our non-recourse timeshare receivables Australian and New Zealand dollars (“AUD” and “NZD”) bank conduit facility has a borrowing capacity of A\$250 million and NZ\$48 million through April 2023 and had available capacity of \$80 million as of June 30, 2021. Borrowings under this facility are required to be repaid no later than April 2025.

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.

We are currently evaluating the impact of the transition from the London Interbank Offered Rate (“LIBOR”) as an interest rate benchmark to other potential alternative reference rates, including but not limited to the Secured Overnight Financing Rate (“SOFR”). Currently, we have debt and derivative instruments in place that reference LIBOR-based rates. Although certain of these LIBOR based obligations provide for alternative methods of calculating the related interest rate payable (including transition to an alternative benchmark rate) if LIBOR is not reported, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than, or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. The transition from LIBOR based benchmark rates is expected to begin January 1, 2022 and be completed when USD LIBOR rates are phased out by June 30, 2023. Management will continue to actively assess the related opportunities and risks involved in this transition. On October 27, 2020, we closed on the renewal of our USD bank conduit facility and adopted appropriate LIBOR disclosures for ABS financing structures as part of the renewal. We intend to include such language in our other relevant agreements prior to the end of 2021.

CASH FLOW

The following table summarizes the changes in cash, cash equivalents and restricted cash during the six months ended June 30, 2021 and 2020 (in millions):

	2021	2020	Change
Cash provided by/(used in):			
Operating activities	\$ 290	\$ 130	\$ 160
Investing activities	(62)	(36)	(26)
Financing activities	(1,098)	598	(1,696)
Effects of changes in exchange rates on cash and cash equivalents	(1)	(8)	7
Net change in cash, cash equivalents and restricted cash	<u>\$ (871)</u>	<u>\$ 684</u>	<u>\$ (1,555)</u>

Operating Activities

Net cash provided by operating activities was \$290 million for the six months ended June 30, 2021, compared to \$130 million in the prior year. This \$160 million increase was driven by a \$398 million increase in net income; partially offset by a \$243 million decrease in non-cash add-back items primarily due to a lower provision for loan losses and asset impairments, partially offset by deferred income taxes.

Investing Activities

Net cash used in investing activities was \$62 million for the six months ended June 30, 2021, compared to \$36 million in the prior year. This increase was primarily related to \$37 million of cash payments for the acquisition of the Travel + Leisure brand in 2021; partially offset by lower property and equipment additions.

Financing Activities

Net cash used in financing activities was \$1.1 billion for the six months ended June 30, 2021 compared to net cash provided by financing activities of \$598 million in the prior year. The variance was primarily due to the drawdown of the \$1.0 billion secured revolving credit facility in the prior year, \$601 million increased repayments on the revolving credit facility and notes, \$180 million increased net repayments of non-recourse debt, \$128 million decreased share repurchases, \$33 million decreased dividend payments, and a \$20 million deferred consideration payment during 2021 for the acquisition of the Travel + Leisure brand.

Capital Deployment

We focus on deploying capital for the highest possible returns. Ultimately, our business objective is to grow our business while optimizing cash flow and Adjusted EBITDA. We intend to continue to invest in select capital and technological improvements across our business. We may also seek to strategically grow the business through merger and acquisition activities. We also seek to return to a first lien leverage ratio below 4.25 to 1.0 on or prior to April 1, 2022. Finally, over the long term we intend to continue to return value to shareholders through the repurchase of common stock and payment of dividends, although our share repurchases are currently prohibited until such time as we are able to and choose to exercise our option to exit the amended credit agreement governing the revolving credit facility and term loan B. All future declarations of quarterly cash dividends are subject to final approval by the Board of Directors ("Board").

During the six months ended June 30, 2021, we spent \$107 million on vacation ownership development projects (inventory). We believe that our Vacation Ownership business currently has adequate finished inventory to support vacation ownership sales for at least the next year. During 2021, we anticipate spending between \$170 million and \$190 million on vacation ownership development projects. The average inventory spend on vacation ownership development projects for the four-year period 2022 through 2025 is expected to be between \$150 million and \$180 million annually. After factoring in the anticipated additional average annual spending, we expect to have adequate inventory to support vacation ownership sales through at least the next four to five years.

During the six months ended June 30, 2021, we spent \$25 million on capital expenditures primarily for information technology and sales center improvement projects. During 2021, we anticipate spending between \$70 million and \$75 million on capital expenditures.

In connection with our focus on optimizing cash flow, we are continuing our asset-light efforts in Vacation Ownership by seeking opportunities with financial partners whereby they make strategic investments to develop assets on our behalf. We refer to this as Just-in-Time. 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 Condensed Consolidated Balance Sheets. The partner will complete the development of the project and we may purchase finished inventory at a future date as needed or as obligated under the agreement.

We expect that the majority of the expenditures required to pursue our capital spending programs, strategic investments and vacation ownership development projects will be financed with cash flow generated through operations and cash and cash equivalents. Additional expenditures are expected to be financed with general corporate borrowings.

Stock Repurchase Program

On August 20, 2007, our Board authorized a stock repurchase program that enables us to purchase our common stock. The Board has since increased the capacity of the program eight times, most recently in October 2017 by \$1.0 billion, bringing the

total authorization under the current program to \$6.0 billion. Proceeds received from stock option exercises increase our repurchase capacity under the program. We had \$354 million of remaining availability in our program as of June 30, 2021.

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. We suspended share repurchase activity in March 2020 due to uncertainty associated with COVID-19. On July 15, 2020, we amended the credit agreement for our revolving credit facility and term loan B. Among other changes, the Credit Agreement Amendment places us into a Relief Period from July 15, 2020 through April 1, 2022 that prohibits the use of cash for share repurchases until such time we choose to exercise our option to exit the amendment. We have the option to terminate the Relief Period at any time we can demonstrate compliance with the 4.25 to 1.0 first lien leverage ratio.

Dividends

During the quarterly periods ended March 31 and June 30, 2021, we paid cash dividends of \$0.30 per share (\$53 million in aggregate). During the quarterly periods ended March 31 and June 30, 2020, we paid cash dividends of \$0.50 per share (\$86 million in aggregate). On July 15, 2020, we amended the credit agreement governing our revolving credit facility and term loan B. Among other changes, the amendment places us into a Relief Period which adds a new minimum liquidity covenant, tested quarterly until the end of the Relief Period, of (i) \$250 million plus (ii) 50% of the aggregate amount of dividends paid after the amendment effective date and on or prior to the last day of the relevant fiscal quarter. Additionally, the amendment limits the payout of dividends during the Relief Period to not exceed \$0.50 per share, the rate in effect prior to the amendment.

Although our quarterly dividend was reduced during the third quarter of 2020 due to the impact of COVID-19, our long-term plan is to grow our dividend at the rate of growth of our earnings at a minimum, with the exception of the limitations set by the Credit Agreement Amendment. 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.

LONG-TERM DEBT COVENANTS

The revolving credit facilities and term loan B are subject to covenants including the maintenance of specific financial ratios as defined in the credit agreement. The financial ratio covenants consist of a minimum interest coverage ratio and a maximum first lien leverage ratio. The interest coverage ratio is calculated by dividing consolidated EBITDA (as defined in the credit agreement) by consolidated interest expense (as defined in the credit agreement), both as measured on a trailing 12-month basis preceding the measurement date. The first lien leverage ratio is calculated by dividing consolidated first lien debt (as defined in the credit agreement) as of the measurement date by consolidated EBITDA (as defined in the credit agreement) as measured on a trailing 12-month basis preceding the measurement date, or on an annualized basis as allowed for certain test periods during the Relief Period.

The global spread of COVID-19 significantly impacted the travel industry, our company, our customers, and our employees. Our response to COVID-19 initially focused on the health and safety of our owners, members, guests and employees, when we closed the majority of our resorts and sales centers. We were also keenly focused on preserving cash, cutting costs and managing liquidity. While we have reopened 96% of our resorts as of June 30, 2021 and 95% of the sales offices we expect to reopen, the continued impact of COVID-19 on our industry and business has led to a higher first lien leverage ratio that we expect will decrease over time as the recovery in leisure travel continues. On July 15, 2020, we amended the credit agreement governing the revolving credit facility and term loan B which increased the maximum first lien leverage ratio and decreased the minimum interest coverage ratio allowed during the specified Relief Period through the first quarter of 2022. The Credit Agreement Amendment includes certain restrictions on the use of cash during the Relief Period, including the prohibition of share repurchases until such time as we are able to and choose to exercise our option to exit the amendment. We have the option to terminate this Relief Period at any time we can demonstrate compliance with the 4.25 to 1.0 first lien leverage ratio, subject to certain conditions. The maximum first lien leverage ratio for the test period ending June 30, 2021 was 7.5 to 1.0. The maximum first lien leverage ratio will decrease 0.75 each quarter beginning in the third quarter of 2021 through the end of the Relief Period. Additionally, during the Relief Period, a new minimum liquidity covenant was added, which is tested quarterly until the end of the Relief Period, and requires us to maintain an interest coverage ratio (as defined in the credit agreement) of not less than 2.0 to 1.0. See Note 10—*Debt* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

As of June 30, 2021, our first lien leverage ratio was 4.7 to 1.0 and our interest coverage ratio was 3.1 to 1.0. These ratios do not include interest expense or indebtedness related to any qualified securitization financing (as defined in the credit agreement). As of June 30, 2021, we were in compliance with the financial covenants described above. Under the Credit

Agreement Amendment, when the first lien leverage ratio exceeds 4.25 to 1.0, the interest rate on revolver borrowings increases, and we are subject to higher fees associated with our letters of credit based on a tiered pricing grid. Given the first lien leverage ratio of 5.4 to 1.0 at December 31, 2020, we are now subject to higher fees associated with letters of credit and the interest rate on the revolver borrowings increased 25 basis points effective March 2, 2021. This interest rate and fees associated with letters of credit are subject to future changes based on our first lien leverage ratio which could serve to further increase the rate up to an additional 25 basis points if this ratio were to exceed 5.75 to 1.0, or reduce this rate if this ratio were to decrease to 4.25 to 1.0 or below.

Each of our non-recourse, securitized term notes, and the bank conduit facilities contain various triggers relating to the performance of the applicable loan pools. If the VOCRs 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 June 30, 2021, all of our securitized loan pools were in compliance with applicable contractual triggers.

For additional details regarding our credit facilities, term loan B, and non-recourse debt see Note 10—*Debt* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

LIQUIDITY

Our Vacation Ownership business finances certain of its VOCRs through (i) asset-backed conduit facilities and (ii) term asset-backed securitizations, all of which are non-recourse to us with respect to principal and interest.

We believe that our USD bank conduit facility with a term through October 2022, and our AUD/NZD bank conduit facility, with a term through April 2023, amounting to a combined capacity of \$1.03 billion, along 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 for the foreseeable future. As of June 30, 2021, we had \$726 million of availability under these asset-backed conduit facilities.

Our liquidity position may be negatively affected by unfavorable conditions in the capital markets in which we operate or if our VOCRs portfolios do not meet specified portfolio credit parameters. Our liquidity, as it relates to our VOCRs securitization program, could be adversely affected if we were to fail to renew or replace our conduit facilities on their expiration dates, 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 VOCRs deteriorate. Our ability to sell securities backed by our VOCRs depends on the continued ability and willingness of capital market participants to invest in such securities.

During 2020 we successfully executed \$900 million of timeshare receivables financing and during the first quarter of 2021 we successfully closed on a \$500 million securitization financing at a 98% advance rate and a company record low weighted average yield of 1.57%. We also called the notes issued in the ABS transaction that we closed in April of 2020 and included that collateral in the 2021 ABS transaction, reducing the interest rate going forward on our non-recourse debt, which positively impacted our liquidity. These transactions reinforce our expectation that we will be able to maintain adequate liquidity.

We primarily utilize surety bonds in 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 12 surety providers in the amount of \$2.3 billion, of which we had \$271 million outstanding as of June 30, 2021. The availability, terms and conditions and pricing of bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity and our corporate credit rating. If the bonding capacity is unavailable or, alternatively, the terms and conditions and pricing of the bonding capacity are unacceptable to us, our Vacation Ownership business could be negatively impacted.

Our secured debt is rated Ba3 with a “negative outlook” by Moody’s Investors Service, BB- with a “negative outlook” by Standard & Poor’s Rating Services, and BB+ with a “negative outlook” by 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. For information regarding the impact of our credit rating downgrade and credit rating downgrade of Wyndham Hotels, see Note 23—*Transactions with Former Parent and Former Subsidiaries - Matters Related to the European Vacation Rentals Business* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

SEASONALITY

We experience seasonal fluctuations in our net revenues and net income from sales of VOIs and vacation exchange fees. Revenues from sales of VOIs are generally higher in the third quarter than in other quarters due to increased leisure travel. Revenues from vacation exchange fees are generally highest in the first quarter, which is generally when members of our vacation exchange business book their vacations for the year. Our seasonality has been and could continue to be impacted by COVID-19.

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.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations for the 12-month periods set forth below (in millions):

	7/1/21 - 6/30/22	7/1/22 - 6/30/23	7/1/23 - 6/30/24	7/1/24 - 6/30/25	7/1/25 - 6/30/26	Thereafter	Total
Debt	\$ 652	\$ 405	\$ 302	\$ 281	\$ 344	\$ 1,395	\$ 3,379
Non-recourse debt ^(a)	274	372	207	207	227	731	2,018
Purchase commitments ^(b)	259	130	101	99	125	220	934
Interest on debt ^(c)	231	196	163	143	113	87	933
Operating leases	33	30	29	26	19	42	179
Inventory sold subject to conditional repurchase ^(d)	—	65	—	—	—	—	65
Separation liabilities ^(e)	1	12	—	—	—	2	15
Finance leases	3	2	1	—	—	—	6
Other ^(f)	31	25	10	—	—	—	66
Total ^(g)	\$ 1,484	\$ 1,237	\$ 813	\$ 756	\$ 828	\$ 2,477	\$ 7,595

^(a) Represents debt that is securitized through bankruptcy-remote special purpose entities the creditors of which have no recourse to us for principal and interest.

^(b) Includes (i) \$734 million for marketing-related activities; (ii) \$81 million relating to the development of vacation ownership properties, of which \$18 million is included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets included in Part I, Item 1 of this Quarterly Report on Form 10-Q; and (iii) \$39 million for information technology activities.

^(c) Includes interest on debt, non-recourse debt, and finance leases; estimated using the stated interest rates on our debt and non-recourse debt.

^(d) Represents obligations to repurchase completed vacation ownership properties from third-party developers (See Note 8— *Inventory* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail) of which \$13 million was included within Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

^(e) Represents liabilities which we assumed and are responsible for pursuant to the Cendant Separation and spin-off of Wyndham Hotels (See Note 23— *Transactions with Former Parent and Former Subsidiaries* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details).

^(f) Represents future consideration to be paid for the acquisitions of ARN and the Travel + Leisure brand (See Note 5— *Acquisitions* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail).

^(g) Excludes a \$41 million liability for unrecognized tax benefits associated with the accounting 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.

COMMITMENTS AND CONTINGENCIES

From time to time, we are involved in claims, legal and regulatory proceedings, and governmental inquiries related to our business, none of which, in the opinion of management, is expected to have a material effect on our results of operations or financial condition. See Note 16— *Commitments and Contingencies* to the Condensed Consolidated Financial Statements for a description of claims and legal actions arising in the ordinary course of our business along with our guarantees and indemnifications and Note 23— *Transactions with Former Parent and Former Subsidiaries* to the Condensed Consolidated Financial Statements for a description of our obligations regarding Cendant contingent litigation, matters related to Wyndham Hotels, matters related to the European vacation rentals business, and matters related to the North American vacation rentals business. Both notes are included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING POLICIES

In presenting our Condensed Consolidated 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 impact to our consolidated results of operations, financial position, and liquidity. We believe that the estimates and assumptions we used when preparing our Condensed Consolidated Financial Statements were the most appropriate at that time. These Condensed 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 24, 2021, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

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 exchange rates. We used June 30, 2021 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 a hypothetical 10% change in the interest rates would have resulted in a less than \$1 million increase or decrease in annual consumer financing interest expense and total interest expense. We have determined that a hypothetical 10% change in the foreign currency exchange rates would have resulted in an approximate increase or decrease to the fair value of our outstanding forward foreign currency exchange contracts of \$6 million, which would generally be offset by an opposite effect on the underlying exposure being economically hedged. As such, we believe that a 10% change in interest rates or foreign currency exchange rates would not have a material effect on our prices, earnings, fair values, or cash flows.

Our variable rate borrowings, which include our term loan, non-recourse conduit facilities and revolving credit facility, expose us to risks caused by fluctuations in the applicable interest rates. The total outstanding balance of such variable rate borrowings at June 30, 2021, was \$299 million in non-recourse debt and \$290 million in corporate debt. A 100 basis point change in the underlying interest rates would result in a \$3 million increase or decrease in annual consumer financing interest expense and a \$3 million increase or decrease in our annual debt interest expense.

Item 4. Controls and Procedures.

- (a) *Disclosure Controls and Procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(c) of the Securities Exchange Act of 1934 (the “Exchange Act”). Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.
- (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. As of June 30, 2021, we utilized the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As a result of COVID-19, most of our employees began working remotely in late March 2020, and a significant portion of them continue to work remotely. We have not identified any material changes in our disclosure controls and procedures, nor our internal control over financial reporting, as a result of this change. We are continually monitoring and assessing the COVID-19 situation to minimize the impact on the design and operating effectiveness of our internal controls.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings.**

We are involved in various claims and lawsuits arising in the ordinary course of business, 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 16—*Commitments and Contingencies* to the Condensed Consolidated Financial Statements for a description of claims and legal actions arising in the ordinary course of our business and Note 23—*Transactions with Former Parent and Former Subsidiaries* to the Condensed Consolidated Financial Statements for a description of our obligations regarding Cendant contingent litigation, matters related to Wyndham Hotels & Resorts, Inc., matters related to the European vacation rentals business, and the North American vacation rentals business. Both notes are included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

The discussion of our business and operations should be read together with the risk factors contained in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission on February 24, 2021, 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 June 30, 2021, there have been no material changes to the risk factors set forth in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

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

(c) Below is a summary of our common stock repurchases by month for the quarter ended June 30, 2021:

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
April 2021	—	\$ —	—	\$ 353,855,249
May 2021	—	—	—	354,142,444
June 2021	—	—	—	354,258,231
Total	—	\$ —	—	\$ 354,258,231

On August 20, 2007, our Board of Directors (“Board”) authorized the repurchase of our common stock (the “Share Repurchase Program”). Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The Board has since increased the capacity of the Share Repurchase Program eight times, most recently on October 23, 2017, by \$1.0 billion, bringing the total authorization under the program to \$6.0 billion. Proceeds received from stock option exercises increase our repurchase capacity under the program. Under our current and prior stock repurchase plans, the total authorization is \$6.8 billion. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Stock Repurchase Program,” included in Part I, Item 2 of this Quarterly Report on Form 10-Q for further information on the Share Repurchase Program.

For a description of limitations on the payment of our dividends, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Dividends,” included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
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	Certificate of Amendment to Certificate of Incorporation of Wyndham Worldwide Corporation effective as of May 31, 2018 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed June 4, 2018).
3.3	Certificate of Amendment to Restated Certificate of Incorporation of Wyndham Destinations, Inc., effective as of February 17, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed February 17, 2021).
3.4	Third Amended and Restated Bylaws of Travel + Leisure Co., effective as of February 17, 2021 (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed February 17, 2021).
10.1*†	Amended and Restated Employment Agreement by and between Travel + Leisure Co. and Michael D. Brown, dated June 1, 2021
10.2*†	Amended and Restated Employment Agreement by and between Travel + Leisure Co. and Michael A. Hug, dated June 1, 2021
10.3*†	Travel + Leisure Co. Employee Stock Purchase Plan
15*	Letter re: Unaudited Interim Financial Information
31.1*	Certification of President and Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities and 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 President and Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this report

** Furnished with this report

† Management contract or compensatory plan or arrangement

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this “**Agreement**”), effective as of June 1, 2021 (the “**Effective Date**”), is hereby made by and between Travel + Leisure Co., formerly known as Wyndham Destinations, Inc., a Delaware corporation (the “**Company**”), and Michael Brown (the “**Executive**”).

WHEREAS, the Company and the Executive are party to that certain Employment Agreement, dated as of June 1, 2018 (the “**Prior Agreement**”); and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to serve the Company, in accordance with the terms and conditions of this Agreement, which will supersede the Prior Agreement in its entirety effective as of the Effective Date.

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

SECTION I

EMPLOYMENT; POSITION AND RESPONSIBILITIES

During the Period of Employment (as defined in Section II below), the Company agrees to continue to employ the Executive, and the Executive agrees to continue to be employed by the Company, in each case, in accordance with the terms and conditions set forth in this Agreement.

During the Period of Employment, the Executive will continue to serve as the Chief Executive Officer of the Company and will continue to report to, and be subject to the direction of, the Board of Directors of the Company (the “**Board**”). The Executive will perform such duties and exercise such supervision with regard to the business of the Company as are associated with the Executive’s position, as well as such reasonable additional duties as may be prescribed from time to time by the Board. The Executive will, during the Period of Employment, devote substantially all of the Executive’s time and attention during normal business hours to the performance of services for the Company, or as otherwise directed by the Board from time to time. The Executive will maintain a primary office and generally conduct the Executive’s business in Orlando, Florida, except for customary business travel in connection with the Executive’s duties hereunder.

SECTION II PERIOD OF EMPLOYMENT

The period of the Executive’s employment under this Agreement (the “**Period of Employment**”) will begin on the Effective Date and will end on May 31, 2024, subject to earlier termination as provided in this Agreement. No later than 180 days prior to the expiration of the Period of Employment, the Company and the Executive will commence a good faith negotiation regarding extending the Period of Employment; provided, that neither party hereto will have any

obligation hereunder or otherwise to consummate any such extension or enter into any new agreement relating to the Executive's employment with the Company.

SECTION III COMPENSATION AND BENEFITS

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

A. Base Salary.

During the Period of Employment, the Company will pay the Executive a base salary at an annual rate equal to one million two hundred thousand dollars (\$1,200,000.00) effective on the Effective Date, subject to such annual increases as the Company's Board of Directors' Compensation Committee (the "**Committee**") deems appropriate in its sole discretion ("**Base Salary**"). Base Salary will be payable according to the customary payroll practices of the Company.

B. Annual Incentive Awards.

Effective as of the Effective Date, the Executive will continue to be eligible to earn an annual incentive compensation award in respect of each fiscal year of the Company ending during the Period of Employment, subject to the Committee's discretion to grant such awards, based upon a target award opportunity equal to 150 % of Base Salary ("**Target Award**") earned during each such year, and subject to the terms and conditions of the annual incentive plan covering employees of the Company, and further subject to attainment by the Company of such performance goals, criteria or targets established and certified by the Committee in its sole discretion in respect of each such fiscal year (each such annual incentive, an "**Incentive Compensation Award**"). Any earned Incentive Compensation Award will be paid to the Executive at such time as will be determined by the Committee, but in no event later than the last day of the calendar year following the calendar year with respect to which the performance targets relate.

C. Long Term Incentive Awards.

The Executive will continue to be eligible for long term incentive awards as determined by the Committee, and the Executive will participate in such grants at a level commensurate with the Executive's position as a senior executive officer of the Company. For purposes of this Agreement, awards described in this paragraph are referred to as "**Long Term Incentive Awards.**" Any Long Term Incentive Awards will vest as determined by the Committee, in its sole and absolute discretion (including with respect to any performance-based conditions applicable to vesting), and will be subject to the terms and conditions of the Wyndham Worldwide Corporation 2006 Equity and Incentive Plan (Amended and Restated as of November 2, 2020 and any amended or successor plan thereto (the "**Equity Plan**") and the applicable

agreement evidencing such award as determined by the Committee. Any Long Term Incentive Awards will be made in the Committee's sole discretion.

A. Employee Benefits.

During the Period of Employment, the Company will continue to provide the Executive with employee benefits generally offered to all eligible full-time employees of the Company, and with perquisites generally offered to similarly situated senior executive officers of the Company, subject to the terms of the applicable employee benefit plans or policies of the Company. Based on such terms and conditions as determined by the Committee, the Company will permit the Executive up to 20 hours per calendar year of personal use of an aircraft made available by the Company.

B. Expenses.

During the Period of Employment, the Company will continue to reimburse the Executive for reasonable business expenses incurred by the Executive in connection with the performance of the Executive's duties and obligations under this Agreement, subject to the Executive's compliance with such limitations and reporting requirements with respect to expenses as may be established by the Company from time to time. The Company will reimburse all taxable business expenses to the Executive promptly following submission but in no event later than the last day of the Executive's taxable year following the taxable year in which the expenses are incurred.

SECTION V DEATH AND DISABILITY

The Period of Employment will end upon the Executive's death. If the Executive becomes Disabled (as defined below) during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company, or at the option of the Company upon notice of termination to the Executive. For purposes of this Agreement, "**Disability**" will have the meaning set forth in Section 409A of the Internal Revenue Code of 1986, as amended ("**Code**"), and the rules and regulations promulgated thereunder ("**Code Section 409A**"). The Company's obligation to make payments to the Executive under this Agreement will cease as of such date of termination due to death or Disability, except for (A) any Base Salary earned but unpaid, (B) any Incentive Compensation Awards earned but unpaid for a prior completed fiscal year, if any, and (C) any Long Term Incentive Awards earned and vested but unpaid for a prior completed fiscal year, if any, as of the date of such termination, which will be paid in accordance with the terms set forth in Sections IV-A, IV-B and IV-C, respectively, unless otherwise prohibited by law. Notwithstanding the foregoing, the Company will not take any action with respect to the Executive's employment status pursuant to this Section V earlier than the date on which the Executive becomes eligible for long-term disability benefits under the terms of the Company's long-term disability plan in effect from time to time.

SECTION VI

EFFECT OF TERMINATION OF EMPLOYMENT

A. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates during the Period of Employment due to either a Without Cause Termination or a Constructive Discharge (each as defined below), the Company will pay or provide the Executive, as applicable (or the Executive's surviving spouse, estate or personal representative, as applicable), subject to Section XIX:

a. a lump sum payment (the "Severance Payment") equal to (a) 299% multiplied by (b) the sum of (x) the Executive's then current Base Salary, plus (y) an amount equal to the highest Incentive Compensation Award paid to the Executive (disregarding voluntary deferrals) with respect to the three fiscal years of the Company immediately preceding the fiscal year in which the Executive's termination of employment occurs, but in no event will the amount set forth in this subsection (y) exceed the Executive's then target Incentive Compensation Award, provided, that the Company shall have the right to offset against such Severance Payment any then-existing documented and bona fide monetary debts owed by the Executive to the Company or any of its subsidiaries;

b. subject to Section VI-D below, (a) all time-based Long Term Incentive Awards (including all stock options, stock appreciation rights and restricted stock units) that would have otherwise vested within one (1) year following the Executive's termination of employment, will vest upon the Executive's termination of employment; and (b) any performance-based Long Term Incentive Awards (including restricted stock units but excluding stock options and stock appreciation rights) will vest and be paid on a pro rata basis (to the extent that the performance goals applicable to the Long Term Incentive Award are achieved), with such proration to be determined based upon the portion of the full performance period during which the Executive was employed by the Company plus twelve (12) months (or, if less, assuming the Executive was employed by the Company for the entire performance period), with the payment of any such vested performance-based Long Term Incentive Awards to occur at the time that such performance-based long term incentive awards are paid to actively-employed employees generally. The provisions relating to Long Term Incentive Awards set forth in this Section will not supersede or replace any provision or right of the Executive relating to the acceleration of the vesting of such awards in the event of a Change in Control (as defined in the Equity Plan) of the Company or the Executive's death or Disability, whether pursuant to an applicable stock plan document or award agreement;

c. the Executive will be entitled to a two (2)-year post-termination exercise period (but in no event beyond the original expiration date) for all vested and outstanding stock appreciation rights and options held by the Executive on the date of termination;

d. the Executive shall be eligible to continue to participate in the Company health plans in which the Executive participates (medical, dental and vision) through the end of the month in which the Executive's termination becomes effective. Following such time, the Executive may elect to continue health plan coverage in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), and if the Executive elects such coverage, the Company will reimburse the Executive for the costs associated with such continuing

health coverage under COBRA until the earlier of (a) eighteen (18) months from the coverage commencement date and (b) the date on which the Executive becomes eligible for health and medical benefits from a subsequent employer; and

a. any of the following amounts that are earned but unpaid through the date of such termination: (a) Incentive Compensation Award for a prior completed fiscal year and (b) Base Salary. The Executive shall retain any Long Term Incentive Awards that have vested and been paid to the Executive as of the date of such termination, unless otherwise prohibited by law.

A. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary earned but unpaid as of the date of such termination will be paid to the Executive in accordance with Section VI-D below. Outstanding stock options and other equity awards held by the Executive as of the date of termination will be treated in accordance with their terms. Except as provided in this paragraph, the Company will have no further obligations to the Executive hereunder.

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

a. **"Termination for Cause"** means a termination of the Executive's employment by the Company due to (a) the Executive's willful failure to substantially perform the Executive's duties as an employee of the Company or any of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness) or material breach of the Company's Business Principles, policies or standards, (b) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Executive against the Company or any of its subsidiaries, (c) the Executive's conviction or plea of nolo contendere for a felony (or its state law equivalent) or any crime involving moral turpitude or dishonesty (which conviction, due to the passage of time or otherwise, is not subject to further appeal), (d) the Executive's gross negligence in the performance of the Executive's duties, or (e) the Executive purposely or negligently making a false certification regarding the Company's financial statements. The Company will provide a detailed written notice to the Executive of its intention to terminate the Executive's employment and that such termination is a Termination for Cause, along with a description of the Executive's conduct that the Company believes gives rise to the Termination for Cause, and provide the Executive with a period of fifteen (15) days to cure such conduct (unless the Company reasonably determines in its discretion that the Executive's conduct is not subject to cure) and/or challenge the Company's determination that such termination is a Termination for Cause; provided, however, that (x) the determination of whether such conduct has been cured and/or gives rise to a Termination for Cause will be made by the Company, in its sole discretion, and (y) the Company will be entitled to immediately and unilaterally restrict or suspend the Executive's duties during such fifteen (15)-day period pending its determination.

b. **"Constructive Discharge"** means, without the consent of the Executive, (a) any material breach by the Company of the terms of this Agreement, (b) a material diminution in the Executive's Base Salary or Target Award, (c) a material diminution in the Executive's authority, duties or responsibilities, (d) a relocation of the Executive's primary office to a location more than fifty (50) miles from the Executive's then current primary business, or (e) the Company not offering to renew the Executive's employment agreement on substantially similar

terms prior to the end of the Period of Employment (as may be extended from time to time). The Executive must provide the Company a detailed written notice that describes the circumstances being relied on for such termination with respect to this Agreement within thirty (30) days after the event, circumstance or condition first arose giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge. If no such cure occurs, the Executive's employment will be terminated on the close of business on the thirtieth (30th) day after the Executive provided the required written notice.

a. **“Without Cause Termination” or “Terminated Without Cause”** means termination of the Executive's employment by the Company other than due to (a) the Executive's death or Disability or (b) a Termination for Cause.

b. **“Resignation”** means a termination of the Executive's employment by the Executive, other than in connection with a Constructive Discharge.

A. **Conditions to Payment and Acceleration.** In the event of a termination under this Section VI, any earned but unpaid Base Salary as of the date of such termination will be paid in accordance with Section IV-A, and in the event of a Termination Without Cause or a Constructive Discharge, any earned but unpaid Incentive Compensation Award for a prior completed fiscal year as of the date of such termination will be paid in accordance with Section IV-B, and for the avoidance of doubt, the Executive shall retain any Long Term Incentive Awards that have vested and been paid to the Executive as of the date of such termination, unless otherwise prohibited by law. All payments due to the Executive under Sections VI-A(i) will be made to the Executive in a lump sum no later than the sixtieth (60th) day following the date of termination; provided, however, that (i) all payments and benefits under Sections VI-A(i)-(iii) will be subject to, and contingent upon, the execution by the Executive (or the Executive's beneficiary or estate) of a release of claims substantially in the form attached hereto as Exhibit A, and (ii) in the event that the period during which the Executive is entitled to consider the general release (and to revoke the release, if applicable) spans two (2) calendar years, then any payment that otherwise would have been payable during the first calendar year will be made on the later of (a) the end of the revocation period (assuming that the Executive does not revoke), and (b) the first business day of the second calendar year (regardless of whether the Executive used the full time period allowed for consideration), to the extent required for purposes of Code Section 409A. The payments due to the Executive under Section VI-A will be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of the Company or its affiliates. The Company will provide the general release to the Executive within ten (10) business days following the Executive's last day of employment.

SECTION VII

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

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in the Executive's possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal

action in which the Company or any of its affiliates is or may become a party. During the Period of Employment, the Executive will comply in all respects with the Company's Business Principles,

policies and standards. After the Period of Employment, the Executive will cooperate as reasonably requested with the Company and its affiliates in connection with any claims or legal actions in which the Company or any of its affiliates is or may become a party. After the Period of Employment, the Company agrees to reimburse the Executive for any reasonable out-of-pocket expenses incurred by the Executive by reason of such cooperation, including any loss of salary due, to the extent permitted by law, and the Company will make reasonable efforts to minimize interruption of the Executive's life in connection with the Executive's cooperation in such matters as provided for in this Section VII-A.

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

B. During the Period of Employment (as may be extended from time to time) and the Post Employment Period (as defined below and, together with the Period of Employment, the "**Restricted Period**"), irrespective of the cause, manner or time of any termination, the Executive will not use the Executive's status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to the Executive in the absence of the Executive's relationship to the Company or any of its affiliates. Notwithstanding the provisions set forth herein, the Executive may disclose the Executive's employment relationship with the Company in connection with a personal loan application.

a. During the Restricted Period, the Executive will not make any statements or perform any acts intended to advance or which reasonably could have the effect of advancing the interest of any competitors of the Company or any of its affiliates or in any way injuring or intending to injure the interests of the Company or any of its affiliates. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, engage in, or directly or indirectly (whether for compensation or otherwise), own or hold any proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party or business which competes with the business of the Company or any of its affiliates, as such business or

businesses may be conducted from time to time, either as a general or limited partner, proprietor, common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally

and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

a. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, directly or indirectly, request or advise any then current client, customer or supplier of the Company to withdraw, curtail or cancel its business with the Company or any of its affiliates, or solicit or contact any such client, customer or supplier with a view to inducing or encouraging such client, customer or supplier to discontinue or curtail any business relationship with the Company or any of its affiliates. The Executive will not have discussions with any employee of the Company or any of its affiliates regarding information or plans for any business intended to compete with the Company or any of its affiliates.

b. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, directly or indirectly cause, solicit, entice or induce (or endeavor to cause, solicit, entice or induce) any present or future employee or independent contractor of the Company or any of its affiliates to leave the employ of, or otherwise terminate its relationship with, the Company or any of its affiliates or to accept employment with, provide services to or receive compensation from the Executive or any person, firm, company, association or other entity with which the Executive is now or may hereafter become associated. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its subsidiaries or affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

c. For the purposes of this Agreement, the term "**proprietary interest**" means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity, or ownership of any class of equity interest in a publicly-held company (unless such ownership of a publicly-held company is 5% or less); the term "**affiliate**" includes without limitation all subsidiaries, joint venturers and licensees of the Company (including, without limitation, any affiliated individuals or entities); and the term, "**Post Employment Period**" means either (a) if the Executive's employment terminates for any reason at such time following the expiration of the Period of Employment hereunder, a period of one year following the Executive's termination of employment; or (b) if the Executive's employment terminates during the Period of Employment hereunder, a period of two years following the Executive's termination of employment.

A. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section VII without the necessity of

posting any bond or showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing,

neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section VII.

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

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

C. Notice of Statutory Exceptions.

a. Nothing in this Agreement shall prohibit or restrict the Company, any of its affiliates, the Executive or their respective attorneys from: (a) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to this Agreement made hereunder, or as required by law or legal process, including with respect to possible violations of law; (b) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (c) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company, any of its affiliates, or the Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

b. Pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its affiliates that (a) is made (x) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Executive's attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company or any of its affiliates for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding, if the Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

SECTION VIII INDEMNIFICATION

The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or the certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive (including payment of expenses in advance of final disposition of a proceeding as permitted by such laws, certificate of incorporation or by-laws).

SECTION IX MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates, except as expressly provided in Section VI-A(iv).

SECTION X WITHHOLDING TAXES

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

SECTION XI

EFFECT OF PRIOR AGREEMENTS

Upon the Effective Date, this Agreement will be deemed to have superseded and replaced each of any prior employment or consultant agreement between the Company (and/or its affiliates, including without limitation, its respective predecessors) and the Executive, including, without limitation, the Prior Agreement.

SECTION XII

CONSOLIDATION, MERGER OR SALE OF ASSETS; ASSIGNMENT

Nothing in this Agreement will preclude the Company from consolidating or merging into or with, or transferring all or a portion of its business and/or assets to, another corporation. The Company may assign this Agreement to any successor to all or a portion of the business and/or assets of the Company, provided, that in the event of such an assignment, the Company shall require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, the failure of which shall constitute a Constructive Discharge pursuant to Section VI-C(ii) herein.

SECTION XIII MODIFICATION

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

SECTION XIV GOVERNING LAW

This Agreement has been executed and delivered in the State of Florida and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state. In any action brought by the Company under Section VII-D above, Executive consents to exclusive jurisdiction and venue in the federal and state courts in, at the election of the Company, (A) the State of Florida and/or (B) any state and county in which the Company contends that Executive has breached any agreement with or duty to the Company. In any action brought by Executive under Section VII-D above, the Company consents to the exclusive jurisdiction and venue in the federal and state courts of the State of Florida.

SECTION XV ARBITRATION

A. The Executive and the Company mutually consent to the resolution by final and binding arbitration of any and all disputes, controversies, or claims related in any way to the Executive's employment and/or relationship with the Company, including, without limitation, any dispute, controversy or claim of alleged discrimination, harassment, or retaliation (including, but not limited to, claims based on race, sex, sexual preference, religion, national origin, age, marital or family status, medical condition, or disability, or any other protected characteristics under the law); any dispute, controversy, or claim arising out of or relating to any agreements between the Executive and the Company, including this Agreement (other than with respect to the matters covered by Section VII for which the Company may, but will not be required to, seek injunctive relief in a court of competent jurisdiction); and any dispute as to the ability to arbitrate a matter under this Agreement (collectively, "**Claims**"); provided, however, that nothing in this Agreement shall require arbitration of any Claims which, by law, cannot be the subject of a compulsory arbitration agreement, and nothing in this Agreement shall be interpreted to mean that the Executive is precluded from filing complaints with the Equal Employment Opportunity Commission or the National Labor Relations Board.

B. Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute within the same statute of limitations period applicable to such Claims. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in Florida, to JAMS, before a single arbitrator appointed in accordance with the Employment Arbitration Rules and Procedures of JAMS ("**JAMS Rules**") then in effect, modified only as herein expressly provided. The arbitrator shall be selected in accordance with the JAMS Rules; provided that the arbitrator shall be an attorney (i) with at least ten (10) years of significant experience in employment matters and/or (ii) a former federal or state court judge.

After the aforesaid twenty (20) days, either party, upon ten (10) days' notice to the other, may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings. The arbitrator will be empowered to award either party any remedy, at law or in equity, that the party would otherwise have been entitled to, had the matter been litigated in court; provided, however, that the authority to award any remedy is subject to whatever limitations, if any, exist in the applicable law on such remedies. The arbitrator shall issue a decision or award in writing, stating the essential findings of fact and conclusions of law. Any judgment on or enforcement of any award, including an award providing for interim or permanent injunctive relief, rendered by the arbitrator may be entered, enforced, or appealed in any court having jurisdiction thereof. Any arbitration proceedings, decision, or award rendered hereunder, and the validity, effect, and interpretation of this arbitration provision, shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

A. Each party to any dispute shall pay its own expenses, including attorneys' fees; provided, however, that the Company shall pay all reasonable costs, fees, and expenses that the Executive would not otherwise have been subject to paying if the Claim had been resolved in a court of competent jurisdiction.

B. The parties agree that this Section XV has been included to rapidly, inexpensively and confidentially resolve any disputes between them, and that this Section XV will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, except as otherwise provided in Section XV-A herein, other than (i) any action seeking a restraining order or other injunctive or equitable relief or order in aid of arbitration or to compel arbitration from a court of competent jurisdiction, (ii) any action seeking interim injunctive or equitable relief from the arbitrator pursuant to the JAMS Rules or (iii) post-arbitration actions seeking to enforce an arbitration award from a court of competent jurisdiction. **IN THE EVENT THAT ANY COURT DETERMINES THAT THIS ARBITRATION PROCEDURE IS NOT BINDING, OR OTHERWISE ALLOWS ANY LITIGATION REGARDING A DISPUTE, CLAIM, OR CONTROVERSY COVERED BY THIS AGREEMENT TO PROCEED, THE PARTIES HERETO HEREBY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN OR WITH RESPECT TO SUCH LITIGATION.**

C. The parties will keep confidential, and will not disclose to any person, except to counsel for either of the parties and/or as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof. Accordingly, the Executive and the Company agree that all proceedings in any arbitration shall be conducted under seal and kept strictly confidential. In that regard, no party shall use, disclose, or permit the disclosure of any information, evidence, or documents produced by any other party in the arbitration proceedings or about the existence, contents, or results of the proceedings, except as necessary and appropriate for the preparation and conduct of the arbitration proceedings, or as may be required by any legal process, or as required in an action in aid of arbitration, or for enforcement of or appeal from an arbitral award. Before making any disclosure permitted by the preceding sentence, the party intending to make such disclosure shall give the other party reasonable written notice of the intended disclosure and afford such other party a reasonable opportunity to protect its interests (e.g., by application for a protective order and/or to file under seal).

SECTION XVI SURVIVAL

Sections VII through XIX will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XVII SEVERABILITY

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

SECTION XVIII NO CONFLICTS

The Executive represents and warrants to the Company that the Executive is not a party to or otherwise bound by any agreement or arrangement (including, without limitation, any license, covenant, or commitment of any nature), or subject to any judgment, decree, or order of any court or administrative agency, that would conflict with or will be in conflict with or in any way preclude, limit or inhibit the Executive's ability to execute this Agreement or to carry out the Executive's duties and responsibilities hereunder.

SECTION XIX SECTION 409A OF THE CODE

A. Section 409A. Although the Company does not guarantee to the Executive any particular tax treatment relating to the payments and benefits under this Agreement, it is intended that such payments and benefits be exempt from, or comply with, Code Section 409A and this Agreement will be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

B. Separation From Service. A termination of employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits subject to Code Section 409A upon or following a termination of employment unless such termination is also a "Separation from Service" within the meaning of Code Section 409A

and, for purposes of any such provision of this Agreement, references to a “resignation,” “termination,” “termination of employment” or like terms will mean Separation from Service.

A. Reimbursement. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year will not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and such reimbursement will be made no later than the end of the calendar year following the calendar year in which the expense is incurred, provided that the foregoing clause will not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

B. Specified Employee. If the Executive is deemed on the date of termination of employment to be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) of the Code and using the identification methodology selected by the Company from time to time, or if none, the default methodology, then:

a. With regard to any payment, the providing of any benefit or any distribution of equity that constitutes “deferred compensation” subject to Code Section 409A, payable upon separation from service, such payment, benefit or distribution will not be made or provided prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of the Executive’s Separation from Service and (b) the date of the Executive’s death, to the extent required to comply with Code Section 409A; and

b. On the first day of the seventh (7th) month following the date of the Executive’s Separation from Service or, if earlier, on the date of death, (a) all payments delayed pursuant to this Section XIX will be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement will be paid or provided in accordance with the normal dates specified for them herein and (b) all distributions of equity delayed pursuant to this Section XIX will be made to the Executive.

C. Company Discretion. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment will be made within 60 days following the date of termination”), the actual date of payment within the specified period will be within the sole discretion of the Company and the number of days referenced will refer to the number of calendar days.

D. Compliance. Notwithstanding anything herein to the contrary, in no event whatsoever will the Company or any of its affiliates be liable for any additional tax, interest or penalties that may be imposed on the Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date indicated below, with an effective date of June 1, 2021.

TRAVEL + LEISURE CO.

By: /s/ Kimberly Marshal
Name: Kimberly Marshall
Title: Chief Human Resources Officer
Date: May 13, 2021

/s/ Michael Brown
Michael Brown
Date: May 13, 2021

EXHIBIT A RELEASE

As a condition precedent to Travel + Leisure Co. (the "Company") providing the consideration set forth in Section VI-(A)(i)-(iv) of the Amended and Restated Employment Agreement, dated [●], 2021 (the "Employment Agreement"), to which this Release is attached as Exhibit A (this "Release"), on or following the "ADEA Release Effective Date" (as defined below) to the undersigned executive ("Executive"), Executive hereby agrees to the terms of this Release as follows:

1. **Release**¹

(a) Subject to Section 1(c) below, Executive, on behalf of Executive and Executive's heirs, executors, administrators, successors and assigns, hereby voluntarily, unconditionally, irrevocably and absolutely releases and discharges the Company, its parent and each of their subsidiaries, affiliates and joint venture partners, and all of their past and present employees, officers, directors, agents, owners, shareholders, representatives, members, attorneys, partners, insurers and benefit plans, and all of their predecessors, successors and assigns (collectively, the "Released Parties") from any and all claims, demands, causes of action, suits, controversies, actions, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, any other damages, claims for costs, attorneys' fees, losses or liabilities of any nature whatsoever, in law or in equity, and any other liabilities, known or unknown, suspected or unsuspected of any nature whatsoever (hereinafter, "Claims") that Executive has or may have against the Released Parties: (i) from the beginning of time through the date upon which Executive signs this Release; (ii) arising from or in any way related to Executive's employment or termination of employment with any of the Released Parties; (iii) arising from or in any way related to any agreement with any of the Released Parties, including, but not limited to, the Employment Agreement; and/or (iv) arising from or in any way related to awards, policies, plans, programs or practices of any of the Released Parties that may apply to Executive or in which Executive may participate, in each case, including, but not limited to, under any federal, state or local law, act, statute, code, order, judgment, injunction, ruling, decree, writ, ordinance or regulation, including, but not limited to, any Claims under the Age Discrimination in Employment Act, as amended (the "ADEA").

(b) Executive understands that Executive may later discover claims or facts that may be different from, or in addition to, those which Executive now knows or believes to exist with regards to the subject matter of this Release and the releases in this Section 1, and which, if known at the time of executing this Release, may have materially affected this Release or Executive's decision to enter into it. Executive hereby waives any right or claim that might arise as a result of such different or additional claims or facts.

(c) This Release is not intended to bar or affect (i) any Claims that may not be waived by private agreement under applicable law, such as claims for workers' compensation or unemployment insurance benefits, (ii) vested rights under the Company's 401(k) or pension plan, (iii) rights to indemnification under Section VIII of the Employment Agreement, (iv) any right to the payments and benefits set forth in Section VI-(A)(i)-(iv) of the Employment Agreement, and/or (v) any earned, but unpaid, wages or paid-time-off payable upon a termination of employment that may be owed pursuant to Company policy and applicable law or any unreimbursed expenses payable in accordance with Company policy.

(d) Nothing in this Release is intended to prohibit or restrict Executive's right to file a charge with, or participate in a charge by, the Equal Employment Opportunity Commission or any other local, state or federal administrative body or government agency; provided, however, that Executive hereby waives the right to recover any monetary damages or other relief against any Released Parties to the fullest extent permitted by law, excepting any benefit or remedy to which Executive is or becomes entitled to pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

¹ **Note to Draft:** The Company reserves the right to edit the Release to provide as full a release of claims as is possible under applicable law at the time of the termination of employment.

a. Notwithstanding anything in this Release to the contrary, Executive's release of Claims under the ADEA (the "ADEA Release") shall only become effective upon: (i) Executive's separate signature set forth on the signature page of this Release reflecting his assent to his release of Claims under the ADEA and (ii) the occurrence of the ADEA Release Effective Date.

b. Executive represents that Executive has made no assignment or transfer of any right or Claim covered by this Section 1 and that Executive further agrees that he is not aware of any such right or Claim covered by this Section 1.

c. Executive acknowledges that, as of the date upon which Executive signs this Release, Executive has not (i) filed a Claim with any local, state, or federal administrative body or government agency or (ii) furnished information or assistance to any non-governmental person or entity, who or which is taking or considering whether to take legal action against any of the Released Parties.

1. **Return of Company Property.** Executive represents that he has returned to the Company all Company property and confidential and proprietary information in his possession or control, in any form whatsoever, including, without limitation, equipment, telephones, smart phones, PDAs, laptops, credit cards, keys, access cards, identification cards, security devices, network access devices, pagers, documents, manuals, reports, books, compilations, work product, e-mail messages, recordings, tapes, removable storage devices, hard drives, computers and computer discs, files and data, which Executive prepared or obtained during the course of his employment with the Company. Executive has also provided the Company with the passcodes to any lock devices or password protected work-related accounts. If Executive discovers any property of the Company or confidential or proprietary information in his possession after the date upon which he signs this Agreement, Executive shall immediately return such property.

2. **Nondisparagement.** Subject to Section 6 below, Executive agrees not to (a) make any statement, written or oral, directly or indirectly, which in any way disparages the Released Parties or their business, products or services in any manner whatsoever, or portrays the Released Parties or their business, products or services in a negative light or would in any way place the Released Parties in disrepute; and/or (b) encourage anyone else to disparage or criticize the Released Parties or their business, products or services, or put them in a bad light.

3. **Consultation/Voluntary Agreement.** Executive acknowledges that the Company has advised Executive to consult with an attorney prior to executing this Release. Executive has carefully read and fully understands all of the provisions of this Release. Executive is entering into this Release, knowingly, freely and voluntarily in exchange for good and valuable consideration to which Executive would not be entitled in the absence of executing and not revoking this Release.

4. **Review and Revocation Period.** Executive has been given twenty-one (21)² calendar days to consider the terms of this Release, although Executive may sign it at any time sooner. Executive has seven (7) calendar days after the date on which Executive executes this Release for purposes of the ADEA Release to revoke Executive's consent to the ADEA Release. Such revocation must be in writing and must be e-mailed to [] at []². Notice of such revocation of the ADEA Release must be received within the seven (7) calendar days referenced above. In the event of such revocation of the ADEA Release by Executive, with the exception of the ADEA Release (which shall become null and void), this Release shall otherwise remain fully effective. Provided that Executive does not revoke his execution of the ADEA Release within such seven (7) day revocation period, the "ADEA Release Effective Date" shall occur on the eighth calendar day after the date on which he signs the signature page of this Release reflecting Executive's assent to the ADEA Release. If Executive does not sign this Release (including the ADEA Release) within twenty-one (21) days after the Company presents it to him, or if Executive timely revokes the ADEA Release within the above- referenced seven day period, Executive shall have no right to the payments and benefits set forth in Section VI-(A)(i)-(iv) of the Employment Agreement.

² **Note to Draft:** The circumstances of the termination of employment may warrant that the Company provides forty-five (45) days and an Older Workers Benefit Protection Act chart.

³ **Note to Draft:** The Company reserves right to insert appropriate name and contact information at time of termination of employment.

1. **Permitted Disclosures.** Nothing in this Release or any other agreement between Executive and the Company or any other policies of the Company or its affiliates shall prohibit or restrict Executive or Executive's attorneys from: (a) making any disclosure of relevant and necessary information or documents in any action, investigation or proceeding relating to this Release, or as required by law or legal process, including with respect to possible violations of law; (b) participating, cooperating or testifying in any action, investigation or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization and/or pursuant to the Sarbanes-Oxley Act; or (c) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Release or any other agreement between Executive and the Company or any other policies of the Company or its affiliates prohibits or restricts Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation. Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of a trade secret of the Company or its affiliates that (i) is made (x) in confidence to a Federal, state or local government official, either directly or indirectly, or to Executive's attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Nothing in this Release or any other agreement between the Company and Executive or any other policies of the Company or its affiliates is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

2. **No Admission of Wrongdoing.** Neither this Release, nor the furnishing of the consideration for this Release, shall be deemed or construed at any time to be an admission by the parties of any improper or unlawful conduct, and all of the parties expressly deny any improper or unlawful conduct.

3. **Third-Party Beneficiaries.** Executive acknowledges and agrees that all Released Parties are third-party beneficiaries of this Release and have the right to enforce this Release.

4. **Amendments and Waivers.** No amendment to or waiver of this Release or any of its terms will be binding unless consented to in writing by Executive and an authorized representative of the Company. No waiver by any Released Party of a breach of any provision of this Release, or of compliance with any condition or provision of this Release to be performed by Executive, will operate or be construed as a waiver of any subsequent breach with respect to any other Released Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of any Released Party to take any action by reason of any breach will not deprive any other Released Party of the right to take action at any time.

5. **Governing Law; Jury Waiver.** This Release shall be governed by, and construed in accordance with, the laws of the State of Florida, without regard to the application of any choice-of-law rules that would result in the application of another state's laws. Subject to Section 13 below, Executive irrevocably consents to the jurisdiction of, and exclusive venue in, the state and federal courts in Florida with respect to any matters pertaining to, or arising from, this Release. EXECUTIVE EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS RELEASE OR THE MATTERS CONTEMPLATED HEREBY.

6. **Savings Clause.** If any term or provision of this Release is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Release or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision of this Release is invalid, illegal or unenforceable, this Release shall be enforceable as closely as possible to its intent of providing the Released Parties with a full release of all legally releasable claims through the date upon which Executive signs this Release.

7. **Continuing Obligations.** Section VII of the Employment Agreement is incorporated herein by reference (the "Continuing Obligations"). If Executive breaches the Continuing Obligations, all amounts and

benefits payable under this Release shall cease and, upon request, Executive shall immediately repay to the Company any and all amounts already paid pursuant to this Release. If any one or more of the Continuing Obligations shall be held by an arbitrator or a court of competent jurisdiction to be excessively broad as to duration, geography, scope, activity or subject, such provisions shall be construed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law.

1. **Arbitration**. Section XV of the Employment Agreement is incorporated herein by reference and such terms and conditions shall apply to any disputes under this Agreement.

2. **Entire Agreement**. Except as expressly set forth herein, Executive acknowledges and agrees that this Release constitutes the complete and entire agreement and understanding between the Company and Executive with respect to the subject matter hereof, and supersedes in its entirety any and all prior understandings, commitments, obligations and/or agreements, whether written or oral, with respect thereto; it being understood and agreed that this Release, including the mutual covenants, agreements, acknowledgments and affirmations contained herein, is intended to constitute a complete settlement and resolution of all matters set forth in Section 1 hereof. Executive represents that, in executing this Release, Executive has not relied upon any representation or statement made by any of the Released Parties, other than those set forth in this Release, with regard to the subject matter, basis, or effect of this Release.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Executive has executed this Release as of the below-indicated date(s).

EXECUTIVE

(Signature)
Print Name: __ Date: __

ACKNOWLEDGED AND AGREED
WITH RESPECT TO ADEA RELEASE EXECUTIVE

EXECUTIVE

(Signature)
Print Name: __ Date: __

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this “**Agreement**”), effective as of June 1, 2021 (the “**Effective Date**”), is hereby made by and between Travel + Leisure Co. formerly known as Wyndham Destinations, Inc., a Delaware corporation (the “**Company**”), and Michael Hug (the “**Executive**”).

WHEREAS, the Company and the Executive are party to that certain Employment Agreement, dated as of June 1, 2018 (the “**Prior Agreement**”); and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to serve the Company, in accordance with the terms and conditions of this Agreement, which will supersede the Prior Agreement in its entirety effective as of the Effective Date.

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

SECTION I

EMPLOYMENT; POSITION AND RESPONSIBILITIES

During the Period of Employment (as defined in Section II below), the Company agrees to continue to employ the Executive, and the Executive agrees to continue to be employed by the Company, in each case, in accordance with the terms and conditions set forth in this Agreement.

During the Period of Employment, the Executive will continue to serve as the Chief Financial Officer of the Company and will continue to report to, and be subject to the direction of, the Chief Executive Officer of the Company (the “**Supervising Officer**”). The Executive will perform such duties and exercise such supervision with regard to the business of the Company as are associated with the Executive’s position, as well as such reasonable additional duties as may be prescribed from time to time by the Supervising Officer. The Executive will, during the Period of Employment, devote substantially all of the Executive’s time and attention during normal business hours to the performance of services for the Company, or as otherwise directed by the Supervising Officer from time to time. The Executive will maintain a primary office and generally conduct the Executive’s business in Orlando, Florida, except for customary business travel in connection with the Executive’s duties hereunder.

SECTION II PERIOD OF EMPLOYMENT

The period of the Executive’s employment under this Agreement (the “**Period of Employment**”) will begin on the Effective Date and will end on May 31, 2024, subject to earlier termination as provided in this Agreement. No later than 180 days prior to the expiration of the Period of Employment, the Company and the Executive will commence a good faith negotiation

regarding extending the Period of Employment; provided, that neither party hereto will have any obligation hereunder or otherwise to consummate any such extension or enter into any new agreement relating to the Executive's employment with the Company.

SECTION III COMPENSATION AND BENEFITS

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

A. Base Salary.

During the Period of Employment, the Company will pay the Executive a base salary at an annual rate equal to five hundred ninety-four thousand eight hundred and twenty-five dollars (\$594,825.00) effective on the Effective Date, subject to such annual increases as the Company's Board of Directors' Compensation Committee (the "**Committee**") deems appropriate in its sole discretion ("**Base Salary**"). Base Salary will be payable according to the customary payroll practices of the Company.

B. Annual Incentive Awards.

Effective as of the Effective Date, the Executive will continue to be eligible to earn an annual incentive compensation award in respect of each fiscal year of the Company ending during the Period of Employment, subject to the Committee's discretion to grant such awards, based upon a target award opportunity equal to 85 % of Base Salary ("**Target Award**") earned during each such year, and subject to the terms and conditions of the annual incentive plan covering employees of the Company, and further subject to attainment by the Company of such performance goals, criteria or targets established and certified by the Committee in its sole discretion in respect of each such fiscal year (each such annual incentive, an "**Incentive Compensation Award**"). Any earned Incentive Compensation Award will be paid to the Executive at such time as will be determined by the Committee, but in no event later than the last day of the calendar year following the calendar year with respect to which the performance targets relate.

C. Long Term Incentive Awards.

The Executive will continue to be eligible for long term incentive awards as determined by the Committee, and the Executive will participate in such grants at a level commensurate with the Executive's position as a senior executive officer of the Company. For purposes of this Agreement, awards described in this paragraph are referred to as "**Long Term Incentive Awards**." Any Long Term Incentive Awards will vest as determined by the Committee, in its sole and absolute discretion (including with respect to any performance-based conditions applicable to vesting), and will be subject to the terms and conditions of the Wyndham Worldwide Corporation 2006 Equity and Incentive Plan (Amended and Restated as of November 2, 2020) and any amended or successor plan thereto (the "**Equity Plan**") and the applicable

agreement evidencing such award as determined by the Committee. Any Long Term Incentive Awards will be made in the Committee's sole discretion.

A. Employee Benefits.

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

B. Expenses.

During the Period of Employment, the Company will continue to reimburse the Executive for reasonable business expenses incurred by the Executive in connection with the performance of the Executive's duties and obligations under this Agreement, subject to the Executive's compliance with such limitations and reporting requirements with respect to expenses as may be established by the Company from time to time. The Company will reimburse all taxable business expenses to the Executive promptly following submission but in no event later than the last day of the Executive's taxable year following the taxable year in which the expenses are incurred.

SECTION V DEATH AND DISABILITY

The Period of Employment will end upon the Executive's death. If the Executive becomes Disabled (as defined below) during the Period of Employment, the Period of Employment may be terminated at the option of the Executive upon notice of resignation to the Company, or at the option of the Company upon notice of termination to the Executive. For purposes of this Agreement, "**Disability**" will have the meaning set forth in Section 409A of the Internal Revenue Code of 1986, as amended ("**Code**"), and the rules and regulations promulgated thereunder ("**Code Section 409A**"). The Company's obligation to make payments to the Executive under this Agreement will cease as of such date of termination due to death or Disability, except for (A) any Base Salary earned but unpaid, (B) any Incentive Compensation Awards earned but unpaid for a prior completed fiscal year, if any, and (C) any Long Term Incentive Awards earned and vested but unpaid for a prior completed fiscal year, if any, as of the date of such termination, which will be paid in accordance with the terms set forth in Sections IV-A, IV-B and IV-C, respectively, unless otherwise prohibited by law. Notwithstanding the foregoing, the Company will not take any action with respect to the Executive's employment status pursuant to this Section V earlier than the date on which the Executive becomes eligible for long-term disability benefits under the terms of the Company's long-term disability plan in effect from time to time.

SECTION VI

EFFECT OF TERMINATION OF EMPLOYMENT

C. Without Cause Termination and Constructive Discharge. If the Executive's employment terminates during the Period of Employment due to either a Without Cause Termination or a Constructive Discharge (each as defined below), the Company will pay or provide the Executive, as applicable (or the Executive's surviving spouse, estate or personal representative, as applicable), subject to Section XIX:

a. a lump sum payment (the "Severance Payment") equal to (a) 200% multiplied by (b) the sum of (x) the Executive's then current Base Salary, plus (y) an amount equal to the highest Incentive Compensation Award paid to the Executive (disregarding voluntary deferrals) with respect to the three fiscal years of the Company immediately preceding the fiscal year in which the Executive's termination of employment occurs, but in no event will the amount set forth in this subsection (y) exceed the Executive's then target Incentive Compensation Award, provided, that the Company shall have the right to offset against such Severance Payment any then-existing documented and bona fide monetary debts owed by the Executive to the Company or any of its subsidiaries;

b. subject to Section VI-D below, (a) all time-based Long Term Incentive Awards (including all stock options, stock appreciation rights and restricted stock units) that would have otherwise vested within one (1) year following the Executive's termination of employment, will vest upon the Executive's termination of employment; and (b) any performance-based Long Term Incentive Awards (including restricted stock units but excluding stock options and stock appreciation rights) will vest and be paid on a pro rata basis (to the extent that the performance goals applicable to the Long Term Incentive Award are achieved), with such proration to be determined based upon the portion of the full performance period during which the Executive was employed by the Company plus twelve (12) months (or, if less, assuming the Executive was employed by the Company for the entire performance period), with the payment of any such vested performance-based Long Term Incentive Awards to occur at the time that such performance-based long term incentive awards are paid to actively-employed employees generally. The provisions relating to Long Term Incentive Awards set forth in this Section will not supersede or replace any provision or right of the Executive relating to the acceleration of the vesting of such awards in the event of a Change in Control (as defined in the Equity Plan) of the Company or the Executive's death or Disability, whether pursuant to an applicable stock plan document or award agreement;

c. the Executive will be entitled to a two (2)-year post-termination exercise period (but in no event beyond the original expiration date) for all vested and outstanding stock appreciation rights and options held by the Executive on the date of termination;

d. the Executive shall be eligible to continue to participate in the Company health plans in which the Executive participates (medical, dental and vision) through the end of the month in which the Executive's termination becomes effective. Following such time, the Executive may elect to continue health plan coverage in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), and if the Executive elects such coverage, the Company will reimburse the Executive for the costs associated with such continuing health coverage under COBRA until the earlier of (a) eighteen (18) months from the

coverage commencement date and (b) the date on which the Executive becomes eligible for health and medical benefits from a subsequent employer; and

e. any of the following amounts that are earned but unpaid through the date of such termination: (a) Incentive Compensation Award for a prior completed fiscal year and (b) Base Salary. The Executive shall retain any Long Term Incentive Awards that have vested and been paid to the Executive as of the date of such termination, unless otherwise prohibited by law.

A. Termination for Cause; Resignation. If the Executive's employment terminates due to a Termination for Cause or a Resignation, Base Salary earned but unpaid as of the date of such termination will be paid to the Executive in accordance with Section VI-D below. Outstanding stock options and other equity awards held by the Executive as of the date of termination will be treated in accordance with their terms. Except as provided in this paragraph, the Company will have no further obligations to the Executive hereunder.

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

a. "**Termination for Cause**" means a termination of the Executive's employment by the Company due to (a) the Executive's willful failure to substantially perform the Executive's duties as an employee of the Company or any of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness) or material breach of the Company's Business Principles, policies or standards, (b) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Executive against the Company or any of its subsidiaries, (c) the Executive's conviction or plea of nolo contendere for a felony (or its state law equivalent) or any crime involving moral turpitude or dishonesty (which conviction, due to the passage of time or otherwise, is not subject to further appeal), (d) the Executive's gross negligence in the performance of the Executive's duties, or (e) the Executive purposely or negligently making a false certification regarding the Company's financial statements. The Company will provide a detailed written notice to the Executive of its intention to terminate the Executive's employment and that such termination is a Termination for Cause, along with a description of the Executive's conduct that the Company believes gives rise to the Termination for Cause, and provide the Executive with a period of fifteen (15) days to cure such conduct (unless the Company reasonably determines in its discretion that the Executive's conduct is not subject to cure) and/or challenge the Company's determination that such termination is a Termination for Cause; provided, however, that (x) the determination of whether such conduct has been cured and/or gives rise to a Termination for Cause will be made by the Company, in its sole discretion, and (y) the Company will be entitled to immediately and unilaterally restrict or suspend the Executive's duties during such fifteen (15)-day period pending its determination.

b. "**Constructive Discharge**" means, without the consent of the Executive, (a) any material breach by the Company of the terms of this Agreement, (b) a material diminution in the Executive's Base Salary or Target Award, (c) a material diminution in the Executive's authority, duties or responsibilities, (d) a relocation of the Executive's primary office to a location more than fifty (50) miles from the Executive's then current primary business, or (e) the Company not offering to renew the Executive's employment agreement on substantially similar terms prior to the end of the Period of Employment (as may be extended from time to time). The Executive must provide the Company a detailed written notice that describes the circumstances

being relied on for such termination with respect to this Agreement within thirty (30) days after the event, circumstance or condition first arose giving rise to the notice. The Company will have thirty (30) days after receipt of such notice to remedy the situation prior to the termination for Constructive Discharge. If no such cure occurs, the Executive's employment will be terminated on the close of business on the thirtieth (30th) day after the Executive provided the required written notice.

c. **"Without Cause Termination"** or **"Terminated Without Cause"** means termination of the Executive's employment by the Company other than due to (a) the Executive's death or Disability or (b) a Termination for Cause.

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

A. Conditions to Payment and Acceleration. In the event of a termination under this Section VI, any earned but unpaid Base Salary as of the date of such termination will be paid in accordance with Section IV-A, and in the event of a Termination Without Cause or a Constructive Discharge, any earned but unpaid Incentive Compensation Award for a prior completed fiscal year as of the date of such termination will be paid in accordance with Section IV-B, and for the avoidance of doubt, the Executive shall retain any Long Term Incentive Awards that have vested and been paid to the Executive as of the date of such termination, unless otherwise prohibited by law. All payments due to the Executive under Sections VI-A(i) will be made to the Executive in a lump sum no later than the sixtieth (60th) day following the date of termination; provided, however, that (i) all payments and benefits under Sections VI-A(i) - (iii) will be subject to, and contingent upon, the execution by the Executive (or the Executive's beneficiary or estate) of a release of claims substantially in the form attached hereto as Exhibit A, and (ii) in the event that the period during which the Executive is entitled to consider the general release (and to revoke the release, if applicable) spans two (2) calendar years, then any payment that otherwise would have been payable during the first calendar year will be made on the later of (a) the end of the revocation period (assuming that the Executive does not revoke), and (b) the first business day of the second calendar year (regardless of whether the Executive used the full time period allowed for consideration), to the extent required for purposes of Code Section 409A. The payments due to the Executive under Section VI-A will be in lieu of any other severance benefits otherwise payable to the Executive under any severance plan of the Company or its affiliates. The Company will provide the general release to the Executive within ten (10) business days following the Executive's last day of employment.

SECTION VII

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

A. The Executive will, with reasonable notice during or after the Period of Employment, furnish information as may be in the Executive's possession and fully cooperate with the Company and its affiliates as may be requested in connection with any claims or legal

action in which the Company or any of its affiliates is or may become a party. During the Period of Employment, the Executive will comply in all respects with the Company's Business Principles, policies and standards. After the Period of Employment, the Executive will cooperate as reasonably requested with the Company and its affiliates in connection with any claims or legal actions in which the Company or any of its affiliates is or may become a party. After the Period of Employment, the Company agrees to reimburse the Executive for any reasonable out-of-pocket expenses incurred by the Executive by reason of such cooperation, including any loss of salary due, to the extent permitted by law, and the Company will make reasonable efforts to minimize interruption of the Executive's life in connection with the Executive's cooperation in such matters as provided for in this Section VII-A.

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

B. During the Period of Employment (as may be extended from time to time) and the Post Employment Period (as defined below and, together with the Period of Employment, the "**Restricted Period**"), irrespective of the cause, manner or time of any termination, the Executive will not use the Executive's status with the Company or any of its affiliates to obtain loans, goods or services from another organization on terms that would not be available to the Executive in the absence of the Executive's relationship to the Company or any of its affiliates. Notwithstanding the provisions set forth herein, the Executive may disclose the Executive's employment relationship with the Company in connection with a personal loan application.

a. During the Restricted Period, the Executive will not make any statements or perform any acts intended to advance or which reasonably could have the effect of advancing the interest of any competitors of the Company or any of its affiliates or in any way injuring or intending to injure the interests of the Company or any of its affiliates. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, engage in, or directly or indirectly (whether for compensation or otherwise), own or hold any proprietary interest in, manage, operate, or control, or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party or business which competes with the business of the Company or any of its affiliates, as such business or businesses may be conducted from time to time, either as a general or limited partner, proprietor,

common or preferred shareholder, officer, director, agent, employee, consultant, trustee, affiliate, or otherwise. The Executive acknowledges that the Company's and its affiliates' businesses are conducted nationally and internationally and agrees that the provisions in the foregoing sentence will operate throughout the United States and the world.

b. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, directly or indirectly, request or advise any then current client, customer or supplier of the Company to withdraw, curtail or cancel its business with the Company or any of its affiliates, or solicit or contact any such client, customer or supplier with a view to inducing or encouraging such client, customer or supplier to discontinue or curtail any business relationship with the

Company or any of its affiliates. The Executive will not have discussions with any employee of the Company or any of its affiliates regarding information or plans for any business intended to compete with the Company or any of its affiliates.

a. During the Restricted Period, the Executive will not, without the express prior written consent of the Company which may be withheld in the Company's sole and absolute discretion, directly or indirectly cause, solicit, entice or induce (or endeavor to cause, solicit, entice or induce) any present or future employee or independent contractor of the Company or any of its affiliates to leave the employ of, or otherwise terminate its relationship with, the Company or any of its affiliates or to accept employment with, provide services to or receive compensation from the Executive or any person, firm, company, association or other entity with which the Executive is now or may hereafter become associated. The Executive hereby represents and warrants that the Executive has not entered into any agreement, understanding or arrangement with any employee of the Company or any of its subsidiaries or affiliates pertaining to any business in which the Executive has participated or plans to participate, or to the employment, engagement or compensation of any such employee.

b. For the purposes of this Agreement, the term "**proprietary interest**" means legal or equitable ownership, whether through stock holding or otherwise, of an equity interest in a business, firm or entity, or ownership of any class of equity interest in a publicly-held company (unless such ownership of a publicly-held company is 5% or less); the term "**affiliate**" includes without limitation all subsidiaries, joint venturers and licensees of the Company (including, without limitation, any affiliated individuals or entities); and the term, "**Post Employment Period**" means either (a) if the Executive's employment terminates for any reason at such time following the expiration of the Period of Employment hereunder, a period of one year following the Executive's termination of employment; or (b) if the Executive's employment terminates during the Period of Employment hereunder, a period of two years following the Executive's termination of employment.

A. The Executive hereby acknowledges that damages at law may be an insufficient remedy to the Company if the Executive violates the terms of this Agreement and that the Company will be entitled, upon making the requisite showing, to preliminary and/or permanent injunctive relief in any court of competent jurisdiction to restrain the breach of or otherwise to specifically enforce any of the covenants contained in this Section VII without the necessity of

posting any bond or showing any actual damage or that monetary damages would not provide an adequate remedy. Such right to an injunction will be in addition to, and not in limitation of, any other rights or remedies the Company may have. Without limiting the generality of the foregoing, neither party will oppose any motion the other party may make for any expedited discovery or hearing in connection with any alleged breach of this Section VII.

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

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

A. Notice of Statutory Exceptions.

a. Nothing in this Agreement shall prohibit or restrict the Company, any of its affiliates, the Executive or their respective attorneys from: (a) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to this Agreement made hereunder, or as required by law or legal process, including with respect to possible violations of law; (b) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (c) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company, any of its affiliates, or the Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

b. Pursuant to 18 U.S.C. § 1833(b), the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its affiliates that (a) is made (x) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Executive's attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company or any of its affiliates for reporting a suspected violation of law, the Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding, if the Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.'

SECTION VIII INDEMNIFICATION

The Company will indemnify the Executive to the fullest extent permitted by the laws of the state of the Company's incorporation in effect at that time, or the certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive (including payment of expenses in advance of final disposition of a proceeding as permitted by such laws, certificate of incorporation or by-laws).

SECTION IX MITIGATION

The Executive will not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor will the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates, except as expressly provided in Section VI-A(iv).

SECTION X

WITHHOLDING TAXES

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

SECTION XI

EFFECT OF PRIOR AGREEMENTS

Upon the Effective Date, this Agreement will be deemed to have superseded and replaced each of any prior employment or consultant agreement between the Company (and/or its affiliates, including without limitation, its respective predecessors) and the Executive, including, without limitation, the Prior Agreement.

SECTION XII

CONSOLIDATION, MERGER OR SALE OF ASSETS; ASSIGNMENT

Nothing in this Agreement will preclude the Company from consolidating or merging into or with, or transferring all or a portion of its business and/or assets to, another corporation. The Company may assign this Agreement to any successor to all or a portion of the business and/or assets of the Company, provided, that in the event of such an assignment, the Company shall require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, the failure of which shall constitute a Constructive Discharge pursuant to Section VI-C(ii) herein.

SECTION XIII MODIFICATION

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

SECTION XIV GOVERNING LAW

This Agreement has been executed and delivered in the State of Florida and its validity, interpretation, performance and enforcement will be governed by the internal laws of that state. In any action brought by the Company under Section VII-D above, Executive consents to exclusive jurisdiction and venue in the federal and state courts in, at the election of the Company, (A) the State of Florida; and/or (B) any state and county in which the Company contends that Executive has breached any agreement with or duty to the Company. In any action brought by Executive under Section VII-D above, the Company consents to the exclusive jurisdiction and venue in the federal and state courts of the State of Florida.

SECTION XV ARBITRATION

A. The Executive and the Company mutually consent to the resolution by final and binding arbitration of any and all disputes, controversies, or claims related in any way to the Executive's employment and/or relationship with the Company, including, without limitation, any dispute, controversy or claim of alleged discrimination, harassment, or retaliation (including, but not limited to, claims based on race, sex, sexual preference, religion, national origin, age, marital or family status, medical condition, or disability, or any other protected characteristics under the law); any dispute, controversy, or claim arising out of or relating to any agreements between the Executive and the Company, including this Agreement (other than with respect to the matters covered by Section VII for which the Company may, but will not be required to, seek injunctive relief in a court of competent jurisdiction); and any dispute as to the ability to arbitrate a matter under this Agreement (collectively, "**Claims**"); provided, however, that nothing in this Agreement shall require arbitration of any Claims which, by law, cannot be the subject of a compulsory arbitration agreement, and nothing in this Agreement shall be interpreted to mean that the Executive is precluded from filing complaints with the Equal Employment Opportunity Commission or the National Labor Relations Board.

B. Any party who is aggrieved will deliver a notice to the other party setting forth the specific points in dispute within the same statute of limitations period applicable to such Claims. Any points remaining in dispute twenty (20) days after the giving of such notice may be submitted to arbitration in Florida, to JAMS, before a single arbitrator appointed in accordance with the Employment Arbitration Rules and Procedures of JAMS ("**JAMS Rules**") then in effect, modified only as herein expressly provided. The arbitrator shall be selected in accordance with the JAMS Rules; provided that the arbitrator shall be an attorney (i) with at least ten (10) years of significant experience in employment matters and/or (ii) a former federal or state court judge. After the aforesaid twenty (20) days, either party, upon ten (10) days' notice to the other,

may so submit the points in dispute to arbitration. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings. The arbitrator will be empowered to award either party any remedy, at law or in equity, that the party would otherwise have been entitled to, had the matter been litigated in court; provided, however, that the authority to award any remedy is subject to whatever limitations, if any, exist in the applicable law on such remedies. The arbitrator shall issue a decision or award in writing, stating the essential findings of fact and conclusions of law. Any judgment on or enforcement of any award, including an award providing for interim or permanent injunctive relief, rendered by the arbitrator may be entered, enforced, or appealed in any court having jurisdiction thereof. Any arbitration proceedings, decision, or award rendered hereunder, and the validity, effect, and interpretation of this arbitration provision, shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

A. Each party to any dispute shall pay its own expenses, including attorneys' fees; provided, however, that the Company shall pay all reasonable costs, fees, and expenses that the Executive would not otherwise have been subject to paying if the Claim had been resolved in a court of competent jurisdiction.

B. The parties agree that this Section XV has been included to rapidly, inexpensively and confidentially resolve any disputes between them, and that this Section XV will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, except as otherwise provided in Section XV-A herein, other than (i) any action seeking a restraining order or other injunctive or equitable relief or order in aid of arbitration or to compel arbitration from a court of competent jurisdiction, (ii) any action seeking interim injunctive or equitable relief from the arbitrator pursuant to the JAMS Rules or (iii) post-arbitration actions seeking to enforce an arbitration award from a court of competent jurisdiction. **IN THE EVENT THAT ANY COURT DETERMINES THAT THIS ARBITRATION PROCEDURE IS NOT BINDING, OR OTHERWISE ALLOWS ANY LITIGATION REGARDING A DISPUTE, CLAIM, OR CONTROVERSY COVERED BY THIS AGREEMENT TO PROCEED, THE PARTIES HERETO HEREBY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN OR WITH RESPECT TO SUCH LITIGATION.**

C. The parties will keep confidential, and will not disclose to any person, except to counsel for either of the parties and/or as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof. Accordingly, the Executive and the Company agree that all proceedings in any arbitration shall be conducted under seal and kept strictly confidential. In that regard, no party shall use, disclose, or permit the disclosure of any information, evidence, or documents produced by any other party in the arbitration proceedings or about the existence, contents, or results of the proceedings, except as necessary and appropriate for the preparation and conduct of the arbitration proceedings, or as may be required by any legal process, or as required in an action in aid of arbitration, or for enforcement of or appeal from an arbitral award. Before making any disclosure permitted by the preceding sentence, the party intending to make such disclosure shall give the other party reasonable written notice of the intended disclosure and afford such other party a reasonable opportunity to protect its interests (e.g., by application for a protective order and/or to file under seal).

SECTION XVI SURVIVAL

Sections VII through XIX will continue in full force in accordance with their respective terms notwithstanding any termination of the Period of Employment.

SECTION XVII SEVERABILITY

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

SECTION XVIII NO CONFLICTS

The Executive represents and warrants to the Company that the Executive is not a party to or otherwise bound by any agreement or arrangement (including, without limitation, any license, covenant, or commitment of any nature), or subject to any judgment, decree, or order of any court or administrative agency, that would conflict with or will be in conflict with or in any way preclude, limit or inhibit the Executive's ability to execute this Agreement or to carry out the Executive's duties and responsibilities hereunder.

SECTION XIX SECTION 409A OF THE CODE

A. Section 409A. Although the Company does not guarantee to the Executive any particular tax treatment relating to the payments and benefits under this Agreement, it is intended that such payments and benefits be exempt from, or comply with, Code Section 409A, and this Agreement will be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

B. Separation From Service. A termination of employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits subject to Code Section 409A upon or following a termination of employment unless such termination is also a "Separation from Service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment" or like terms will mean Separation from Service.

A. Reimbursement. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits will not be subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year will not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and such reimbursement will be made no later than the end of the calendar year following the calendar year in which the expense is incurred, provided that the foregoing clause will not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

B. Specified Employee. If the Executive is deemed on the date of termination of employment to be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) of the Code and using the identification methodology selected by the Company from time to time, or if none, the default methodology, then:

a. With regard to any payment, the providing of any benefit or any distribution of equity that constitutes “deferred compensation” subject to Code Section 409A, payable upon separation from service, such payment, benefit or distribution will not be made or provided prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of the Executive’s Separation from Service and (b) the date of the Executive’s death, to the extent required to comply with Code Section 409A; and

b. On the first day of the seventh (7th) month following the date of the Executive’s Separation from Service or, if earlier, on the date of death, (a) all payments delayed pursuant to this Section XIX will be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement will be paid or provided in accordance with the normal dates specified for them herein and (b) all distributions of equity delayed pursuant to this Section XIX will be made to the Executive.

C. Company Discretion. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment will be made within 60 days following the date of termination”), the actual date of payment within the specified period will be within the sole discretion of the Company and the number of days referenced will refer to the number of calendar days.

D. Compliance. Notwithstanding anything herein to the contrary, in no event whatsoever will the Company or any of its affiliates be liable for any additional tax, interest or penalties that may be imposed on the Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date indicated below, with an effective date of June 1, 2021.

TRAVEL + LEISURE CO.

By: /s/ Michael Brown

Name: Michael Brown

Title: Chief Executive Officer

Date: May 17, 2021

/s/Michael A. Hug

Michael Hug

Date: May 17, 2021

EXHIBIT A

RELEASE

As a condition precedent to Travel + Leisure Co. (the “Company”) providing the consideration set forth in Section VI-(A)(i)-(iv) of the Amended and Restated Employment Agreement, dated [●], 2021 (the “Employment Agreement”), to which this Release is attached as Exhibit A (this “Release”), on or following the “ADEA Release Effective Date” (as defined below) to the undersigned executive (“Executive”), Executive hereby agrees to the terms of this Release as follows:

1. **Release**¹

(a) Subject to Section 1(c) below, Executive, on behalf of Executive and Executive’s heirs, executors, administrators, successors and assigns, hereby voluntarily, unconditionally, irrevocably and absolutely releases and discharges the Company, its parent and each of their subsidiaries, affiliates and joint venture partners, and all of their past and present employees, officers, directors, agents, owners, shareholders, representatives, members, attorneys, partners, insurers and benefit plans, and all of their predecessors, successors and assigns (collectively, the “Released Parties”) from any and all claims, demands, causes of action, suits, controversies, actions, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, any other damages, claims for costs, attorneys’ fees, losses or liabilities of any nature whatsoever in law or in equity, and any other liabilities, known or unknown, suspected or unsuspected of any nature whatsoever (hereinafter, “Claims”) that Executive has or may have against the Released Parties: (i) from the beginning of time through the date upon which Executive signs this Release; (ii) arising from or in any way related to Executive’s employment or termination of employment with any of the Released Parties; (iii) arising from or in any way related to any agreement with any of the Released Parties, including, but not limited to, the Employment Agreement; and/or (iv) arising from or in any way related to awards, policies, plans, programs or practices of any of the Released Parties that may apply to Executive or in which Executive may participate, in each case, including, but not limited to, under any federal, state or local law, act, statute, code, order, judgment, injunction, ruling, decree, writ, ordinance or regulation, including, but not limited to, any Claims under the Age Discrimination in Employment Act, as amended (the “ADEA”).

(b) Executive understands that Executive may later discover claims or facts that may be different from, or in addition to, those which Executive now knows or believes to exist with regards to the subject matter of this Release and the releases in this Section 1, and which, if known at the time of executing this Release, may have materially affected this Release or Executive’s decision to enter into it. Executive hereby waives any right or claim that might arise as a result of such different or additional claims or facts.

(c) This Release is not intended to bar or affect (i) any Claims that may not be waived by private agreement under applicable law, such as claims for workers’ compensation or unemployment insurance benefits, (ii) vested rights under the Company’s 401(k) or pension plan, (iii) rights to indemnification under Section VIII of the Employment Agreement, (iv) any right to the payments and benefits set forth in Section VI-(A)(i)-(iv) of the Employment Agreement, and/or (v) any earned, but unpaid, wages or paid-time-off payable upon a termination of employment that may be owed pursuant to Company policy and applicable law or any unreimbursed expenses payable in accordance with Company policy.

(d) Nothing in this Release is intended to prohibit or restrict Executive’s right to file a charge with, or participate in a charge by, the Equal Employment Opportunity Commission or any other local, state or federal administrative body or government agency; provided, however, that Executive hereby waives the right to recover any monetary damages or other relief against any Released Parties to the fullest extent permitted by law, excepting any benefit or remedy to which Executive is or becomes entitled to pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

¹ **Note to Draft:** The Company reserves the right to edit the Release to provide as full a release of claims as is possible under applicable law at the time of the termination of employment.

a. Notwithstanding anything in this Release to the contrary, Executive's release of Claims under the ADEA (the "ADEA Release") shall only become effective upon: (i) Executive's separate signature set forth on the signature page of this Release reflecting his assent to his release of Claims under the ADEA and (ii) the occurrence of the ADEA Release Effective Date.

b. Executive represents that Executive has made no assignment or transfer of any right or Claim covered by this Section 1 and that Executive further agrees that he is not aware of any such right or Claim covered by this Section 1.

c. Executive acknowledges that, as of the date upon which Executive signs this Release, Executive has not (i) filed a Claim with any local, state, or federal administrative body or government agency or (ii) furnished information or assistance to any non-governmental person or entity, who or which is taking or considering whether to take legal action against any of the Released Parties.

1. **Return of Company Property.** Executive represents that he has returned to the Company all Company property and confidential and proprietary information in his possession or control, in any form whatsoever, including, without limitation, equipment, telephones, smart phones, PDAs, laptops, credit cards, keys, access cards, identification cards, security devices, network access devices, pagers, documents, manuals, reports, books, compilations, work product, e-mail messages, recordings, tapes, removable storage devices, hard drives, computers and computer discs, files and data, which Executive prepared or obtained during the course of his employment with the Company. Executive has also provided the Company with the passcodes to any lock devices or password protected work-related accounts. If Executive discovers any property of the Company or confidential or proprietary information in his possession after the date upon which he signs this Agreement, Executive shall immediately return such property.

2. **Nondisparagement.** Subject to Section 6 below, Executive agrees not to (a) make any statement, written or oral, directly or indirectly, which in any way disparages the Released Parties or their business, products or services in any manner whatsoever, or portrays the Released Parties or their business, products or services in a negative light or would in any way place the Released Parties in disrepute; and/or (b) encourage anyone else to disparage or criticize the Released Parties or their business, products or services, or put them in a bad light.

3. **Consultation/Voluntary Agreement.** Executive acknowledges that the Company has advised Executive to consult with an attorney prior to executing this Release. Executive has carefully read and fully understands all of the provisions of this Release. Executive is entering into this Release, knowingly, freely and voluntarily in exchange for good and valuable consideration to which Executive would not be entitled in the absence of executing and not revoking this Release.

4. **Review and Revocation Period.** Executive has been given twenty-one (21)² calendar days to consider the terms of this Release, although Executive may sign it at any time sooner. Executive has seven (7) calendar days after the date on which Executive executes this Release for purposes of the ADEA Release to revoke Executive's consent to the ADEA Release. Such revocation must be in writing and must be e-mailed to [] at []². Notice of such revocation of the ADEA Release must be received within the seven (7) calendar days referenced above. In the event of such revocation of the ADEA Release by Executive, with the exception of the ADEA Release (which shall become null and void), this Release shall otherwise remain fully effective. Provided that Executive does not revoke his execution of the ADEA Release within such seven (7) day revocation period, the "ADEA Release Effective Date" shall occur on the eighth calendar day after the date on which he signs the signature page of this Release reflecting Executive's assent to the ADEA Release. If Executive does not sign this Release (including the ADEA Release) within twenty-one (21) days after the Company presents it to him, or if Executive timely revokes the ADEA Release within the above- referenced seven day period, Executive shall have no right to the payments and benefits set forth in Section VI-(A)(i)-(iv) of the Employment Agreement.

5. **Permitted Disclosures.** Nothing in this Release or any other agreement between Executive and the

² **Note to Draft:** The circumstances of the termination of employment may warrant that the Company provides forty-five (45) days and an Older Workers Benefit Protection Act chart.

³ **Note to Draft:** The Company reserves right to insert appropriate name and contact information at time of termination of employment.

Company or any other policies of the Company or its affiliates shall prohibit or restrict Executive or Executive's attorneys from: (a) making any disclosure of relevant and necessary information or documents in any action,

investigation or proceeding relating to this Release, or as required by law or legal process, including with respect to possible violations of law; (b) participating, cooperating or testifying in any action, investigation or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization and/or pursuant to the Sarbanes-Oxley Act; or (c) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Release or any other agreement between Executive and the Company or any other policies of the Company or its affiliates prohibits or restricts Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation. Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of a trade secret of the Company or its affiliates that (i) is made (x) in confidence to a Federal, state or local government official, either directly or indirectly, or to Executive's attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Nothing in this Release or any other agreement between the Company and Executive or any other policies of the Company or its affiliates is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

1. **No Admission of Wrongdoing.** Neither this Release, nor the furnishing of the consideration for this Release, shall be deemed or construed at any time to be an admission by the parties of any improper or unlawful conduct, and all of the parties expressly deny any improper or unlawful conduct.

2. **Third-Party Beneficiaries.** Executive acknowledges and agrees that all Released Parties are third- party beneficiaries of this Release and have the right to enforce this Release.

3. **Amendments and Waivers.** No amendment to or waiver of this Release or any of its terms will be binding unless consented to in writing by Executive and an authorized representative of the Company. No waiver by any Released Party of a breach of any provision of this Release, or of compliance with any condition or provision of this Release to be performed by Executive, will operate or be construed as a waiver of any subsequent breach with respect to any other Released Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of any Released Party to take any action by reason of any breach will not deprive any other Released Party of the right to take action at any time.

4. **Governing Law; Jury Waiver.** This Release shall be governed by, and construed in accordance with, the laws of the State of Florida, without regard to the application of any choice-of-law rules that would result in the application of another state's laws. Subject to Section 13 below, Executive irrevocably consents to the jurisdiction of, and exclusive venue in, the state and federal courts in Florida with respect to any matters pertaining to, or arising from, this Release. EXECUTIVE EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS RELEASE OR THE MATTERS CONTEMPLATED HEREBY.

5. **Savings Clause.** If any term or provision of this Release is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Release or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision of this Release is invalid, illegal or unenforceable, this Release shall be enforceable as closely as possible to its intent of providing the Released Parties with a full release of all legally releasable claims through the date upon which Executive signs this Release.

6. **Continuing Obligations.** Section VII of the Employment Agreement is incorporated herein by reference (the "Continuing Obligations"). If Executive breaches the Continuing Obligations, all amounts and benefits payable under this Release shall cease and, upon request, Executive shall immediately repay to the Company any and all amounts already paid pursuant to this Release. If any one or more of the Continuing Obligations shall be held by an arbitrator or a court of competent jurisdiction to be excessively broad as to duration, geography, scope, activity or subject, such provisions shall be construed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law.

1. **Arbitration.** Section XV of the Employment Agreement is incorporated herein by reference and such terms and conditions shall apply to any disputes under this Agreement.

2. **Entire Agreement.** Except as expressly set forth herein, Executive acknowledges and agrees that this Release constitutes the complete and entire agreement and understanding between the Company and Executive with respect to the subject matter hereof, and supersedes in its entirety any and all prior understandings, commitments, obligations and/or agreements, whether written or oral, with respect thereto; it being understood and agreed that this Release, including the mutual covenants, agreements, acknowledgments and affirmations contained herein, is intended to constitute a complete settlement and resolution of all matters set forth in Section 1 hereof. Executive represents that, in executing this Release, Executive has not relied upon any representation or statement made by any of the Released Parties, other than those set forth in this Release, with regard to the subject matter, basis, or effect of this Release.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Executive has executed this Release as of the below-indicated date(s).

EXECUTIVE

(Signature)
Print Name: ___ Date: ___

ACKNOWLEDGED AND AGREED
WITH RESPECT TO ADEA RELEASE EXECUTIVE

EXECUTIVE

(Signature)
Print Name: ___ Date: ___

Travel + Leisure Co.
2018 Employee Stock Purchase Plan

1. **Purpose.** The Travel + Leisure Co. 2018 Employee Stock Purchase Plan is intended to provide employees of the Company and its Participating Subsidiaries with an opportunity to become shareholders of the Company through the purchase of shares of Common Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code, and the Plan shall be interpreted in a manner that is consistent with that intent.
2. **Definitions.** For purposes of the Plan, the following terms shall be defined as set forth below: **"Board"** means the Board of Directors of the Company, as constituted from time to time.

"Change in Control" has the same meaning set forth in the Company's 2006 Equity and Incentive Plan, as may be hereafter amended from time to time.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

"Committee" means the Compensation Committee of the Board.

"Common Stock" means shares of the common stock, par value \$.01 per share, of the Company. **"Company"** means Travel + Leisure Co., a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Compensation" means, unless otherwise determined by the Committee, all of each Eligible Employee's regular or base salary or wages (including overtime and commissions) paid to such Eligible Employee by the Company or a Subsidiary. Unless otherwise determined by the Committee, Compensation shall not include annual bonus payments, certain incentive payments, stock option payments or other income in connection with equity-based awards, severance pay, allowances or reimbursements such as car allowances, relocation expenses or any other forms of compensation other than base salary or wages. Compensation shall include only that compensation which is actually paid to the Eligible Employee during the calendar year. Notwithstanding the foregoing, Compensation shall include any amount which is contributed by the Company pursuant to a salary reduction agreement and which is not includable in the gross income of the Eligible Employee under Code Sections 125, 132(f)(4), 402(e)(3), 402(h), 403(b) or 451. The Committee will have discretion to determine the application of this definition under the Plan or any sub-plan outside of the United States.

"Designated Broker" means the financial services firm or other agent designated by the Company to maintain ESPP Share Accounts on behalf of Participants who have purchased shares of Common Stock under the Plan.

"Effective Date" means the date as of which this Plan is adopted by the Board, subject to the Plan obtaining shareholder approval in accordance with Section 20.10 hereof. Notwithstanding the foregoing, an Offering Period can commence after Board approval but prior to shareholder approval; provided that options granted under such Offering Period will be contingent upon receipt of shareholder approval, and if shareholder approval is not obtained, all accumulated payroll deductions will be promptly refunded and no shares of Common Stock may be issued under the Plan.

"Employee" means any person who renders services to the Company or a Subsidiary as an employee pursuant to an employment relationship with such employer. For purposes of the Plan, the employment relationship in the United States shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company or a Participating Subsidiary that meets the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three (3) months, or such other period of time specified in Treasury Regulation Section 1.421-1(h)(2), and the individual's right to re-employment is not guaranteed by statute or contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period, or such other period specified in Treasury Regulation Section 1.421-1(h)(2).

"Eligible Employee" means, consistent with the requirements of Section 423 of the Code, an Employee of the Company or a Participating Subsidiary, excluding any Employee (i) who is employed for

less than ninety (90) days (or such other period of time as the Committee may determine in its discretion, which in no event may exceed two (2) years) prior to enrollment in the ESPP, (ii) whose customary employment is less than twenty (20) hours per week, or (iii) whose customary employment is for not more than five (5) months per calendar year. Notwithstanding the foregoing, the Committee may exclude from participation in the Plan or any Offering Employees who are "highly compensated employees" of the Company or a Participating Subsidiary (within the meaning of Section 414(q) of the Code) or a sub-set of such highly compensated employees.

"Enrollment Form" means an agreement pursuant to which an Eligible Employee may elect to enroll in the Plan, to authorize a new level of payroll deductions, or to stop payroll deductions and withdraw from an Offering Period.

"ESPP Share Account" means an account into which Common Stock purchased with accumulated payroll deductions at the end of an Offering Period are held on behalf of a Participant.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

"Fair Market Value" means, as of any date, including for purposes of this Plan any Purchase Date, unless otherwise determined by the Committee or required by applicable law, the closing price of Common Stock as reported on Bloomberg. Notwithstanding the foregoing, if at the Purchase Date or any other applicable date, the Common Stock is not then listed on a national securities exchange, "Fair Market Value" shall mean, (i) if the shares of Common Stock are then traded in an over-the-counter market, the average of the bid and ask price for shares of Common Stock in such over-the-counter market on such date, and (ii) if the shares of Common Stock are not then listed on a national securities exchange or traded in an over-the-counter market, or the value of such shares is not otherwise determinable, such value as determined by the Committee in its sole discretion.

"Offering Date" means the first Trading Day of each Offering Period as designated by the Committee.

"Offering or Offering Period" means a period of six months beginning each January 1st and July 1st of each year; provided, that, pursuant to Section 5, the Committee may change the duration of future Offering Periods (subject to a maximum Offering Period of twenty-seven (27) months) and/or the start and end dates of future Offering Periods.

"Officer" means an "officer" of the Company as such term is defined in Rule 16a-1(f) under the Exchange Act.

"Participant" means an Eligible Employee who is actively participating in the Plan.

"Participating Subsidiaries" means the Subsidiaries that have been designated as eligible to participate in the Plan, and such other Subsidiaries that may be designated by the Committee from time to time in its sole discretion.

"Plan" means the Travel + Leisure Co. 2018 Employee Stock Purchase Plan, as set forth herein, and as amended from time to time.

"Purchase Date" means the last Trading Day of each Offering Period.

"Purchase Price" means, unless otherwise provided by the Committee, an amount equal to ninety (90%) of the Fair Market Value of a share of Common Stock on the Purchase Date; provided, that, the Purchase Price per share of Common Stock will in no event be less than 85% of the closing price of the Common Stock on the Purchase Date.

"Securities Act" means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

"Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

"Trading Day" means any day on which the stock exchange upon which the Common Stock is listed is open for trading or, if the Common Stock is not listed on an established stock exchange or national market system, a business day, as determined by the Committee in good faith.

3. Administration.

- a. Authority. The Plan shall be administered by the Committee, which shall have the authority to construe and interpret the Plan, prescribe, amend and rescind rules relating to the Plan's administration and take any other actions necessary or desirable for the administration of the Plan including, without limitation, (a) determining when and how rights to purchase Common Stock will be granted and the terms of each Offering (which need not be identical); (b) designating from time to time which Subsidiaries will be Participating Subsidiaries, which designation may be made without the approval of the Company's shareholders, and adopting sub-plans applicable to particular Participating Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code; and (c) making all determinations it deems advisable for the administration of the Plan or any sub-plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan. The decisions of the Committee shall be final and binding on all persons. All expenses of administering the Plan shall be borne by the Company.
- b. Delegation of Authority. To the extent permitted by applicable law, the Committee may from time to time delegate some or all of its authority under the Plan to a subcommittee or subcommittees of the Committee, one or more of the Company's officers or management team, or other persons or groups of persons as it deems necessary, appropriate or advisable under conditions or limitations that it may set at or after the time of the delegation. For purposes of this Plan, reference to the "Committee" will be deemed to refer to any subcommittee, subcommittees, or other persons or groups of persons to whom the Committee delegates authority pursuant to this Section 3.2.
- c. Indemnification. The Company agrees to indemnify and to defend to the fullest extent permitted by law any officer(s) or employee(s) to whom the Committee has delegated its authority under the Plan pursuant to Section 3.2 (including any such individual who formerly served as such a delegatee) against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Company) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

4. Eligibility.

- a. General. Unless otherwise determined by the Committee in a manner that is consistent with Section 423 of the Code, any individual who is an Eligible Employee as of the first day of an Offering Period shall be eligible to participate in such Offering Period, subject to the requirements of Section 423 of the Code.
- b. Limits on Participation. Notwithstanding any provision of the Plan to the contrary, no Eligible Employee shall be granted an option under the Plan if:
 - a. immediately after the grant of the option, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary, or
 - b. such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate that exceeds \$15,000 (or such other amount as the Committee may determine in its discretion, which amount may in no event exceed \$25,000) of the Fair Market Value of such stock (determined at the time the option is granted) for each calendar year in which such option is outstanding at any time.

5. Offering Periods. The Plan shall be implemented by a series of Offering Periods, each of which shall be six (6) months in duration, with new Offering Periods commencing on or about January 1st and July 1st of each year (or such other times as determined by the Committee). The Committee shall have the authority to change the duration, frequency, start and end dates of Offering Periods.

6. Participation.

- a. Enrollment; Payroll Deductions. An Eligible Employee may elect to participate in the Plan by properly completing an Enrollment Form and submitting it to the Company, in accordance with the

enrollment procedures and deadlines established by the Committee. Such Enrollment Form may be an electronic document completed by the Eligible Employee or generated by the Eligible Employee via participation in an interactive voice response system. Participation in the Plan is entirely voluntary. By submitting an Enrollment Form, the Eligible Employee authorizes payroll deductions from his or her pay check in an amount equal to at least two percent (2%), but not more than ten percent (10%) (only in whole percentages) of his or her Compensation on each pay day occurring during an Offering Period (or such other maximum percentage as the Committee may establish from time to time in its discretion before an Offering Period begins). A Participant may not make any additional contributions to his or her plan notional account. Payroll deductions shall commence on the first payroll date following the Offering Date and end on the last payroll date on or before the Purchase Date. The Company shall maintain records of all payroll deductions but shall have no obligation to pay interest on payroll deductions or to hold such amounts in a trust or in any segregated account.

- a. Election Changes. During an Offering Period, a Participant may elect to decrease or increase his or her rate of payroll deductions applicable to such Offering Period only once. To make such a change, the Participant must submit a new Enrollment Form authorizing the new rate of payroll deductions, which Enrollment Form must be submitted at least thirty (30) days prior to the Purchase Date. Any such election to increase or decrease payroll deductions will be effective as soon as reasonably practicable after the Company's receipt of the new Enrollment Form. A Participant may decrease or increase his or her rate of payroll deductions for any future Offering Period by submitting a new Enrollment Form authorizing the new rate of payroll deductions during the enrollment period established pursuant to Section 6.1 for that Offering Period.
 - b. Automatic Re-enrollment. The deduction rate selected in the Enrollment Form shall remain in effect for subsequent Offering Periods unless the Participant (a) submits a new Enrollment Form authorizing a new level of payroll deductions in accordance with Section 6.2, (b) withdraws from the Plan in accordance with Section 10, or (c) terminates employment or otherwise ceases to be an Eligible Employee in accordance with Section 11.
 - c. Automatic Decrease. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 4 above, a Participant's payroll deductions will be decreased to zero percent (0%). Payroll deductions will recommence at the rate provided in such Participant's Enrollment Form when permitted under Section 423(b)(8) of the Code and Section 4 unless the Participant sooner withdraws from the Plan in accordance with Section 10 or terminates employment or otherwise ceases to be an Eligible Employee in accordance with Section 11.
7. Grant of Option. On each Offering Date, each Participant in the applicable Offering Period shall be granted an option to purchase, on the Purchase Date, a number of shares of Common Stock determined by dividing the Participant's accumulated payroll deductions by the applicable Purchase Price, subject to the terms and conditions of this Plan.
 8. Exercise of Option/Purchase of Shares. A Participant's option to purchase shares of Common Stock will be exercised automatically on the Purchase Date of each Offering Period, subject to the terms and conditions of this Plan. The Participant's accumulated payroll deductions will be used to purchase the maximum number of whole shares that can be purchased with the amounts in the Participant's notional account. No fractional shares may be purchased under the Plan unless otherwise provided by the Committee. Any cash in lieu of fractional shares remaining after the purchase of whole shares upon exercise of the option will be credited to a Participant's notional account and carried forward and applied toward the purchase of whole shares for the next following Offering Period, subject to earlier withdrawal by the Participant in accordance with Section 10 or termination of employment or cessation as an Eligible Employee in accordance with Section 11. Shares issued pursuant to the Plan may be evidenced in such manner as the Committee may determine and may be issued in certificated form or issued pursuant to book-entry procedures.
 9. Transfer of Shares. The Company will arrange for the delivery to each Participant of the shares of Common Stock purchased upon exercise of his or her option as soon as reasonably practicable. The Committee may permit or require that the shares be deposited directly into an ESPP Share Account established in the name of the Participant with a Designated Broker and may require that the shares of Common Stock be retained with such Designated Broker for a specified period of time. Participants will not have any voting, dividend or other rights of a shareholder with respect to the shares of Common

Stock subject to any option granted hereunder until such shares have been delivered pursuant to this Section 9.

10. Withdrawal.

- a. Withdrawal Procedure. A Participant may withdraw from an Offering by submitting a revised Enrollment Form indicating his or her election to withdraw more than thirty (30) days prior to the Purchase Date. All (but not less than all) of the accumulated payroll deductions held on behalf of a Participant in his or her notional account (that have not been used to purchase shares of Common Stock) shall be paid to the Participant as soon as administratively practicable following receipt of the Participant's Enrollment Form indicating his or her election to withdraw, and the Participant's option shall be automatically terminated. If a Participant submits a revised Enrollment Form indicating his or her election to withdraw within the thirty (30) day period prior to the Purchase Date, the accumulated payroll deductions shall be used to purchase shares on such Purchase Date, the Participant's participation in the Plan shall thereafter be automatically terminated, and any payroll deductions remaining in the Participant's notional account shall be returned to the Participant as soon as administratively practicable following such Purchase Date. If a Participant withdraws from an Offering Period, no payroll deductions will be made during any succeeding Offering Period, unless the Participant re-enrolls in accordance with Section 6.1 of the Plan.
- b. Effect on Succeeding Offering Periods. A Participant's election to withdraw from an Offering Period will not have any effect upon his or her eligibility to participate in succeeding Offering Periods that commence following the completion of the Offering Period from which the Participant withdraws subject to eligibility and compliance with Section 6.1 and other requirements set forth in this Plan and established by the Committee.

11. Termination of Employment; Change in Employment Status. Upon termination of a Participant's employment for any reason, or a change in the Participant's employment status following which the Participant is no longer an Eligible Employee, which in either case occurs more than thirty (30) days prior to the Purchase Date, the Participant will be deemed to have withdrawn from the Plan, the Participant's option shall be automatically terminated, and the payroll deductions in the Participant's notional account (that have not been used to purchase shares of Common Stock) shall be returned to the Participant, or in the case of the Participant's death, to any person(s) entitled to such amounts under Section 17, as soon as administratively practicable following such termination or change in status. If the Participant's termination of employment or change in status occurs within the thirty (30) days prior to a Purchase Date, the accumulated payroll deductions shall be used to purchase shares on such Purchase Date, the Participant's participation in the Plan shall thereafter be automatically terminated, and any payroll deductions remaining in the Participant's notional account shall be returned to the Participant, or in the case of the Participant's death, to any person(s) entitled to such amounts under Section 17, as soon as administratively practicable following such Purchase Date.

12. Interest. No interest shall accrue on or be payable with respect to the payroll deductions of a Participant in the Plan.

13. Shares Reserved for Plan.

- a. Number of Shares. A total of 2,500,000 shares of Common Stock have been reserved as authorized for the grant of options under the Plan. The shares of Common Stock may be newly issued shares, treasury shares or shares acquired on the open market.
- b. Over-subscribed Offerings. The number of shares of Common Stock that a Participant may purchase in an Offering under the Plan may be reduced if the Offering is over-subscribed. No option granted under the Plan shall permit a Participant to purchase shares of Common Stock which, if added together with the total number of shares of Common Stock purchased by all other Participants in such Offering would exceed the total number of shares of Common Stock remaining available under the Plan. If the Committee determines that, on a particular Purchase Date, the number of shares of Common Stock with respect to which options are to be exercised exceeds the number of shares of Common Stock then available under the Plan, the Company shall make an allocation of the shares of Common Stock remaining available for purchase in as uniform a manner as practicable and as the Committee determines to be equitable.

14. Transferability. No payroll deductions credited to a Participant, nor any rights with respect to the exercise of an option or any rights to receive Common Stock hereunder may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 17 hereof) by the Participant. Any attempt to assign, transfer, pledge or otherwise dispose of such rights or amounts shall be without effect.
15. Application of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose to the extent permitted by applicable law, and the Company shall not be required to segregate such payroll deductions.
16. Statements. Participants will be provided with statements at least annually and shall have electronic access to account information, including the Participant's payroll deduction amounts under the Plan, the Purchase Price of any shares of Common Stock purchased with accumulated funds, the number of shares of Common Stock purchased, and any payroll deduction amounts remaining in the Participant's notional account.
17. Designation of Beneficiary. A Participant may file, on a form supplied by the Committee, a written designation of beneficiary who, in the event of such Participant's death, is to receive, as applicable (i) any shares of Common Stock and cash in respect of any fractional shares of Common Stock, if any, from the Participant's ESPP Share Account under the Plan and (ii) in the event of the Participant's death more than thirty (30) days prior to the Purchase Date of an Offering Period, any cash withheld through payroll deductions and credited to the Participant's notional account.
18. Adjustments Upon Changes in Capitalization; Dissolution or Liquidation; Corporate Transactions.
 - a. Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Common Stock, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, or other change in the Company's structure affecting the Common Stock occurs, then in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, the Committee will, in such manner as it deems equitable, adjust the number of shares and class of Common Stock that may be delivered under the Plan, the Purchase Price per share and the number of shares of Common Stock covered by each outstanding option under the Plan, and the numerical limits of Section 7 and Section 13.
 - b. Dissolution or Liquidation. Unless otherwise determined by the Committee, in the event of a proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a new Purchase Date on which the Offering Period will end. The new Purchase Date will occur before the date of the dissolution or liquidation. The Committee shall notify each Participant in writing, prior to the new Purchase Date, that the Purchase Date for the Participant's option has been changed to the new Purchase Date and that the Participant's option shall be exercised automatically on the new Purchase Date, unless prior to such date the Participant has withdrawn from an Offering then in progress or the Plan as provided in Section 10.
 - c. Change in Control. In the event of a Change in Control, any Offering then in progress shall be shortened by setting a new Purchase Date specified before the date of the Change in Control, unless the Committee shall, in its sole discretion, provide for the assumption or substitution of outstanding options in a manner complying with Section 424(a) of the Code. The Committee shall notify each Participant in writing, prior to any new Purchase Date, that the Purchase Date for the Participant's option has been changed to the new Purchase Date and that the Participant's option shall be exercised automatically on the new Purchase Date, unless prior to such date the Participant has withdrawn from an Offering then in progress or the Plan as provided in Section 10.
19. Accommodation of Local Laws; Foreign Employees.
 - a. The Committee may adopt rules or procedures relating to the operation and administration of this Plan to accommodate the specific requirements of local laws and procedures, tax policies or custom. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding, among other items, the handling of payroll deductions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and other matters that vary with local requirements; however, if such varying provisions are not in accordance with the provisions of Code Section 423(b), including but

not limited to the requirement that all options granted under the Plan shall have the same rights and privileges unless otherwise provided under the Code and the regulations promulgated thereunder, then the individuals affected by such varying provisions shall be deemed to be participating under a sub-plan and not the Plan. The Committee may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations, which may be designed to be within or outside the scope of Code Section 423. Such rules or sub-plans may take precedence over other provisions of the Plan, but unless otherwise superseded by the terms of such rules or sub-plan, the provisions of the Plan shall govern.

- a. An Eligible Employee who works for a Participating Subsidiary and is a citizen or resident of a jurisdiction other than the U.S. (without regard to whether such individual also is a citizen or resident of the U.S. or is a "resident alien" within the meaning of Section 7701(b)(1)(A) of the Code) may be excluded from participation in the Plan or an Offering if the participation of such Eligible Employee is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code.

20. General Provisions.

- a. Equal Rights and Privileges. In accordance with Section 423 of the Code, all Eligible Employees who are granted options under the Plan shall have the same rights and privileges.
 - b. No Right to Continued Service. Neither the Plan nor any compensation paid hereunder will confer on any Participant the right to continue as an Employee or in any other capacity.
 - c. Rights as Shareholder. A Participant will become a shareholder with respect to the shares of Common Stock that are purchased pursuant to options granted under the Plan when the shares are transferred to the Participant's ESPP Share Account. A Participant will have no rights as a shareholder with respect to shares of Common Stock for which an election to participate in an Offering Period has been made until such Participant becomes a shareholder as provided in Section 9 above.
 - d. Successors and Assigns. The Plan shall be binding on the Company and its successors and assigns.
 - e. Entire Plan. This Plan constitutes the entire plan with respect to the subject matter hereof and supersedes all prior plans with respect to the subject matter hereof.
 - f. Compliance with Law. The obligations of the Company with respect to payments under the Plan are subject to compliance with all applicable laws and regulations. Common Stock shall not be issued with respect to an option granted under the Plan unless the exercise of such option and the issuance and delivery of the shares of Common Stock pursuant thereto shall comply with all applicable provisions of law, including, without limitation, the Securities Act, the Exchange Act, and the requirements of any stock exchange upon which the shares may then be listed.
 - g. Term of Plan. The Plan shall become effective on the Effective Date and, unless terminated earlier pursuant to Section 20.8, shall have a term of ten (10) years.
 - h. Amendment or Termination.
- a. The Committee may, in its sole discretion, amend, suspend or terminate the Plan at any time and for any reason. If the Plan is terminated, the Committee may elect to terminate all outstanding Offering Periods either immediately or once shares of Common Stock have been purchased on the next Purchase Date (which may, in the discretion of the Committee, be accelerated) or permit Offering Periods to expire in accordance with their terms (and subject to any adjustment in accordance with Section 18). If any Offering Period is terminated before its scheduled expiration, all amounts that have not been used to purchase shares of Common Stock will be returned to Participants (without interest, except as otherwise required by law) as soon as administratively practicable.
 - b. An amendment to the Plan must be approved by stockholders within twelve (12) months of being adopted by the Board if such amendment would increase the number of shares reserved for issuance under Section 13.1 above (other than any increase under Section 18.1) or if the amendment involves any change that would be considered the adoption of a new plan under Section 423 of the Code and Treas. Reg. Sect. 1.423-2(c)(4).

- a. Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.
- b. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board.
- c. Section 423. The Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Any provision of the Plan that is inconsistent with Section 423 of the Code shall be reformed to comply with Section 423 of the Code.
- d. Withholding. To the extent required by applicable Federal, state or local law, a Participant must make arrangements satisfactory to the Company for the payment of any withholding or similar tax obligations that arise in connection with the Plan.
- e. Tax Qualification. Although the Company may endeavor to (a) qualify an option for specific tax treatment under the laws of the U.S. or jurisdictions outside of the U.S. or (b) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything contrary in the Plan.
- f. Notification Upon Sale of Shares. Each Participant who is a U.S. taxpayer agrees, by enrolling in the Plan, to give the Company prompt notice of any disposition of shares of Common Stock purchased under the Plan where such disposition occurs within two (2) years after the date of grant of the option pursuant to which such shares were purchased.
- g. Severability. If any provision of the Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed as if such invalid or unenforceable provision were omitted.
- h. Headings. The headings of sections herein are included solely for convenience and shall not affect the meaning of any of the provisions of the Plan.
- i. Data Privacy. By participating in the Plan, each Participant agrees to the collection, processing, use and transfer of personal information by the Participating Subsidiary that employs the Participant, the Company and its designees in order to administer the Plan.
- j. Insider Trading. All transfers or other dispositions of Common Stock and elections under the Plan shall be executed by Participants in accordance with the Company's insider trading policy.

July 28, 2021

The Board of Directors and Stockholders of Travel + Leisure Co.
6277 Sea Harbor Drive
Orlando, Florida 32821

We are aware that our report dated July 28, 2021, on our review of the interim condensed consolidated financial information of Travel + Leisure Co. and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, is incorporated by reference in Registration Statement Nos. 333-136090 and 333-228435 on Forms S-8 and Registration Statement No. 333-256689 on Form S-3ASR.

/s/ Deloitte & Touche LLP

Tampa, Florida

CERTIFICATION

I, Michael D. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travel + Leisure Co.;
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: July 28, 2021

/S/ MICHAEL D. BROWN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

CERTIFICATION

I, Michael A. Hug, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travel + Leisure Co.;
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: July 28, 2021

/S/ MICHAEL A. HUG
CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report of Travel + Leisure Co. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael D. Brown, as President and Chief Executive Officer of the Company, and Michael A. Hug, 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/ MICHAEL D. BROWN
MICHAEL D. BROWN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
JULY 28, 2021

/S/ MICHAEL A. HUG
MICHAEL A. HUG
CHIEF FINANCIAL OFFICER
JULY 28, 2021