WESCO INTERNATIONAL INC
Form 424B3
June 12, 2014

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Registration Nos. 333-196427
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$500,000,000

WESCO Distribution, Inc.

OFFER TO EXCHANGE

UP TO $500,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF NEWLY ISSUED 5.375% SENIOR NOTES DUE 2021

FOR A LIKE PRINCIPAL AMOUNT OF OUTSTANDING RESTRICTED

5.375% NOTES DUE 2021 ISSUED ON NOVEMBER 26, 2013

On November 26, 2013, we issued $500,000,000 aggregate principal amount of restricted 5.375% Notes due 2021, which we refer to as the Original Notes, in a private placement.

We are offering to exchange up to $500,000,000 aggregate principal amount of new 5.375% Notes due 2021, which we refer to as the Exchange Notes, for outstanding Original Notes. We refer to this offer to exchange as the Exchange Offer. The terms of the Exchange Notes are substantially identical to the terms of the Original Notes, except that the Exchange Notes will be registered under the Securities Act of 1933, which we refer to as the Securities Act, and the transfer restrictions and registration rights and related special interest provisions applicable to the Original Notes will not apply to the Exchange Notes. The Exchange Notes will be part of the same series as the Original Notes and issued under the same indenture. The Exchange Notes will be exchanged for Original Notes in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. We will not receive any proceeds from the issuance of Exchange Notes in the Exchange Offer.

You may withdraw tenders of Original Notes at any time prior to the expiration of the Exchange Offer.

The Exchange Offer expires at 9:00 a.m. New York City time on July 17, 2014, unless extended, which we refer to as the Expiration Date.

We do not intend to list the Exchange Notes on any securities exchange or to seek approval through any automated quotation system, and no active public market for the Exchange Notes is anticipated.

You should consider carefully the risk factors beginning on page 10 of this prospectus before deciding whether to participate in the Exchange Offer.

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

The date of this prospectus is June 12, 2014.

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Rather than repeat certain information in this prospectus that we have already included in reports filed with the SEC, this prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. We will provide this information to you at no charge upon written or oral request directed to: WESCO International, Inc., 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219 Telephone: (412) 454-2200, Attention: Investor Relations. In order to receive timely delivery of any requested documents in advance of the Expiration Date, you should make your request no later than July 10, 2014, which is five full business days before you must make a decision regarding the Exchange Offer.

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This prospectus may only be used where it is legal to make the Exchange Offer and by a broker-dealer for resales of Exchange Notes acquired in the Exchange Offer where it is legal to do so.

This prospectus and the information incorporated by reference summarize documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the information we discuss in this prospectus and the information incorporated by reference. In making an investment decision, you must rely on your own examination of such documents, our business and the terms of the offering and the Exchange Notes, including the merits and risks involved.

We make no representation to you that the Exchange Notes are a legal investment for you. You should not consider any information in this prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Exchange Notes. Neither the delivery of the prospectus nor any exchange made pursuant to this prospectus implies that any information set forth in or incorporated by reference in this prospectus is correct as of any date after the date of this prospectus.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of Exchange Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Original Notes where the Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period ending on the earlier of (i) 180 days from the date on which the registration statement of which this prospectus forms a part is declared effective and (ii) the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities, we will make this prospectus available to any broker-dealer for use in connection with these resales. See Plan of Distribution.

NON-GAAP FINANCIAL MEASURES

We believe that the financial statements and the other financial data included in or incorporated by reference into this prospectus have been prepared in a manner that complies, in all material respects, with generally accepted accounting principles in the United States, or GAAP, and the regulations published by the SEC, and are consistent with current practice with the exception of the presentation of certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA.

EBITDA and Adjusted EBITDA are not measurements of financial performance or condition under GAAP and should not be considered as alternatives to operating income, or any other financial performance measures derived in accordance with GAAP. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow available for management s discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies and, accordingly, are not necessarily comparable to similarly titled measures of other companies and may not be appropriate measures for comparing performance relative to other companies.

For the definition of and additional information about EBITDA and Adjusted EBITDA, a description of how EBITDA and Adjusted EBITDA are calculated and a reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measures, see the section titled Summary Summary Historical Consolidated Financial Information of this prospectus.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference, contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve certain unknown risks and uncertainties. When used in this prospectus or the documents incorporated by reference, the words anticipates, plans, believes, estimates, intends, expects, projects, will and similar expressions may ident forward-looking statements, although not all forward-looking statements contain such words. Such statements, including, but not limited to, our statements regarding business strategy, growth strategy, competitive strengths, productivity and profitability enhancement, competition, new product and service introductions and liquidity and capital resources are based on management s beliefs, as well as on assumptions made by and information currently available to, management, and involve various risks and uncertainties, some of which are beyond our control. Our actual results could differ materially from those expressed in any forward-looking statement made by us or on our behalf. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will in fact prove to be accurate. We have undertaken no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- adverse conditions in the global economy and disruptions of financial markets;

an increase in competition;

certain events or conditions leading to interruptions in our operations;

increased levels of risk related to international operations resulting from our acquisition of EECOL Electric Corporation, or EECOL ;

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- our expansion into new business activities, industries, product lines or geographic areas;
- a loss of key suppliers, product cost fluctuations, lack of product availability or inefficient supply chain operations;
- the inherent risks of any possible future acquisitions;
- costs and risks associated with laws and regulations affecting our business;
- our outstanding indebtedness and the associated debt service commitments;
- our ability to attract, retain and motivate key employees; and
- the risk factors referred to or described in the Risk Factors section of this prospectus and the other risk factors described in WESCO International s Annual Report on Form 10-K under Item 1A, Risk Factors.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures WESCO International makes on related subjects in its reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

MARKET AND INDUSTRY DATA

Market data used in this prospectus, including in documents incorporated by reference, is based on management s knowledge of the industry and the good faith estimates of management. We also relied, to the extent available, upon management s review of independent industry surveys and publications and other publicly available information prepared by a number of sources. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified this information.

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SUMMARY

This summary highlights significant aspects of our business and this exchange offer, but it is not complete and may not contain all of the information that may be important to you. You should read the entire prospectus carefully, including the historical financial statements and their related notes included elsewhere in this prospectus. Investing in the Notes involves significant risks, as described in the Risk Factors section.

In this prospectus, unless otherwise indicated or the context otherwise requires, references to the terms the Company, WESCO, we, our, us or similar terms mean WESCO Distribution, Inc. and its direct and indirect subsidiaries, and references to WESCO International mean WESCO International, Inc., the parent company of WESCO Distribution, Inc., and its subsidiaries, including WESCO. All financial data presented in this prospectus is the financial data of WESCO International and its consolidated subsidiaries unless otherwise indicated. Unless otherwise indicated or the context requires otherwise, all references in this prospectus to Notes mean collectively the Original Notes and the Exchange Notes.

Our Company

We are a leading provider of electrical, industrial, and communications maintenance, repair and operating and original equipment manufacturers products, construction materials, and advanced supply chain management and logistics services. Our primary product categories include general electrical and industrial supplies, wire, cable and conduit, data and broadband communications, power distribution equipment, lighting and lighting control systems, control and automation, motors, and safety.

We serve over 75,000 active customers globally through approximately 475 full service branches and nine distribution centers located in the United States, Canada, and Mexico with offices in 15 additional countries. The Company employs approximately 9,200 employees worldwide. We distribute over 1,000,000 products, grouped into six categories, from more than 25,000 suppliers utilizing a highly automated, proprietary electronic procurement and inventory replenishment system.

In addition, we offer a comprehensive portfolio of value-added capabilities, which includes supply chain management, logistics and transportation, procurement, warehousing and inventory management, as well as kitting, limited assembly of products and system installation. Our value-added capabilities, extensive geographic reach, experienced workforce and broad product and supply chain solutions have enabled us to grow our business and establish a leading position in North America.

In December 2012, we completed the acquisition of EECOL with approximately $0.9 billion in annual sales, approximately 57 locations across Canada and approximately 20 in South America, and more than 20,000 customers.

Corporate Information

WESCO International is a Delaware corporation incorporated in 1993 and effectively formed in February 1994 upon acquiring a distribution business from Westinghouse Electric Corporation. WESCO International s principal executive office is located at 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania and its telephone number is (412) 454-2200. WESCO International s common stock is listed on the New York Stock Exchange under the symbol WCC. WESCO International s website address is www.wesco.com. The information contained on or accessible through WESCO International s website is not a part of this prospectus, other than the documents that it files with the SEC that are incorporated by reference into this prospectus. For additional information concerning WESCO International, please see WESCO International s most recent Annual Report on Form 10-K and its other filings with the SEC, which are incorporated by reference into this document. See Where You Can Find More Information.

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The Exchange Offer

The following summary contains basic information about the Exchange Offer. It does not contain all of the information that may be important to you. For a more complete description of the terms of the Exchange Offer, see The Exchange Offer.

The Exchange Offer	We are offering to exchange up to $500,000,000 aggregate principal amount of our registered 5.375% Notes due 2021, which we refer to as the Exchange Notes, for an equal principal amount of our outstanding restricted 5.375% Notes due 2021, which we refer to as the Original Notes, that were issued on November 26, 2013. The terms of the Exchange Notes are identical in all material respects to those of the Original Notes, except for transfer restrictions and registration rights and related special interest provisions relating to the Original Notes. Holders of Original Notes do not have any appraisal or dissenters rights in connection with the Exchange Offer.
Purposes of the Exchange Offer	The Exchange Notes are being offered to satisfy our obligations under the registration rights agreement entered into at the time we issued and sold the Original Notes.
Expiration Date; withdrawal of tenders; return of Original Notes not accepted for exchange	The Exchange Offer will expire at 9:00 a.m., New York City time, on July 17, 2014, or on a later date and time to which we extend it. We refer to such time and date as the Expiration Date. Tenders of Original Notes in the Exchange Offer may be withdrawn at any time prior to the Expiration Date. We will exchange the Exchange Notes for validly tendered Original Notes promptly following the Expiration Date. Any Original Notes that are not accepted for exchange for any reason will be returned by us, at our expense, to the tendering holder promptly after the expiration or termination of the Exchange Offer.
Procedures for tendering Original Notes	Each holder of Original Notes wishing to participate in the Exchange Offer must follow procedures of The Depository Trust Company s, or DTC, Automated Tender Offer Program, or ATOP, subject to the terms and procedures of that program. The ATOP procedures require that the exchange agent receives, prior to the Expiration Date, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirm that:
	DTC has received instructions to exchange your Original Notes; and

you agree to be bound by the terms of the letter of transmittal.

See The Exchange Offer Procedures for Tendering Original Notes.

Consequences of failure to exchange Original Notes	You will continue to hold Original Notes, which will remain subject to their existing transfer restrictions, if you do not validly tender your Original Notes or you tender your Original Notes and they are not accepted for exchange. With some limited exceptions, we will have no obligation to register the Original Notes after we consummate the Exchange Offer. See The Exchange Offer Terms of the Exchange Offer and The Exchange Offer Consequences of Failure To Exchange.
Conditions to the Exchange Offer	The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Original Notes being tendered or accepted for exchange. The Exchange Offer is subject to customary conditions, which may be waived by us in our discretion. We currently expect that all of the conditions will be satisfied and that no waivers will be necessary.
Exchange agent	U.S. Bank National Association
Certain U.S. federal income tax considerations	Your exchange of an Original Note for an Exchange Note pursuant to the Exchange Offer will not constitute a taxable exchange. You will not recognize any taxable income, gain or loss in the exchange. Immediately after the exchange, you will have the same adjusted tax basis and holding period in each Exchange Note received as you had immediately prior to the exchange in the corresponding Original Note surrendered. See Certain U.S. Federal Income Tax Considerations.
Risk Factors	You should carefully read and consider the risk factors beginning on page 10 of this prospectus before deciding whether to participate in the Exchange Offer.

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The Exchange Notes

The following is a brief summary of the principal terms of the Exchange Notes and is provided solely for your convenience. It is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the Exchange Notes, see Description of Notes.

Issuer	WESCO Distribution, Inc.
Securities Offered	Up to $500,000,000 aggregate principal amount of 5.375% senior notes due 2021.
Maturity	December 15, 2021.
Interest	Interest on the Exchange Notes will accrue at a rate of 5.375% per annum, payable semi-annually in cash in arrears on June 15 and December 15 of each year, commencing June 15, 2014.
Guarantee	The Exchange Notes will be initially guaranteed on a senior unsecured basis by WESCO International. The Exchange Notes will not be guaranteed by any of our or WESCO International s subsidiaries. See Description of Notes Ranking and Guarantee.
	For the twelve months ended December 31, 2013, our subsidiaries, which will not guarantee the Exchange Notes, represented approximately 55% and 64% of our total revenues and EBITDA, respectively. In addition, these non-guarantor subsidiaries represented approximately 81% and 44% of our total assets and total liabilities, respectively, as of March 31, 2014 (excluding, in each case, intercompany amounts).
Ranking	The Exchange Notes and the guarantee will constitute senior obligations of us and WESCO International. They will rank:
	equally in right of payment with all of our and WESCO International s existing and future senior debt, including our and WESCO International s obligations under our term loan facility (the *Term Loan Facility*), our $500.0 million accounts receivable securitization facility (the *Securitization Facility*), and our $600.0 million revolving credit facility (the *Revolving Credit Facility*);

senior in right of payment to all of our and WESCO International s existing and future subordinated debt;

structurally subordinated to all liabilities (including trade payables) of WESCO International s existing and future subsidiaries that do not guarantee the Exchange Notes (of which no subsidiary will provide a guarantee as of the issue date); and

effectively subordinated in right of payment to all of our and WESCO International s secured indebtedness (including the

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obligations under the Term Loan Facility, the Securitization Facility and the Revolving Credit Facility to the extent of the value of the assets securing such indebtedness).

As of March 31, 2014, we had $831.5 million aggregate principal amount of secured debt outstanding. In addition, we had approximately $447.0 million and $21.9 million of availability under the Revolving Credit Facility and the Securitization Facility, respectively.

Optional Redemption	On or after December 15, 2016, we may redeem the Notes, in whole or in part, at any time at the redemption prices described under Description of Notes Optional Redemption. In addition, we may redeem up to 35% of the aggregate principal amount of the Notes before December 15, 2016 with the net cash proceeds from certain equity offerings at a redemption price of 105.375% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date. We may also redeem some or all of the Notes before December 15, 2016 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a make whole premium.
Change of Control	If we experience a defined change of control, we may be required to offer to repurchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase. See Description of Notes Repurchase at the Option of Holders Change of Control.
Covenants	The indenture contains covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to:

- incur liens on assets;
- make certain restricted payments;
- engage in certain sale and leaseback transactions; and
- sell certain assets or merge or consolidate with or into other companies.

	These covenants are subject to important exceptions and qualifications as described under Description of Notes Certain Covenants.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the Exchange Notes. See Use of Proceeds.
Trustee	U.S. Bank National Association

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Summary Historical Consolidated Financial Information

The following table presents WESCO International s and its subsidiaries summary historical consolidated financial information as of and for each of the fiscal years ended December 31, 2013, 2012 and 2011, as well as such information as of and for the three-month period ended March 31, 2014. The summary historical consolidated financial information as of December 31, 2013, 2012 and 2011 and for each of the fiscal years ended December 31, 2013 and 2012 have been derived from WESCO International s audited consolidated financial statements and should be read together with those audited consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in WESCO International s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated by reference in this prospectus. The summary historical consolidated financial information as of March 31, 2014 and for the three-month period ended March 31, 2014 are derived from WESCO International s unaudited financial statements and should be read together with those unaudited consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in WESCO International s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, which is incorporated by reference in this prospectus. In the opinion of management, WESCO International s unaudited consolidated financial statements were prepared on the same basis as its audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this information. Results of operations for the three-month period ended March 31, 2014 are not necessarily indicative of results of operations that may be expected for the full fiscal year.

	Three Months Ended March 31, 2014	Year Ended December 31, 2013	2012	2011
		(Dollars in thousands)		
Income Statement Data:				
Net sales	$ 1,810,825	$ 7,513,342	$ 6,579,301	$ 6,125,718
Cost of goods sold (excluding depreciation and amortization below)	1,436,032	5,967,892	5,247,855	4,889,149
Selling, general and administrative expenses	265,462	996,810	961,014	871,983
Depreciation and amortization	16,372	67,642	37,561	31,607
Income from operations	92,959	480,998	332,871	332,979
Interest expense, net	20,688	85,607	47,762	53,603
Loss on debt extinguishment[1]		13,225	3,470	
Loss on sale of Argentina business		2,315		
Other (income) loss				
Income before income taxes	72,271	379,851	281,639	279,376
Provision for income taxes	20,416	103,333	79,880	83,136
Net income	51,855	276,518	201,759	196,240
Less: Net income (loss) attributable to noncontrolling interest[2]	(50)	88	(18)	(11)
Net income attributable to WESCO International	$ 51,905	$ 276,430	$ 201,777	$ 196,251

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	Three Months Ended March 31, 2014	Year Ended December 31, 2013	2012	2011
		(Dollars in thousands)		
Balance Sheet Data (as of period end):				
Cash and cash equivalents	$ 96,356	$ 123,725	$ 86,099	$ 63,869
Total assets	4,711,069	4,648,893	4,651,798	3,078,452
Total debt (including current portion)(3)	1,676,377	1,662,381	1,918,816	825,241
Stockholders equity(4)	1,773,559	1,764,791	1,553,691	1,345,910
Working capital(5)	1,077,371	1,030,227	1,007,743	827,705
Statement of Cash Flow Data				
Net cash provided by operating activities	$ 46,713	$ 315,141	$ 288,184	$ 167,533
Net cash used by investing activities	96,160	18,223	1,311,006	81,343
Net cash provided (used) by financing activities	23,539	(257,519)	1,044,048	(70,908)
Capital expenditures	5,012	27,825	23,084	33,347
Acquisition payments, net of cash acquired	91,187		1,289,480	48,093
Reconciliation of Net Income Attributable to WESCO International to EBITDA and Adjusted EBITDA				
Net Income attributable to WESCO International	$ 51,905	$ 276,430	$ 201,777	$ 196,251
Net loss (income) attributable to noncontrolling interest	(50)	88	(18)	(11)
Provision for income taxes	20,416	103,333	79,880	83,136
Loss on debt extinguishment		13,225	3,470	
Loss on sale of Argentina business		2,315		
Interest expense, net	20,688	85,607	47,762	53,603
Depreciation and amortization	16,372	67,642	37,561	31,607
EBITDA(6)	109,331	548,640	370,432	364,586
ArcelorMittal litigation impact(7)		(36,134)	36,134	
Adjusted EBITDA(6)	**$ 109,331**	**$ 512,506**	**$ 406,566**	**$ 364,586**

(1) Represents the loss recognized in 2013 related to the repayment of $500 million of the Company s term loan due 2019 and the loss recognized in 2012 due to the redemption of all the outstanding 7.50% 2017 Senior Subordinated Notes due 2017. See Note 7 of the notes to the consolidated financial statements included in WESCO International s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated by reference in this prospectus.

(2) Represents the portion of a net (income) loss attributable to a consolidated entity not owned by WESCO International.

(3) Includes the discount related to WESCO International s 6.0% Convertible Senior Debentures due 2029 (the 2029 Debentures), 1.75% Convertible Senior Debentures due 2026 (the 2026 Debentures and, collectively with the 2029 Debentures, the Debentures), and the Term Loan Facility. See Note 7 of the notes to the consolidated financial statements included in WESCO International s Annual Report on Form 10-K for the fiscal year ended

December 31, 2013, which is incorporated by reference in this prospectus.

(4) Stockholders equity includes amounts related to the Debentures. See Note 7 of the notes to the consolidated financial statements included in WESCO International s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated by reference in this prospectus.

(5) Working Capital is defined as current assets (excluding cash) less current liabilities.

(6) We define EBITDA as net income attributable to WESCO International, plus net loss (income) attributable to noncontrolling interest, plus provision for income taxes, less other income, plus loss on debt extinguishment, plus loss on sale of Argentina business, plus interest expense, net, plus depreciation and

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amortization. We define Adjusted EBITDA as EBITDA adjusted for the ArcelorMittal litigation impact. EBITDA and Adjusted EBITDA are not measures of operating performance or liquidity under GAAP and, as used in this prospectus, are not necessarily comparable to similarly titled measures used by other companies. Management believes that EBITDA and Adjusted EBITDA may be useful to potential purchasers of the Notes in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. EBITDA and Adjusted EBITDA are not measurements of operating performance computed in accordance with GAAP and should not be considered as a substitute for operating income, net income (loss) or cash generated by operating activities computed in accordance with GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

EBITDA and Adjusted EBITDA have limitations as analytical tools. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- EBITDA and Adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally.

(7) WESCO is a defendant in a lawsuit filed in a state court in Indiana in which a customer, ArcelorMittal Indiana Harbor, Inc. (AIH), alleges that the Company sold defective products to AIH in 2004 that were supplied to the Company by others. The lawsuit sought monetary damages in the amount of approximately $50 million. On

February 14, 2013, the jury returned a verdict in favor of AIH and awarded damages in the amount of approximately $36.1 million, and judgment was entered on the jury s verdict. As a result, the Company recorded a $36.1 million charge to selling, general and administrative expenses in 2012. The Company disputes this outcome and filed a post-trial motion challenging the verdict alleging various errors that occurred during trial. The Company received letters from its insurers confirming insurance coverage of the matter and recorded a receivable in the quarter ended March 31, 2013 in an amount equal to the previously recorded liability. AIH also filed a post-trial motion asking the court to award additional amounts to AIH, including prejudgment and post-judgment interest. The Court denied the Company s post-trial motion on June 28, 2013 and granted in part AIH s motion, awarding prejudgment interest in the amount of $3.9 million and ordering post-judgment interest to accrue on the entire judgment at 8% per annum. In the quarter ended June 30, 2013, the Company received letters from its insurers confirming insurance coverage of all prejudgment and post-judgment interest related to the matter. Final judgment was entered by the court on July 16, 2013, and the Company is appealing the judgment. As of March 31, 2014, the Company recorded a liability and a corresponding receivable in the amount of $7.1 million for all prejudgment and post-judgment interest accrued in connection with this matter. The judgment may increase or decrease based on the outcome of the appellate proceedings that cannot be predicted with certainty.

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RISK FACTORS

The terms of the Exchange Notes are identical in all material respects to those of the Original Notes, except for the transfer restrictions and registration rights and related special interest provisions relating to the Original Notes that will not apply to the Exchange Notes. You should carefully consider the risks described below and all of the information contained in and incorporated by reference into this prospectus before making a decision on whether or not to participate in the Exchange Offer. In addition, you should carefully consider, among other things, the matters discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2013. If any of those risks actually occurs, our business, financial condition and results of operations could suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Disclosure Regarding Forward-looking Statements in this prospectus.

Risks Related to our Indebtedness and the Notes

We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business.

As of March 31, 2014, we had $1,676.4 million aggregate principal amount of par value debt outstanding. We also would have had $447.0 million of undrawn availability (which excludes approximately $26.0 million of outstanding letters of credit) under the Revolving Credit Facility, $21.9 million of undrawn availability under the Securitization Facility and $40.5 million of undrawn availability under foreign lines of credit, subject to borrowing base limitations.

Our significant amount of debt could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position.

For example, it could:

- make it more difficult for us to satisfy our obligations under the Notes and other outstanding debt;
- reduce the amount of funds available to finance our operations, capital expenditures and other activities;
- increase our vulnerability to adverse economic and general industry conditions, including interest rate fluctuations, because a portion of our borrowings are and will continue to be at variable rates of interest;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures or other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;

- place us at a disadvantage compared to competitors that may have proportionately less debt;
- limit our ability to obtain additional debt or equity financing due to applicable financial and restrictive covenants in our debt agreements; and
- increase our cost of borrowing.

The Notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions.

The indenture that governs the Notes does not restrict the future incurrence of unsecured indebtedness, guarantees or other obligations. In addition, the indenture governing the Notes does not contain many other restrictions, including, without limitation, limitations on investments or prepaying subordinated indebtedness or engaging in transactions with our affiliates.

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As of March 31, 2014, we were able to incur an additional $447.0 million of indebtedness under the Revolving Credit Facility (which excludes approximately $26.0 million of outstanding letters of credit), and $21.9 million of indebtedness under the Securitization Facility. If we or WESCO International incur additional debt, the risks associated with our substantial leverage and the ability to service such debt would increase.

The Term Loan Facility and the Revolving Credit Facility impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The Term Loan Facility and the Revolving Credit Facility impose significant operating and financial restrictions on us. These restrictions limit our ability, among other things, to:

- incur, assume or permit to exist additional indebtedness (including guarantees thereof);
- pay dividends or certain other distributions on our common stock or repurchase our common stock or prepay subordinated indebtedness;
- incur liens on assets;
- make certain investments or other restricted payments;
- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- engage in transactions with affiliates;
- sell certain assets or merge or consolidate with or into other companies; and
- alter the business that we conduct.

As a result of these covenants and restrictions, we will be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any future refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations. Additionally, the Term Loan Facility and the Revolving Credit Facility will limit, the use of the proceeds from any disposition; as a result, we may not be allowed, under these documents, to use proceeds from such dispositions to satisfy all current debt service obligations.

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Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under the Revolving Credit Facility, Term Loan and Securitization Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Assuming all revolving debt facilities were fully drawn, one percentage point change in interest rates would result in a $12.9 million change in annual cash interest expense.

Repayment of our indebtedness, including the Notes, is dependent on cash flow generated by our subsidiaries.

Repayment of the Notes will be dependent upon cash flow generated by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries do not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the Notes limits the ability of our subsidiaries to restrict the payment of dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

Your right to receive payments on the Notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the Notes and our guarantor s obligations under its guarantee of the Notes are unsecured, but our obligations under the Term Loan Facility, the Revolving Credit Facility and the Securitization Facility are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of most of our wholly-owned U.S. subsidiaries and the stock of certain of our non-U.S. subsidiaries. If we are declared bankrupt or insolvent, or if we default under the Term Loan Facility, the Revolving Credit Facility or the Securitization Facility, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the Notes, even if an event of default exists under the indenture governing the Notes offered hereby at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the Notes, then that guarantor will be released from its guarantee of the Notes automatically and immediately upon such sale. In any such event, because the Notes will not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully.

U.S. federal and state statutes allow courts, under specific circumstances, to void the Notes, subordinate claims in respect of the Notes and require noteholders to return payments received from us.

If we become a debtor in a case under the U.S. Bankruptcy Code or encounter other financial difficulty, under federal or state fraudulent transfer law, a court may void, subordinate or otherwise decline to enforce the Notes. A court might do so if it is found that when we issued the Notes, or in some states when payments became due under the Notes, we received less than reasonably equivalent value or fair consideration and either:

were insolvent or rendered insolvent by reason of such incurrence;

were left with inadequate capital to conduct our business; or

believed or reasonably should have believed that we would incur debts beyond our ability to pay.

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The court might also void an issuance of the Notes without regard to the above factors, if the court found that we issued the Notes with actual intent to hinder, delay or defraud our creditors. A court would likely find that we did not receive reasonably equivalent value or fair consideration for the Notes, if we did not substantially benefit directly or indirectly from the issuance of the Notes. If a court were to void the issuance of the Notes you would no longer have any claim against us. Sufficient funds to repay the Notes may not be available from other sources. In addition, the court might direct you to repay any amounts that you already received from us.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we would be considered insolvent if:

- the sum of our debts, including contingent liabilities, was greater than the fair saleable value of all of our assets;
- if the present fair saleable value of our assets was less than the amount that would be required to pay our probable liability on our existing debts, including contingent liabilities, as they become absolute and mature; or
- we could not pay our debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that we are not insolvent, do not have unreasonably small capital for the business in which we are engaged and will not have incurred debts beyond our ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

None of our subsidiaries will guarantee the Notes, and the assets and revenue of our non-guarantor subsidiaries may not be available to make payments on the Notes.

None of our subsidiaries will be required to guarantee the Notes on the issue date. In the event that any non-guarantor subsidiary becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to us. Consequently, your claims in respect of the Notes will be structurally subordinated to all of the liabilities of our non-guarantor subsidiaries, including trade payables, and any claims of third party holders of preferred equity interests, if any, in our non-guarantor subsidiaries. For the twelve months ended December 31, 2013, our subsidiaries, which will not guarantee the Notes, represented approximately 55% and 64% of our total revenues and EBITDA, respectively. In addition, these non-guarantor subsidiaries represented approximately 81% and 44% of our total assets and total liabilities, respectively, as of March 31, 2014 (excluding, in each case, intercompany amounts).

We may not be able to repurchase the Notes upon a change of control or pursuant to an asset sale offer.

Upon a change of control, as defined under the indenture governing the Notes, the holders of the Notes will have the right to require us to offer to purchase all of the Notes then outstanding at a price equal to 101% of their principal amount plus accrued and unpaid interest. In order to obtain sufficient funds to pay the purchase price of the outstanding Notes, we expect that we would have to refinance the Notes. We cannot assure you that we would be able to refinance the Notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding Notes or to purchase all validly tendered Notes would be an event of default under the indenture. Such an event of default may cause the acceleration of our other debt. Our other debt also may contain restrictions on repayment requirements with respect to specified events or transactions that constitute a change of control under the indenture.

In addition, in certain circumstances specified in the indenture governing the Notes, we will be required to commence an asset sale offer, as defined in the indenture, pursuant to which we will be obligated to purchase the

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applicable Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest. Our other debt may contain restrictions that would limit or prohibit us from completing any such asset sale offer. Our failure to purchase any such Notes when required under the indenture would be an event of default under the indenture.

Holders of the Notes may not be able to determine when a change of control giving rise to their right to have the Notes repurchased has occurred following a sale of substantially all of our assets.

The definition of change of control in the indenture governing the Notes will include a phrase relating to the sale of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of Notes to require us to repurchase its Notes as a result of a sale of less than all our assets to another person may be uncertain.

Many of the covenants in the indenture governing the Notes will cease to apply from and after the first date when the Notes are rated investment grade by Moody s and Standard & Poor s, provided no default has occurred and is continuing.

Many of the covenants contained in the indenture governing the Notes will cease to apply from and after the first date when the Notes receive an investment grade rating from Moody s and Standard & Poor s, provided no default has occurred and is then continuing. There can be no assurance that the Notes, if they are rated investment grade, will maintain such ratings. Termination of these covenants will allow us to engage in certain actions that would not have been permitted were these covenants in force. Upon termination, these covenants will no longer apply even if the Notes are subsequently downgraded below investment grade. See Description of Notes Certain Covenants Termination of Covenants when Notes Rated Investment Grade.

Our credit ratings may not reflect all risks associated with an investment in the Notes.

Credit rating agencies rate our debt securities on factors that include our results of operations, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading would likely increase our cost of financing, limit our access to the capital markets and have an adverse effect on the market price of our securities, including the Notes offered hereby.

An active trading market may not develop for the Exchange Notes and, as a result, you may not be able to resell them.

Prior to this Exchange Offer, there has been no public market for the Exchange Notes. The Exchange Notes are a new class of securities that have never been traded. We cannot assure you that an active trading market for the Exchange Notes will develop or, if one does develop, that it will be sustained. Also, it is possible that the market for the Exchange Notes will be volatile. This volatility in price may affect your ability to resell your Exchange Notes or the timing of their sale.

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USE OF PROCEEDS

The Exchange Offer is intended to satisfy our obligations under the registration rights agreement relating to the Original Notes. We will not receive any cash proceeds from the issuance of the Exchange Notes. The terms of the Exchange Notes are identical in all material respects to the form and terms of the Original Notes, except for the transfer restrictions and registration rights and related special interest provisions relating to the Original Notes. In consideration for issuing the Exchange Notes as contemplated in this prospectus, we will receive, in exchange, an equal principal amount of the Original Notes. The Original Notes surrendered in exchange for the Exchange Notes will be retired and cannot be reissued.

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RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)

	Three Months Ended March 31, 2014	2013	Year Ended December 31, 2012	2011	2010	2009
Earnings from continuing operations before income taxes	$ 72.3	$ 379.9	$ 281.6	$ 279.3	$ 157.6	$ 137.2
Fixed charges	25.8	105.6	64.5	69.6	72.7	69.2
Income from equity method investees					(4.3)	(5.0)
Dividend from equity method investees					6.0	8.1
Total earnings	**$ 98.1**	**$ 485.5**	**$ 346.1**	**$ 348.9**	**$ 232.0**	**$ 209.5**
Fixed charges:						
Interest expense[1]	$ 20.7	$ 85.6	$ 47.8	$ 53.6	$ 57.6	$ 53.8
Estimated interest component of rental expense	5.1	20.0	16.7	16.0	15.1	15.4
Total fixed charges	**$ 25.8**	**$ 105.6**	**$ 64.5**	**$ 69.6**	**$ 72.7**	**$ 69.2**
Ratio of earnings to fixed charges	**3.8x**	**4.6x**	**5.4x**	**5.0x**	**3.2x**	**3.0x**

(1) Includes interest expense on all third-party indebtedness and interest related to uncertain tax benefits.

The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges for the periods indicated where earnings consists of (1) earnings from continuing operations before income taxes, plus (2) fixed charges and dividend from equity method investees, less (3) income from equity method investees. Fixed charges consist of (a) interest, whether expensed or capitalized, on all indebtedness, including amortization of premiums, discounts and capitalized expenses related to indebtedness, and (b) an interest component representing the estimated portion of rental expense that management believes is attributable to interest.

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THE EXCHANGE OFFER

Purpose of the Exchange Offer

In connection with the offer and sale of the Original Notes, we entered into a registration rights agreement with the initial purchasers of the Original Notes. We are making the Exchange Offer to satisfy our obligations under the registration rights agreement.

Terms of the Exchange Offer

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, Exchange Notes for an equal principal amount of Original Notes. The terms of the Exchange Notes are identical in all material respects to those of the Original Notes, except for the transfer restrictions and registration rights and related special interest provisions relating to the Original Notes that will not apply to the Exchange Notes. The Exchange Notes will be of the same class as the Original Notes. The Exchange Notes will be entitled to the benefits of the indenture under which the Exchange Notes, and the Original Notes, were issued. See Description of Notes.

The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Original Notes being tendered or accepted for exchange. As of the date of this prospectus, $500,000,000 aggregate principal amount of Original Notes was outstanding. Original Notes tendered in the Exchange Offer must be in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Based on certain interpretive letters issued by the staff of the SEC to third parties in unrelated transactions, holders of Original Notes, except any holder who is an affiliate of ours within the meaning of Rule 405 under the Securities Act, who exchange their Original Notes for Exchange Notes pursuant to the Exchange Offer generally may offer the Exchange Notes for resale, resell the Exchange Notes and otherwise transfer the Exchange Notes without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the Exchange Notes are acquired in the ordinary course of the holders business and such holders are not participating in, and have no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Original Notes, where the Original Notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes as described in Plan of Distribution. In addition, to comply with the securities laws of individual jurisdictions, if applicable, the Exchange Notes may not be offered or sold unless they have been registered or qualified for sale in the jurisdiction or an exemption from registration or qualification is available and complied with. We have agreed, pursuant to the registration rights agreements, to file with the SEC a registration statement (of which this prospectus forms a part) with respect to the Exchange Notes. If you do not exchange Original Notes for Exchange Notes pursuant to the Exchange Offer, your Original Notes will continue to be subject to restrictions on transfer.

If any holder of the Original Notes is an affiliate of ours, is engaged in or intends to engage in or has any arrangement or understanding with any person to participate in the distribution of the Exchange Notes to be acquired in the Exchange Offer, the holder would not be able to rely on the applicable interpretations of the SEC and would be required to comply with the registration requirements of the Securities Act, except for resales made pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act and applicable state securities laws.

Expiration Date; Extensions; Termination; Amendments

The Exchange Offer expires on the Expiration Date, which is 9:00 a.m., New York City time, on July 17, 2014 unless we, in our sole discretion, extend the period during which the Exchange Offer is open.

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We reserve the right to extend the Exchange Offer at any time and from time to time prior to the Expiration Date by giving written notice to U.S. Bank National Association, the exchange agent, and by public announcement communicated by no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date, unless otherwise required by applicable law or regulation, by making a release to PR Newswire or other wire service. During any extension of the Exchange Offer, all Original Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by us.

The exchange date will promptly follow the Expiration Date. We expressly reserve the right to:

- terminate the Exchange Offer and not accept for exchange any Original Notes for any reason, including if any of the events set forth under Conditions to the Exchange Offer shall have occurred and shall not have been waived by us; and

- amend the terms of the Exchange Offer in any manner, whether before or after any tender of the Original Notes.

If any termination or material amendment occurs, we will notify the exchange agent in writing and will either issue a press release or give written notice to the holders of the Original Notes as promptly as practicable. Additionally, in the event of a material amendment or change in the Exchange Offer, which would include any waiver of a material condition hereof, we will extend the offer period, if necessary, so that at least five business days remain in the Exchange Offer following notice of the material amendment or change, as applicable.

Unless we terminate the Exchange Offer prior to 9:00 a.m., New York City time, on the Expiration Date, we will exchange the Exchange Notes for the tendered Original Notes promptly after the Expiration Date, and will issue to the exchange agent Exchange Notes for Original Notes validly tendered, not withdrawn and accepted for exchange. Any Original Notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after expiration or termination of the Exchange Offer. See Acceptance of Original Notes for Exchange; Delivery of Exchange Notes.

This prospectus and the accompanying letter of transmittal and other relevant materials will be mailed by us to record holders of Original Notes and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the lists of holders for subsequent transmittal to beneficial owners of Original Notes.

Procedures for Tendering Original Notes

To participate in the Exchange Offer, you must properly tender your Original Notes to the exchange agent as described below. We will only issue the Exchange Notes in exchange for the Original Notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the Original Notes, and you should follow carefully the instructions on how to tender your Original Notes. It is your responsibility to properly tender your Original Notes. No letter of transmittal or other document should be sent to us. Beneficial owners may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for them.

If you have any questions or need help in exchanging your Original Notes, please contact the exchange agent at the address or telephone numbers set forth below.

All of the Original Notes were issued in book-entry form, and all of the Original Notes are currently represented by global certificates registered in the name of Cede & Co., the nominee of DTC. You may tender your Original Notes using ATOP. The exchange agent will make a request to establish an account with respect to the Original Notes at DTC for purposes of the Exchange Offer within two business days after this prospectus is mailed to holders, and any financial institution that is a participant in DTC may make book-entry delivery of Original Notes by causing DTC to transfer the Original Notes into the exchange agent s account at DTC in

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accordance with DTC s procedures for transfer. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender the Original Notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange the Original Notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it. The tender of Original Notes by you pursuant to the procedures set forth in this prospectus will constitute an agreement between you and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

All questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Original Notes will be determined by us and will be final and binding. We reserve the absolute right to reject any or all tenders not in proper form or the acceptances for exchange of which may, upon advice of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular Original Notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of the Original Notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of the Original Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of the Original Notes will not be deemed made until such defects or irregularities have been cured or waived. Any Original Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder as soon as practicable after the Expiration Date of the Exchange Offer.

In all cases, we will issue the Exchange Notes for the Original Notes that we have accepted for exchange under the Exchange Offer only after the exchange agent receives, prior to the Expiration Date: a book-entry confirmation of such number of the Original Notes into the exchange agent s account at DTC and a properly transmitted agent s message.

If we do not accept any tendered Original Notes for exchange or if the Original Notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged Original Notes will be returned without expense to their tendering holder. Such non-exchanged Original Notes will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the Exchange Offer.

Each broker-dealer that receives the Exchange Notes for its own account in exchange for the Original Notes, where those Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of those Exchange Notes. See Plan of Distribution.

Terms and Conditions Contained in the Letter of Transmittal

The accompanying letter of transmittal contains, among other things, the following terms and conditions, which are part of the Exchange Offer.

The transferring party tendering Original Notes for exchange will be deemed to have exchanged, assigned and transferred the Original Notes to us and irrevocably constituted and appointed the exchange agent as the transferor s agent and attorney-in-fact to cause the Original Notes to be assigned, transferred and exchanged. The transferor will be required to represent and warrant that it has full power and authority to tender, exchange, assign and transfer the

Original Notes and to acquire Exchange Notes issuable upon the exchange of the tendered Original Notes and that, when the same are accepted for exchange, we will acquire good and unencumbered title to the tendered Original Notes, free and clear of all liens, restrictions (other than restrictions on transfer), charges and encumbrances and that the tendered Original Notes are not and will not be subject to any adverse claim. The transferor will be required to also agree that it will, upon request, execute and deliver any additional documents deemed by the exchange agent or us to be necessary or desirable to complete the exchange, assignment and transfer of tendered Original Notes. The transferor will be required to agree that acceptance of any tendered Original Notes by us and the issuance of Exchange Notes in exchange for tendered Original Notes will constitute performance in full by us of our obligations under the registration rights agreements and that we will have no further obligations or liabilities under the registration rights agreements, except in certain limited circumstances. All authority conferred by the transferor will survive the death, bankruptcy or incapacity of the transferor and every obligation of the transferor will be binding upon the heirs, legal representatives, successors, assigns, executors, administrators and trustees in bankruptcy of the transferor.

Upon agreement to the terms of the letter of transmittal pursuant to an agent s message, a holder, or beneficial holder of the Original Notes on behalf of which the holder has tendered, will, subject to that holder s ability to withdraw its tender, and subject to the terms and conditions of the Exchange Offer generally, thereby certify that:

- it is not an affiliate of ours or our subsidiaries or, if the transferor is an affiliate of ours or our subsidiaries, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;

- the Exchange Notes are being acquired in the ordinary course of business of the person receiving the Exchange Notes, whether or not the person is the registered holder;

- the transferor has not entered into, engaged in, does not intend to engage in, and has no arrangement or understanding with any other person to engage in a distribution of the Exchange Notes issued to the transferor;

- the transferor is not a broker-dealer who purchased the Original Notes for resale pursuant to an exemption under the Securities Act tendering Original Notes acquired directly from the Company for the transferor s own account; and

- the transferor is not restricted by any law or policy of the SEC from trading the Exchange Notes acquired in the Exchange Offer.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Original Notes where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See Plan of Distribution.

Withdrawal Rights

Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date.

For a withdrawal to be effective, a written letter or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth in the accompanying letter of transmittal not later than 9:00 a.m., New York City time, on the Expiration Date. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn Original Notes and otherwise comply with the ATOP procedures. The exchange agent will return properly withdrawn Original Notes promptly following receipt of notice of withdrawal. Properly withdrawn Original Notes may be retendered by following the procedures described under Procedures for Tendering Original Notes at any time on or prior to 9:00 a.m., New York City time, on the Expiration Date. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by us, and will be final and binding on all parties.

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Acceptance of Original Notes for Exchange; Delivery of Exchange Notes

Upon the terms and subject to the conditions of the Exchange Offer, the acceptance for exchange of Original Notes validly tendered and not validly withdrawn and the issuance of the Exchange Notes will be made on the exchange date. For purposes of the Exchange Offer, we will be deemed to have accepted for exchange validly tendered Original Notes when and if we have given written notice to the exchange agent. The Original Notes surrendered in exchange for the Exchange Notes will be retired and cannot be reissued.

The exchange agent will act as agent for the tendering holders of each series of Original Notes for the purposes of receiving corresponding series of Exchange Notes from us and causing the Original Notes to be assigned, transferred and exchanged. Original Notes tendered by book-entry transfer into the exchange agent s account at DTC pursuant to the procedures described above will be credited to an account maintained by the holder with DTC for the Original Notes, promptly after withdrawal, rejection of tender or termination of the Exchange Offer.

Conditions to the Exchange Offer

Notwithstanding any other provision of the Exchange Offer, or any extension of the Exchange Offer, we will not be required to issue Exchange Notes in exchange for any properly tendered Original Notes not previously accepted and may terminate the Exchange Offer by oral or written notice to the exchange agent and by timely public announcement communicated, unless otherwise required by applicable law or regulation, to PR Newswire or other wire service, or, at our option, modify or otherwise amend the Exchange Offer, if, in our reasonable determination:

- there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree shall have been issued by, any court or governmental agency or other governmental regulatory or administrative agency or of the SEC;

- seeking to restrain or prohibit the making or consummation of the Exchange Offer;

- assessing or seeking any damages as a result thereof;

- resulting in a material delay in our ability to accept for exchange or exchange some or all of the Original Notes pursuant to the Exchange Offer; or

- the Exchange Offer violates any applicable law or any applicable interpretation of the staff of the SEC.

These conditions are for our sole benefit and may be asserted by us with respect to all or any portion of the Exchange Offer regardless of the circumstances, including any action or inaction by us, giving rise to the condition or may be waived by us in whole or in part at any time or from time to time in our sole discretion. The failure by us at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, and each right will be deemed an ongoing right that may be asserted at any time or from time to time. We reserve the right, notwithstanding the satisfaction of these conditions, to terminate or amend the Exchange Offer.

In addition, we reserve the right to take any action with respect to the Exchange Offer for one series of Original Notes (including, without limitation, extending, amending, terminating or waiving a condition to the Exchange Offer with respect to such series) without taking the same action with respect to the Exchange Offer for the other series of Original Notes.

Any determination by us concerning the fulfillment or non-fulfillment of any conditions will be final and binding upon all parties.

In addition, we will not accept for exchange any Original Notes tendered, and no Exchange Notes will be issued in exchange for any Original Notes, if at such time, any stop order has been issued or is threatened with respect to the registration statement of which this prospectus forms a part, or with respect to the qualification of the indenture under which the Original Notes were issued under the Trust Indenture Act of 1939.

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Exchange Agent

U.S. Bank National Association, has been appointed as the exchange agent for the Exchange Offer. Questions relating to the procedure for tendering, as well as requests for additional copies of this prospectus or the accompanying letter of transmittal, should be directed to the exchange agent addressed as follows:

By Hand, Overnight Delivery or Mail (Registered

or Certified Mail Recommended):

U. S. Bank National Association

Attn: Specialized Finance

111 Fillmore Avenue

St. Paul, MN 55107-1402

Phone: (800) 934-6802

Fax: (651) 466-7372

Attn: Specialized Finance

Email: cts.specfinance@usbank.com

Originals of all documents sent by facsimile should be promptly sent to the exchange agent by mail, by hand or by overnight delivery service.

Solicitation of Tenders; Expenses

We have not retained any dealer-manager or similar agent in connection with the Exchange Offer and we will not make any payments to brokers, dealers or others for soliciting acceptances of the Exchange Offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for actual and reasonable out-of-pocket expenses. The expenses to be incurred in connection with the Exchange Offer, including the fees and expenses of the exchange agent and printing, accounting and legal fees, will be paid by us.

No person has been authorized to give any information or to make any representations in connection with the Exchange Offer other than those contained in this prospectus. If given or made, the information or representations should not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any exchange made in the Exchange Offer will, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or any earlier date as of which information is given in this prospectus.

The Exchange Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Original Notes in any jurisdiction in which the making of the Exchange Offer or the acceptance would not be in compliance with the laws of the jurisdiction. However, we may, at our discretion, take any action as we may deem necessary to make the Exchange Offer in any jurisdiction.

Appraisal or Dissenters Rights

Holders of Original Notes will not have appraisal or dissenters rights in connection with the Exchange Offer.

Transfer Taxes

If you tender your Original Notes, you will not be obligated to pay any transfer taxes in connection with the Exchange Offer.

Income Tax Considerations

We advise you to consult your own tax advisers as to your particular circumstances and the effects of any state, local or foreign tax laws to which you may be subject.

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The discussion in this prospectus is based upon the provisions of the Internal Revenue Code of 1986, as amended (the *Code*), and regulations, rulings and judicial decisions thereunder, in each case as in effect on the date of this prospectus, all of which are subject to change.

The exchange of an Original Note for an Exchange Note will not constitute a taxable exchange. The exchange will not result in taxable income, gain or loss being recognized by you or by us. Immediately after the exchange, you will have the same adjusted basis and holding period in each Exchange Note received as you had immediately prior to the exchange in the corresponding Original Note surrendered. See Certain U.S. Federal Income Tax Considerations for more information.

Consequences of Failure to Exchange

As a consequence of the offer or sale of the Original Notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, holders of Original Notes who do not exchange Original Notes for Exchange Notes in the Exchange Offer will continue to be subject to the restrictions on transfer of the Original Notes. In general, the Original Notes may not be offered or sold unless such offers and sales are registered under the Securities Act, or exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws.

UPON COMPLETION OF THE EXCHANGE OFFER, DUE TO THE RESTRICTIONS ON TRANSFER OF THE ORIGINAL NOTES AND THE ABSENCE OF SIMILAR RESTRICTIONS APPLICABLE TO THE EXCHANGE NOTES, IT IS HIGHLY LIKELY THAT THE MARKET, IF ANY, FOR ORIGINAL NOTES WILL BE LESS LIQUID THAN THE MARKET FOR EXCHANGE NOTES. CONSEQUENTLY, HOLDERS OF ORIGINAL NOTES WHO DO NOT PARTICIPATE IN THE EXCHANGE OFFER COULD EXPERIENCE SIGNIFICANT DIMINUTION IN THE VALUE OF THEIR ORIGINAL NOTES COMPARED TO THE VALUE OF THE EXCHANGE NOTES.

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DESCRIPTION OF NOTES

In this section, the words Company, Issuer , we, us, our or similar references refer only to WESCO Distribution, excluding its subsidiaries. The Original Notes were, and the Exchange Notes will be, issued under an indenture, dated as of November 26, 2013 (the *Indenture*), among the Company, WESCO International, Inc., as parent guarantor (the *Parent Guarantor*), and U.S. Bank National Association, as trustee (the *Trustee*). The Exchange Notes will be identical in all material respects to the Original Notes, except that the Exchange Notes will have been registered under the Securities Act and will be free of any obligation regarding registration, including the payment of special interest upon failure to file or have declared effective an Exchange Offer registration statement or to consummate an Exchange Offer by certain dates.

The statements under this caption relating to the Indenture and the Notes are summaries and are not a complete description thereof, and where reference is made to particular provisions, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Indenture and the Notes and those terms made part of the Indenture by the Trust Indenture Act of 1939, as amended (the *TIA*). The definitions of certain capitalized terms used in the following summary are set forth under Certain Definitions. For more information on how you can obtain a copy of the Indenture, see Where You Can Find More Information and Information We Incorporate By Reference.

General

The Original Notes were issued in an aggregate principal amount of $500,000,000. The Company will issue up to $500,000,000 aggregate principal amount of Exchange Notes. The Company may issue additional Notes (the *Additional Notes*) under the Indenture. The Notes and any Additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The Notes will mature on December 15, 2021. Interest on the Notes will accrue at the rate of 5.375% per annum. Interest on the Notes will be payable in cash semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2014, to Holders of record on the June 1 or December 1 immediately preceding such interest payment date. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year comprising twelve 30-day months, and in the case of an incomplete month, the number of days elapsed. The redemption price at final maturity for the Notes will be 100% of their principal amount.

Principal of and premium, if any, and interest on the Notes will be payable at the office or agency of the Issuer maintained for such purpose in the City and State of New York (the *Paying Agent*) or in the city in the United States in which the Trustee s Corporate Trust Office is located or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders of the Notes at their respective addresses set forth in the register of Holders of Notes; *provided* that if any Holder has given wire transfer instructions to the Issuer or the Paying Agent at least 15 days prior to the payment date, all payments of principal, premium, if any, and interest with respect to the Notes held by such Holder will be made by wire transfer of immediately available funds to the account specified by such Holder. Until otherwise designated by the Issuer, the Issuer s office or agency in the City and State of New York will be the office of the Trustee maintained for such purpose in the City and State of New York. The Issuer may change the Paying Agent or registrar without prior notice to the Holders, and the Issuer or any of the Subsidiaries may act as a Paying Agent or registrar.

The Notes will be issued in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000.

Ranking and Guarantee

The Notes will be senior obligations of the Issuer, ranking *pari passu* in right of payment with all other existing and future senior obligations of the Issuer, including obligations under other unsubordinated Indebtedness. The Notes will be effectively subordinated to all existing and future obligations of the Issuer that

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are secured by Liens on any property or assets of the Issuer, including the Senior Secured Credit Facilities, to the extent of the value of the collateral securing such obligations, and will be structurally subordinated to all liabilities (including trade payables) of the non-Guarantor Subsidiaries and senior in right of payment to all existing and future obligations of the Issuer that are, by their terms, subordinated in right of payment to the Notes.

Initially, the Notes will be guaranteed by the Parent Guarantor and not by any of the Parent Guarantor s or the Issuer s Subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of the non-Guarantor Subsidiaries, such non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute or contribute, as the case may be, any of their assets to the Issuer or the Parent Guarantor. Therefore, the Notes and the Guarantee of the Parent Guarantor (the *Parent Guarantee*) are effectively subordinated to the liabilities of the non-Guarantor Subsidiaries. For the twelve months ended December 31, 2013, our subsidiaries, which will not guarantee the Notes, represented approximately 55% and 64% of our total revenues and EBITDA, respectively. In addition, these non-guarantor subsidiaries represented approximately 81% and 43% of our total assets and total liabilities, respectively, as of March 31, 2014 (excluding, in each case, intercompany amounts). See Risk Factors None of our subsidiaries will guarantee the Notes, and the assets and revenue of our non-guarantor subsidiaries may not be available to make payments on the Notes. If required by the covenant described under Certain Covenants Additional Note Guarantees, certain of the Subsidiaries may be required to provide a Guarantee of the Notes in the future.

The Parent Guarantee will be a senior obligation of the Parent Guarantor, ranking *pari passu* in right of payment with all other senior obligations of the Parent Guarantor, including obligations under other unsubordinated Indebtedness. The Parent Guarantee will be effectively subordinated to all existing and future obligations incurred by the Parent Guarantor that are secured by Liens on any property or assets of the Parent Guarantor, including the Senior Secured Credit Facilities, to the extent of the value of the collateral securing such obligations, structurally subordinated to all liabilities (including trade payables) of the non-Guarantor Subsidiaries and senior in right of payment to all existing and future obligations of the Parent Guarantor that are, by their terms, subordinated in right of payment to the Parent Guarantee.

As of March 31, 2014, we had $831.5 million aggregate principal amount of Secured Debt outstanding. In addition, as of the same date we had approximately $447.0 million of availability under the Issuer s ABL Credit Facility (excluding approximately $26 million of letters of credit outstanding) and $21.9 million of availability under the Securitization Facility.

The Parent Guarantor and any future Subsidiary of the Issuer required to provide a Guarantee under the covenant described under Certain Covenants Additional Note Guarantees will Guarantee the Notes on the terms and conditions set forth in the Indenture.

A Note Guarantee of a Guarantor (other than clauses (a) and (b) below with respect to a company that is a direct or indirect parent of the Issuer) will be unconditionally and automatically released and discharged upon any of the following:

(a) any Transfer (including, without limitation, by way of consolidation or merger) by any Guarantor to any Person that is not a Guarantor of all or substantially all of the properties and assets of such Guarantor; *provided* that such Guarantor is also released from all of its obligations in respect of Indebtedness under each Credit Facility and any other Indebtedness that gave rise to the obligation to provide such Note Guarantee;

(b) any Transfer directly or indirectly (including, without limitation, by way of consolidation or merger) to any Person that is not a Guarantor of Equity Interests of a Guarantor or any issuance by a Guarantor of its Equity Interests, such that such Guarantor ceases to be a Subsidiary; *provided* that such Guarantor is also released from all of its obligations in respect of Indebtedness under each Credit Facility and any other Indebtedness that gave rise to the obligation to provide such Note Guarantee;

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(c) the release of such Guarantor from all obligations of such Guarantor in respect of Indebtedness under each Credit Facility and any other Indebtedness that gave rise to the obligation to provide such Note Guarantee; or

(d) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions Legal Defeasance and Covenant Defeasance and Satisfaction and Discharge.

No such release and discharge of a Note Guarantee of a Guarantor shall be effective against the Trustee or the Holders of Notes to which such Note Guarantee relates (i) if an Event of Default shall have occurred and be continuing under the Indenture as of the time of such proposed release until such time as such Event of Default is cured and waived (unless such release is in connection with the sale of the Equity Interests in such Guarantor constituting collateral for a Credit Facility in connection with the exercise of remedies against such Equity Interests or in connection with a Transfer permitted by the Indenture if, but for the existence of such Event of Default, such Guarantor would otherwise be entitled to be released from its Guarantee following the sale of such Equity Interests) and (ii) until the Issuer shall have delivered to the Trustee an officer s certificate, upon which the Trustee shall have the right to rely, stating that all conditions precedent provided for in the Indenture relating to such release and discharge have been complied with and that such release and discharge is permitted under the Indenture. At the request of the Issuer, and upon being provided an officer s certificate, the Trustee shall execute and deliver an instrument evidencing such release.

Optional Redemption

At any time prior to December 15, 2016, the Issuer may on any one or more occasions redeem up to (i) 35% of the original aggregate principal amount of Notes issued under the Indenture and (ii) all or a portion of any Additional Notes issued after the Issue Date, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 105.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to but excluding the date of redemption, with an amount of cash no greater than the cash proceeds (net of underwriting discounts and commissions) of all Equity Offerings since the Issue Date; provided that:

(1) at least 65% (calculated after giving effect to any issuance of Additional Notes) of the aggregate principal amount of Notes issued under the Indenture (excluding Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

In addition, prior to December 15, 2016, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to but excluding the applicable redemption date, plus the Make-Whole Premium. The Indenture will provide that with respect to any such redemption the Issuer will notify the Trustee of the Make-Whole Premium with respect to the Notes promptly after the calculation and the Trustee will not be responsible for verifying or otherwise for such calculation.

On or after December 15, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to but excluding the applicable date of redemption (subject to the rights of holders of Notes to be redeemed on or after a record date for the payment of interest to receive interest on the relevant interest payment date), if redeemed during the twelve-month period beginning on December 15 of the years indicated below:

Year	Percentage
2016	104.031%
2017	102.688%
2018	101.344%
2019 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date. The Issuer may provide in such notice that payment of the redemption price and performance of the Issuer s obligations with respect to such redemption may be performed by another Person.

In addition, the Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Notwithstanding the foregoing, the payment of accrued but unpaid interest in connection with the redemption of Notes is subject to the rights of a Holder of Notes on a record date for the payment of interest whose Notes are to be redeemed on or after such record date but on or prior to the related interest payment date to receive interest on such interest payment date.

Selection and Notice Regarding Notes

If less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes to be redeemed are listed or, if the Notes are not so listed, on a *pro rata* basis (or, in the case of Notes in global form, the Notes will be selected for redemption based on DTC s applicable procedures); *provided* that no Notes with a principal amount of $2,000 or less shall be redeemed in part. Notice of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address (or to the extent permitted or required by applicable DTC procedures or regulations with respect to global Notes, sent electronically). If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on such Notes or portions thereof called for redemption. Redemption amounts shall only be paid upon presentation and surrender of any such Notes to be redeemed.

Any redemption and notice thereof pursuant to the Indenture may, in the Issuer s discretion, be subject to the satisfaction of one or more conditions precedent.

Mandatory Redemption

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Asset Dispositions

The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Parent Guarantor or such Subsidiary receives consideration at least equal to the fair market value (such fair market value to be determined in good faith by the Issuer on the date of contractually agreeing to such Asset Disposition) of the equity or assets subject to such Asset Disposition;

(2) at least 75% of the consideration received by the Parent Guarantor or such Subsidiary is in the form of cash or cash equivalents, Additional Assets or any combination thereof (collectively, the *Cash Consideration*); and

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(3) within 365 days, including the 365th day, from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Parent Guarantor (or such Subsidiary, as the case may be) at its option:

(A) to prepay, repay, redeem or purchase Secured Debt of the Issuer or any Guarantor or Indebtedness of a Wholly Owned Subsidiary that is not a Guarantor (in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer), *provided* such prepayment, repayment, redemption or purchase permanently retires, or reduces the related loan commitment (if any) for, such Indebtedness in an amount equal to the principal amount so prepaid, repaid, redeemed or purchased;

(B) to acquire Additional Assets or to make any other capital expenditures (*provided* that this requirement shall be deemed satisfied if the Parent Guarantor (or such Subsidiary, as the case may be) by the end of such 365-day period has entered into a binding agreement under which it is contractually committed to acquire Additional Assets and such acquisition is consummated within the later of the end of such 365-day period or within 180 days from the date on which such binding agreement is entered into);

(C) to make an offer to the Holders of the Notes (and to holders of other Pari Passu Indebtedness of the Issuer designated by the Issuer) to purchase Notes (and such other Pari Passu Indebtedness of the Issuer) pursuant to and subject to the conditions contained in the Indenture, as set forth below (other than with respect to Excess Proceeds and that such offer may be made at any time prior to the end of such 365-day period), and in the instruments governing such Pari Passu Indebtedness; and

(D) to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B) and (C), for any purpose permitted by the terms of the Indenture.

Pending application of Net Available Cash pursuant to this covenant, such Net Available Cash shall be applied to temporarily reduce revolving credit Indebtedness or in any manner not prohibited by the Indenture.

For the purposes of this covenant, the following are deemed to be Cash Consideration:

- any liabilities, as shown on the Parent Guarantor s or any of its Subsidiaries most recent balance sheet, of the Parent Guarantor or such Subsidiary (other than contingent liabilities) that are assumed by the transferee of any such assets either by operation of law or pursuant to (1) a customary novation agreement that releases the Parent Guarantor or such Subsidiary from further liability or (2) an assignment agreement that includes, in lieu of such a release, the agreement of the transferee or its parent company to indemnify and hold harmless the Issuer or such Subsidiary from and against any loss, liability or cost in respect of such assumed liability;

- any securities, notes or other obligations received by the Parent Guarantor or any of its Subsidiaries from such transferee that are converted by the Parent Guarantor or such Subsidiary into cash or cash equivalents within 360 days after such Asset Disposition, to the extent of the cash and cash equivalents received in that conversion; and any Designated Non-cash Consideration received by the Parent Guarantor or any of its Subsidiaries in such Asset Disposition having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause that has at that time not been converted into cash or a cash equivalent, not to exceed the greater of (x) $100.0 million and (y) 2.0% of Consolidated Total Assets at the time of the receipt of such Designated Non-cash Consideration (with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The amount of Net Available Cash not applied or invested as provided above will constitute *Excess Proceeds* (other than any Net Available Cash remaining after the Issuer has made an offer to purchase Notes pursuant to clause (C) above). When the aggregate amount of Excess Proceeds equals or exceeds $100.0 million, the Issuer shall make an offer to purchase Notes (an *Offer*) within ten Business Days thereof, and shall purchase Notes tendered pursuant to an Offer by the Issuer for the Notes and other Pari Passu Indebtedness that contemporaneously requires the purchase, prepayment or redemption of such Indebtedness with the proceeds of sales of assets at a purchase price of 100% of their principal amount without premium, plus accrued but unpaid interest (or, in respect of such other Pari Passu Indebtedness, such lesser price, if any, as may be provided for by the terms of such Pari Passu Indebtedness) to, but excluding, the date such Offer is consummated, in accordance with the procedures (including prorating in the event of oversubscription) set forth in the Indenture and the terms of such other Pari Passu Indebtedness. If any Excess Proceeds remain after consummation of an Offer and the contemporaneous offer with respect to any other Pari Passu Indebtedness contemplated above, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate purchase price of the securities tendered exceeds the amount of Excess Proceeds, the Issuer shall allocate the Excess Proceeds between such securities on a pro rata basis and will select the Notes to be purchased on a pro rata basis but in denominations of $2,000 principal amount or integral multiples of $1,000 in excess thereof. The remainder of the Excess Proceeds allocable to the other Pari Passu Indebtedness will be repurchased as provided pursuant to the terms of such Indebtedness. Upon completion of such an Offer to purchase, Excess Proceeds will be deemed to be reset to zero.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

Change of Control

Upon the occurrence of a Change of Control or, at the Issuer s option, prior to the consummation of a Change of Control but after it is publicly announced, the Issuer will make an offer, as described below (the *Change of Control Offer*), to the Holders of all of the outstanding Notes at an offer price in cash equal to 101% of the principal amount tendered, plus accrued and unpaid interest, if any, thereon to, but not including, the purchase date (the *Change of Control Payment*). Within 30 days following any Change of Control or, at the Issuer s option, prior to the consummation of such Change of Control but after the public announcement thereof, the Issuer will mail (or to the extent permitted or required by applicable DTC procedures or regulations with respect to global Notes, sent electronically) a notice to each Holder and the Trustee describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the purchase date specified in such notice (which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as required by law) (the *Change of Control Payment Date*) pursuant to the procedures required by the Indenture and described in such notice. Such obligation will not continue after a discharge of the Issuer or defeasance from its obligations with respect to the Notes. See Legal Defeasance and Covenant Defeasance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof (in minimum amounts of $2,000 or an integral multiple of $1,000 in excess thereof) properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee for cancellation all Notes so accepted together with an officer s certificate stating the aggregate principal amount of Notes (or portions thereof) being purchased by the Issuer.

The Paying Agent will promptly remit to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and deliver (or cause to be transferred by book entry) to each Holder of Notes a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

If Holders of not less than 90% in aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any other Person making a Change of Control Offer in lieu of the Issuer as described below, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer will have the right, upon not less than 15 nor more than 30 days prior notice, given not more than 15 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to the applicable Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest to, but not including, the date of redemption.

Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders of the Notes to require that the Issuer offer to repurchase the Notes in the event of a takeover, recapitalization or similar transaction with respect to the Issuer.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture with respect to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption has been given or will be given pursuant to the Indenture as described above under the caption Optional Redemption prior to the date the Issuer is required to send notice of the Change of Control Offer to the Holders of the Notes, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made and such Change of Control Offer is otherwise made in compliance with the provisions of this covenant.

The Senior Secured Credit Facilities contain, and future Indebtedness may contain, prohibitions on the occurrence of certain events that would constitute a Change of Control or an Asset Disposition or require the repayment or repurchase of such Indebtedness upon a Change of Control or an Asset Disposition. Moreover, the acceptance by the Holders of the Issuer s Change of Control Offer could cause a default under the Senior Secured Credit Facilities and/or such Indebtedness, even if the Change of Control or Asset Disposition itself does not. Finally, the Issuer s ability to pay cash to the Holders of Notes following the occurrence of a Change of Control or an Asset Disposition may be limited by its then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases and there can be no assurance that the Issuer would be able to obtain financing to make such repurchases. Even if sufficient funds were otherwise available, the terms of the Senior Secured Credit Facilities do, and future Indebtedness may, prohibit the Issuer s prepayment of Notes before their scheduled maturity. Consequently, if the Issuer is not able to prepay amounts due under the Senior Secured Credit Facilities and any such other Indebtedness containing similar restrictions or obtain requisite consents, the Issuer will be unable to fulfill its repurchase obligations if Holders of Notes exercise their repurchase rights following a Change of Control or an Asset Disposition, resulting in a Default under the Indenture. A Default under the Indenture would constitute a default under the Senior Secured Credit Facilities and could constitute a default under other Indebtedness.

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The Issuer s obligation to make a Change of Control Offer upon a Change of Control may deter a third party from acquiring the Issuer in a transaction that constitutes a Change of Control. The definition of *Change of Control* includes a phrase relating to the transfer of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Issuer to repurchase its Notes as a result of a transfer of less than all of the assets of the Parent Guarantor and its Subsidiaries taken as a whole to another Person may be uncertain.

Certain Covenants

Termination of Certain Covenants when Notes Rated Investment Grade

If on any date following the Issue Date (i) the Notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a *Covenant Termination Event*), the Parent Guarantor and its Subsidiaries will not be subject to the following covenants (collectively, the *Terminated Covenants*):

(1) Limitations on Restricted Payments ;

(2) Repurchase at the Option of Holders Asset Disposition ;

(3) clause (2) of the covenant described below under the caption Limitation on Sale and Leaseback Transactions ; and

(4) Additional Note Guarantees.

In the event that a Covenant Termination Event occurs, the Parent Guarantor and its Subsidiaries will no longer be subject to the Terminated Covenants, regardless of whether and on any subsequent date one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating.

The Trustee shall have no responsibility to monitor any change in the rating of the Notes. There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment:

(a) a Default shall have occurred and be continuing or shall occur as a consequence thereof;

(b) after giving effect to such Restricted Payment (including, without limitation, the incurrence of any Indebtedness to finance such Restricted Payment), the Consolidated Fixed Charge Coverage Ratio would be less than 2.00 to 1.00; or

(c) the amount of such Restricted Payment, when added to the aggregate amount of all other Restricted Payments made after the Issue Date (other than Restricted Payments made pursuant to clauses (b), (c), (d), (e), (f), (g) or (h) of the next paragraph), exceeds the sum (the *Restricted Payments Basket*) of (without duplication):

(i) 50% of Consolidated Net Income of the Parent Guarantor and its Subsidiaries determined in accordance with GAAP for the period (taken as one accounting period) commencing on July 1, 2013 to and including the last day of the fiscal quarter ended immediately prior to the date of such calculation for which consolidated financial statements are available (or, if such Consolidated Net Income shall be a deficit, *minus* 100% of such aggregate deficit), *plus*

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(ii) 100% of the aggregate net cash proceeds and the fair market value, as determined in good faith by the Parent Guarantor, of property and marketable securities received by the Parent Guarantor from the issuance and sale of Qualified Equity Interests of the Parent Guarantor after the Issue Date or from the issue or sale of convertible or exchangeable Disqualified Equity Interests of the Parent Guarantor or convertible or exchangeable debt securities of the Parent Guarantor, in each case that have been converted into or exchanged for Qualified Equity Interests of the Parent Guarantor, other than (A) any such proceeds which are used to redeem Notes in accordance with the second paragraph under Optional Redemption or (B) any such proceeds or assets received from a Subsidiary of the Parent Guarantor, *plus*

(iii) the aggregate amount by which Indebtedness incurred by the Parent Guarantor or any of its Subsidiaries subsequent to the Issue Date occurs is reduced on the Parent Guarantor s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) into Qualified Equity Interests of the Parent Guarantor (less the amount of any cash, or the fair value of assets, distributed by the Parent Guarantor or any Subsidiary upon such conversion or exchange), *plus*

(iv) 50% of any cash dividends or distributions received by the Parent Guarantor or any of its Subsidiaries after the Issue Date from any unconsolidated Person, to the extent that such dividends or distributions were not otherwise included in Consolidated Net Income.

The foregoing provisions will not prohibit:

(a) the payment by the Parent Guarantor of any dividend or the consummation of any redemption within 60 days after the date of declaration thereof or the giving of the redemption notice, as the case may be, if on the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(b) the repurchase or redemption of any Equity Interests of the Parent Guarantor in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests;

(c) payments by the Parent Guarantor to redeem Equity Interests of the Parent Guarantor held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates) of the Parent Guarantor or its Subsidiaries, upon their death, disability, retirement, severance or termination of employment or service or other repurchase event pursuant to any management equity plan or stock option plan, shareholders agreement or any other management or employee benefit plan or agreement or arrangement; *provided* that the aggregate cash consideration paid for all such redemptions shall not exceed (A) $10.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum of $20.0 million in any calendar year); plus (B) the amount of any net cash proceeds received by the Parent Guarantor from the issuance and sale after the Issue Date of Qualified Equity Interests of the Parent Guarantor to officers, directors or employees of the Parent Guarantor or its Subsidiaries that have not been applied to the payment of Restricted Payments pursuant to this clause (c), plus (C) the net cash proceeds of any key-man life insurance policies that have not been applied to the payment of Restricted Payments pursuant to this clause (c); *provided*, that neither (x) cancellation of Indebtedness owing to the Parent Guarantor from any current or former officer, director or employee (or any permitted transferees thereof) of the Parent Guarantor or any of its Subsidiaries (or any direct or indirect parent company thereof), in connection with a repurchase of Equity Interests of the Parent Guarantor from such Persons nor (y) any payments or other obligations arising in respect of Equity Interests of the Parent Guarantor held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates) in connection with or resulting from the announcement or consummation of a Change in Control, will be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(d) repurchases, acquisitions or retirements for value of Equity Interests (i) deemed to occur upon the exercise of stock options, warrants, rights to acquire Equity Interests or other convertible securities if the

Equity Interests represent a portion of the exercise price thereof, or in connection with the withholding of a portion of the Equity Interests granted or awarded to an employee to pay for the taxes payable by such employee upon such grant or award or (ii) upon cancellation or forfeiture of stock options, warrants, rights to acquire Equity Interests or other convertible securities;

(e) Restricted Payments to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Equity Interests of any Person (including in a merger, consolidation, amalgamation or similar transaction) and payments of cash to dissenting shareholders in connection with a merger, consolidation, amalgamation, transfer of assets;

(f) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Subsidiary of the Parent Guarantor to the holders of its Equity Interests on a pro rata basis;

(g) Restricted Payments in an amount not to exceed $100.0 million since the Issue Date; and

(h) the repurchase or redemption of common stock or Preferred Stock purchase rights of the Parent Guarantor issued in connection with any stockholders rights plan; and

(i) other Restricted Payments if, at the time of the making of such payments, and after giving effect thereto (including, without limitation, the incurrence of any Indebtedness to finance such payment), the Total Leverage Ratio would not exceed 3.00 to 1.00,

provided that (a) in the case of any Restricted Payment pursuant to clause (g) or (i) above, no Default shall have occurred and be continuing or occur as a consequence thereof and (b) no issuance and sale of Qualified Equity Interests that are used to make a payment pursuant to clauses (b) or (c)(B) above shall increase the Restricted Payments Basket.

For purposes of determining compliance with this Limitation on Restricted Payments covenant, in the event that a payment or other action meets the criteria of more than one of the exceptions described in clauses (a) through (i) above, or is entitled to be made pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such payment or other action on the date of its occurrence in any manner that complies with this covenant. Payments or other actions permitted by this covenant need not be permitted solely by reference to one provision permitting such payment or other action, but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting payment or other action.

If the Parent Guarantor or any of its Subsidiaries makes a Restricted Payment which, at the time of the making of such Restricted Payment, in the good faith determination of the Parent Guarantor or such Subsidiary, would be permitted under the requirements of the Indenture, such Restricted Payment shall be deemed to have been made in compliance with the Indenture notwithstanding any subsequent adjustment made in good faith to the Parent Guarantor s financial statements affecting Consolidated Net Income.

Limitation on Liens

The Parent Guarantor will not at any time create, incur, assume or guarantee, and will not cause or permit any of its Subsidiaries to create, incur, assume or guarantee, any Secured Debt (the *Initial Security Interest*), and the Parent Guarantor will not at any time create, and will not cause or permit any of its Subsidiaries to create, any Security Interest securing any Indebtedness existing on the date of the Indenture that would constitute Secured Debt if it were secured by a Security Interest, without first making effective provision whereby the Notes shall be secured by the

Security Interest securing such Secured Debt equally and ratably with any and all other obligations and indebtedness so secured, so long as such other obligations and indebtedness shall be so secured; *provided*, *however*, that the foregoing prohibition will not prevent the creation, incurrence, assumption or guarantee of the following permitted Security Interests (the *Permitted Security Interests*):

(1) Security Interests on property acquired, constructed, developed or improved after the date of the Indenture by the Parent Guarantor or any of its Subsidiaries and created prior to or contemporaneously with, or within 180 days after the acquisition, construction, development or improvement of property that is a parcel of real property, a building, machinery or equipment;

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(2) Security Interests on property at the time of acquisition which secure obligations assumed by the Parent Guarantor or any of its Subsidiaries, or on the property or on the outstanding shares or Indebtedness of a corporation or firm at the time it becomes a Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Subsidiaries, or on properties of a corporation or firm acquired by the Parent Guarantor or any of its Subsidiaries as an entirety or substantially as an entirety; *provided* that the Security Interests may not extend to any other property of the Parent Guarantor or such Subsidiary other than proceeds and products of such property, shares or Indebtedness and accessions thereto;

(3) Security Interests arising from conditional sales agreements or title retention agreements with respect to property acquired by the Parent Guarantor or any of its Subsidiaries;

(4) Security Interests securing Indebtedness of a Subsidiary of the Parent Guarantor owing to the Parent Guarantor or to another of the Parent Guarantor s Subsidiaries;

(5) Security Interests (a) to secure obligations under Credit Facilities or (b) in accounts receivable and related assets of the types specified in the definition of *Qualified Receivables Transaction* incurred in connection with a Qualified Receivables Transaction, in an aggregate principal amount under clauses (a) and (b) combined not to exceed the greater of (x) $2,000.0 million and (y) the maximum amount that would not cause the Senior Secured Leverage Ratio to exceed 3.00 to 1.00 after giving pro forma effect to the incurrence of the obligations to be secured by such Security Interests and the application of the proceeds therefrom;

(6) Security Interests existing on the Issue Date and extensions, renewals and replacements of any such Security Interests so long as such Security Interests are not extended to any other property of the Parent Guarantor or any of its Subsidiaries;

(7) any Security Interest arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulations, which is required by law or governmental regulation as a condition to the transaction of any business, or the exercise of any privilege, franchise or license;

(8) carriers , warehousemen s, mechanics and other statutory liens arising in the ordinary course of business (including construction of facilities) in respect of obligations that are not due or that are being contested in good faith;

(9) Security Interests for taxes, assessments or governmental charges not yet delinquent or for taxes, assessments or governmental charges that are being contested in good faith;

(10) Security Interests (including judgment liens) arising in connection with legal proceedings so long as such proceedings are being contested in good faith and, in the case of judgment liens, execution thereon is stayed or not giving rise to an Event of Default;

(11) landlords liens on fixtures on premises leased in the ordinary course of business;

(12) Security Interests to secure the performance of statutory obligations, insurance, surety or appeal bonds, performance bonds, or other obligations of a like nature incurred in the ordinary course of business (including Security Interests to secure letters of credit issued to assure payment of such obligations);

(13) Security Interests on assets of the Parent Guarantor or any of its Subsidiaries securing Indebtedness consisting of Hedging Obligations or Treasury Management Arrangements;

(14) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially impair the use of said properties in the operation of the business of the Parent Guarantor and its Subsidiaries;

(15) Security Interests in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods incurred in the ordinary course of business;

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(16) Security Interests on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(17) filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases;

(18) bankers liens and rights of setoff;

(19) Security Interests in cash, cash equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(20) Security Interests on specific items of inventory or other goods (and the proceeds thereof) of the Parent Guarantor or any of its Subsidiaries securing such Person s obligations in respect of bankers acceptances or trade-related letters of credit issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(21) grants of intellectual property licenses (including software and other technology licenses) in the ordinary course of business;

(22) Security Interests incurred or pledges or deposits made in the ordinary course of business in connection with workers compensation, unemployment insurance and other types of social security and employee health and disability benefits (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements);

(23) deposits made in the ordinary course of business to secure liability to insurance carriers;

(24) Security Interests to secure partial, progress, advance or other payments or any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction, development, or substantial repair, alteration or improvement of the property subject to such Security Interests if the commitment for the financing is obtained not later than 180 days after the later of the completion of or the placing into operation (exclusive of test and start-up periods) of such property;

(25) options, put and call arrangements, rights of first refusal and similar rights relating to investments in joint ventures, partnerships and the like; or

(26) other Security Interests securing Indebtedness, in an aggregate principal amount for the Parent Guarantor and its Subsidiaries, together with the amount of Attributable Indebtedness incurred in connection with Sale and Leaseback Transactions, not exceeding at the time such Security Interest is created or assumed the greater of (x) $200.0 million and (y) 4% of Consolidated Total Assets.

Additionally, such permitted Secured Debt includes (with certain limitations) any extension, renewal or refunding, in whole or in part, of any Secured Debt permitted at the time of the original incurrence thereof.

Any Security Interest created for the benefit of the Holders of the Notes pursuant to this covenant shall provide by its terms that such Security Interest shall be unconditionally and automatically released and discharged upon the release and discharge of the Initial Security Interest.

For purposes of determining compliance with this Limitation on Liens covenant, a Security Interest securing an item of Secured Debt need not be permitted solely by one category of Permitted Security Interest but may be permitted in part under any combination thereof, and if a Permitted Security Interest meets the criteria or more than one of the exceptions described in clauses (1) through (26) above, the Parent Guarantor may, in its sole discretion, classify the Permitted Security Interest in any manner that complies with this covenant.

Limitation on Sale and Leaseback Transactions

The Indenture provides that the Parent Guarantor will not, and may not permit any of its Subsidiaries to, engage in any Sale and Leaseback Transaction unless:

(1) the Parent Guarantor or such Subsidiary would be entitled to incur Secured Debt pursuant to the covenant described under the caption Limitation on Liens equal in amount to the net proceeds of the

property sold or transferred or to be sold or to be transferred pursuant to such Sale and Leaseback Transaction and secured by a Security Interest on the property to be leased, without equally and ratably securing the debt securities outstanding under the Indenture as provided under said section; or

(2) the Parent Guarantor or such Subsidiary shall apply, within 180 days after the effective date of such sale or transfer, an amount equal to such net proceeds to (i) the acquisition, construction, development or improvement of properties, facilities or equipment that are, or upon such acquisition, construction, development or improvement will be, a Principal Facility or Facilities or a part thereof or (ii) the repurchase or redemption of Notes or to the repayment or redemption of Indebtedness of the Parent Guarantor or of any of its Subsidiaries, or in part to such acquisition, construction, development or improvement and in part to such redemption and/or repayment. In lieu of applying an amount equal to such net proceeds to such repurchase or redemption, the Parent Guarantor or any of its Subsidiaries may, within 180 days after such sale or transfer, deliver to the Trustee or any other applicable trustee or comparable Person, Notes or Indebtedness for cancellation and thereby reduce the amount to be applied to the repurchase or redemption of such Notes or Indebtedness by an amount equivalent to the aggregate principal amount of Notes or Indebtedness.

Merger, Consolidation or Sale of Assets

The Indenture provides that (i) the Parent Guarantor will not consolidate or merge with or into any other Person or Transfer all or substantially all of the properties or assets of the Parent Guarantor and its Subsidiaries, taken as a whole and (ii) the Parent Guarantor will not permit any of its Subsidiaries to, in a single transaction or a series of related transactions, Transfer all or substantially all of the properties or assets of the Parent Guarantor and its Subsidiaries, taken as a whole, in each case, to, another Person unless:

(1) the Parent Guarantor is the continuing corporation, or the successor is a corporation, limited liability company, partnership or trust organized and existing under the laws of the United States or a state thereof and the successor person expressly assumes by a supplemental indenture or amendment of the relevant documents the Parent Guarantor s obligations under the Notes, the Indenture and the Registration Rights Agreement; and

(2) after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred or be continuing.

Upon any consolidation, combination or merger of the Parent Guarantor, or any Transfer of all or substantially all of the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, in accordance with the foregoing, in which the Issuer is not the continuing obligor under the Notes, the surviving entity formed by such consolidation or into which the Parent Guarantor is merged or to which such Transfer of all or substantially all of the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, is made, will succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Indenture and Notes with the same effect as if such surviving entity had been named therein as the Issuer and, the Issuer and all of the Guarantors will be released from the obligation to pay the principal of and interest on such Notes or in respect of its related Note Guarantee, as the case may be, and all of the Issuer s or such Guarantor s other obligations and covenants under such Notes, the Indenture and its related Note Guarantee, if applicable. The Issuer shall deliver, or cause to be delivered, to the Trustee an officer s certificate and an Opinion of Counsel, each to the effect that such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition complies with the requirements of the Indenture, and an Opinion of Counsel stating that the Notes, the Indenture and Note Guarantees, as applicable, constitute valid and binding obligations of the Issuer or applicable Guarantor or other surviving entity, subject to customary exceptions.

This Merger, Consolidation or Sale of Assets covenant will not apply to any Transfer of assets between or among the Parent Guarantor and any one or more of its Subsidiaries or between or among any one or more of the Parent Guarantor s Subsidiaries. Clause (2) of the first paragraph of this covenant will not apply to (1) any merger or consolidation of the Parent Guarantor with or into one of its Subsidiaries for any purpose or (2) any merger or consolidation of the Parent Guarantor or any of its Subsidiaries solely for the purpose of reincorporating the Parent Guarantor or such Subsidiary in another jurisdiction.

Additional Note Guarantees

If, on or after the Issue Date:

(1) the Issuer or any of its Subsidiaries acquires or creates another Domestic Subsidiary (other than a Receivables Entity) that incurs any Indebtedness under Credit Facilities (other than the Senior Secured Credit Facilities) or any syndicated loan or capital markets debt securities or guarantees any such Indebtedness of the Parent Guarantor or any of its Domestic Subsidiaries; or

(2) any Domestic Subsidiary (other than a Receivables Entity) of the Issuer incurs Indebtedness under Credit Facilities (other than the Senior Secured Credit Facilities) or any syndicated loan or capital markets debt securities or guarantees any such Indebtedness of the Issuer or any of its Domestic Subsidiaries and that Domestic Subsidiary was not a Guarantor immediately prior to such incurrence or guarantee (an *Additional Obligor*),

then that newly acquired or created Domestic Subsidiary or Additional Obligor, as the case may be, must become a Guarantor and execute a supplemental indenture substantially in the form of an exhibit to the Indenture within 30 Business Days of the date on which it was acquired or created or became an Additional Obligor.

In addition, the Issuer shall have delivered to the Trustee an officer s certificate and an Opinion of Counsel, each stating that such supplemental Indenture complies with the applicable provisions of the Indenture, that all conditions precedent in the Indenture relating to the entry into such supplemental indenture have been satisfied, and such Opinion of Counsel shall additionally state that such supplemental indenture is enforceable against the new Guarantor, subject to customary qualifications.

A Note Guarantee of any Guarantor will be subject to release and discharge as described under the caption Ranking and Guarantee.

Reports

The Indenture provides that, whether or not required by the rules and regulations of the Securities and Exchange Commission, so long as any Notes are outstanding thereunder, the Issuer will furnish to the Trustee and Holders the following:

(1) all quarterly and annual financial information required to be filed by the Parent Guarantor with the SEC on Forms 10-Q and 10-K, and, with respect to the annual information only, a report thereon by the Parent Guarantor s certified independent accountants; and

(2) all current reports required to be filed by the Parent Guarantor with the SEC on Form 8-K (during any period in which the Parent Guarantor is not required to file reports with the SEC, such current reports need only be prepared or delivered if the Parent Guarantor determines in good faith that the information to be reported is material to the Holders of the Notes or the business, operations, assets, liabilities or financial position of the Parent Guarantor and its Subsidiaries, taken as a whole), in each case, within the time periods specified in the SEC s rules and regulations, including any extension as would be permitted by Rule 12b-25 under the Exchange Act (and, during any period in which the Parent Guarantor is not required to file reports with the SEC, within the time periods specified in the SEC s

rules and regulations applicable to a non-accelerated filer).

In addition, whether or not required by the rules and regulations of the SEC, the Parent Guarantor will make all such information publicly available (including via a non-password protected website) within the time periods specified in the SEC s rules and regulations, including any extension as would be permitted by Rule 12b-25 under the Exchange Act (unless the SEC will not accept such a filing), and make such information available to Holders of the Notes upon request. In addition, to the extent not satisfied by the foregoing, the Parent Guarantor will, for so long as any Notes remain outstanding, furnish to the Holders of such Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Whether the Parent Guarantor files such reports with the SEC or posts its reports on its website, the public filing of such reports with the SEC or the public posting of such reports shall satisfy any requirement hereunder to deliver such reports to the Trustee and the Holders. The Parent Guarantor will at all times comply with TIA §314(a). The terms of the Indenture shall not impose any duty on the Parent Guarantor under the Sarbanes-Oxley Act of 2002 and the related SEC rules that would not otherwise be applicable to it.

Delivery of such reports and information to the Trustee shall be for informational purposes only, and the Trustee s receipt of them shall not constitute constructive notice of any information contained therein or determinable from information contained therein (including the Issuer s compliance with any of its covenants under the Indenture as to which the Trustee is entitled to rely exclusively on an officer s certificate).

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Parent Guarantor or of any Subsidiary of the Parent Guarantor, as such, shall have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver may not be effective to waive liabilities under the federal securities laws.

Events of Default and Remedies

The Indenture provides that each of the following constitutes an *Event of Default* :

(1) default for 30 consecutive days in the payment when due of interest with respect to the Notes issued thereunder;

(2) default in payment when due of principal or premium, if any, on the Notes issued thereunder at maturity, upon redemption or otherwise;

(3) failure by the Issuer for 60 consecutive days after receipt of notice from the Trustee or Holders of at least 25% in aggregate principal amount of the Notes then outstanding under the Indenture (with a copy to the Trustee) to comply with the provisions described under Repurchase at the Option of Holders Change of Control ;

(4) failure by the Parent Guarantor or any Subsidiary of the Parent Guarantor for 60 consecutive days (120 days with respect to the covenant described under Reports) after receipt of notice from the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding under the Indenture (with a copy to the Trustee) to comply with any covenant or agreement contained in the Indenture (other than the covenants and agreements specified in clauses (1) through (3) of this paragraph);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Parent Guarantor or any of its Subsidiaries (other than Indebtedness owed to the Parent Guarantor or any of its Subsidiaries), whether such Indebtedness now exists or is created after the Issue Date, which default (a) is caused by a failure to pay when due at final stated maturity (giving effect to any grace

period related thereto) principal of such Indebtedness (a *Payment Default*) or (b) results in the acceleration of such Indebtedness prior to its stated maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $100.0 million or more; and, in each case, the Issuer has received notice specifying the default from the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding (with a copy to the Trustee) and does not cure the default within 30 days;

(6) failure by the Parent Guarantor or any of its Subsidiaries to pay final and non-appealable judgments (net of any amounts covered by insurance and as to which such insurer has not denied responsibility or coverage in writing) aggregating $100.0 million or more, which judgments are not paid, discharged, bonded, stayed or waived within 60 days after such judgment becomes final, and in the event such judgment is covered in full by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

(7) certain events of bankruptcy or insolvency with respect to the Parent Guarantor or any Subsidiary that is a Significant Subsidiary or group of Subsidiaries that, together, would constitute a Significant Subsidiary; and

(8) any Note Guarantee of any Guarantor that is a Significant Subsidiary ceases to be in full force and effect in all material respects (other than in accordance with the terms of such Note Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Guarantor from its Note Guarantee in accordance with the terms of the Indenture and such Note Guarantee).

If any Event of Default under an Indenture occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding under the Indenture may declare all Notes issued under the Indenture to be due and payable by notice in writing to the Issuer and the Trustee, in the case of notice by Holders, specifying the respective Event of Default and that it is a notice of acceleration and the same shall become immediately due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (7) above with respect to the Parent Guarantor, all outstanding Notes then outstanding under the Indenture will become due and payable without further action or notice. The Holders of any Notes may not enforce the Indenture relating to the Notes or the Notes except as provided in the Indenture. Subject to certain limitations, the Holders of a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture may direct the Trustee in its exercise of any trust or power.

The Holders of a majority in aggregate principal amount of the Notes then outstanding under the Indenture, by written notice to the Trustee, may (subject to certain conditions) on behalf of the Holders of all of the Notes issued under the Indenture waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default in the payment of interest or premium on, or principal of, such Notes. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in the Holders interest.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within ten business days after an executive officer of the Issuer becomes aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

Satisfaction and Discharge

The Indenture will be discharged and will, subject to certain surviving provisions, cease to be of further effect as to all Notes issued thereunder when:

(1) The Issuer delivers to the Trustee all outstanding Notes issued under the Indenture (other than Notes replaced because of mutilation, loss, destruction or wrongful taking) for cancellation; or

(2) all Notes outstanding under the Indenture have become due and payable, whether at maturity or as a result of the mailing or sending of a notice of redemption as described above, or will become due and payable within one year (including as result of the mailing or sending of a notice of redemption), and the

Issuer or any Guarantor irrevocably deposits with the Trustee as funds in trust solely for the benefit of the Holders, cash in U.S. dollars, noncallable U.S. government securities, or a combination thereof, sufficient to pay at maturity or upon redemption all Notes outstanding under the Indenture, including interest thereon,

and if in either case the Issuer or any Guarantor pays all other sums payable under the Indenture by it. The Trustee will acknowledge satisfaction and discharge of the Indenture on demand of the Issuer accompanied by an officer s certificate and an Opinion of Counsel, upon which the Trustee shall have no liability in relying, stating that all conditions precedent to satisfaction and discharge have been complied with and at the cost and expense of the Issuer.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the Notes outstanding under the Indenture (*Legal Defeasance*), except for:

(1) the rights of the Holders of the Notes outstanding under the Indenture to receive payments in respect of the principal amount of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(2) the Issuer s obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer s obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture (*Covenant Defeasance*) and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default under the Indenture. In the event Covenant Defeasance occurs under the Indenture, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption Events of Default and Remedies will no longer constitute an Event of Default under the Indenture.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes issued under the Indenture, cash in U.S. dollars, non-callable U.S. government securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants (such opinion shall be delivered to the Trustee and upon which the Trustee shall have no liability in relying), to pay the principal, premium, if any, and interest on the Notes outstanding under the Indenture on the stated maturity or on the applicable optional redemption date, as the case may be, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States (upon which the Trustee shall have no liability in relying) confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such

Opinion of Counsel shall confirm that, the Holders of the Notes outstanding under the Indenture will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

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(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States (upon which the Trustee shall have no liability in relying) confirming that the Holders of the Notes outstanding under the Indenture will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Parent Guarantor or any of its Subsidiaries is a party or by which the Parent Guarantor or any of its Subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an officer s certificate (upon which the Trustee shall have no liability in relying) stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes issued under the Indenture over the other creditors of an Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an officer s certificate and an Opinion of Counsel upon which the Trustee shall have the right to rely, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Transfer and Exchange

A Holder of Notes may transfer or exchange Notes in accordance with the terms of the Indenture and in compliance with applicable law. The registrar and Trustee may require a Holder of Notes, among other things, to furnish appropriate endorsements and transfer documents and the Issuer or the Trustee may require a Holder of Notes to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

Amendment, Supplement and Waiver

Except to the extent provided in the next three succeeding paragraphs, the Indenture, the Notes governed thereby or any Note Guarantee issued thereunder may be amended with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture voting as a single class (including, without limitation, consents obtained in connection with a purchase of, tender offer or exchange offer for Notes), and any existing default or compliance with any provision of the Indenture, the Notes governed thereby or any Note Guarantee issued thereunder may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture voting as a single class (including, without limitation, consents obtained in connection with a purchase of, tender offer or exchange offer for Notes).

Except as provided in the immediately succeeding paragraph, without the consent of each Holder of Notes issued under the Indenture affected thereby, however, an amendment or waiver may not (with respect to any Note held by a non-consenting Holder):

(1) reduce the principal amount of Notes issued under the Indenture whose Holders must consent to an amendment, supplement or waiver;

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(2) reduce the principal amount of or change the fixed maturity of any Notes, or alter the provisions with respect to the redemption of any such Notes other than, except as set forth in clause (7) below, the provisions relating to the covenants described under the caption Repurchase at the Option of Holders ;

(3) reduce the rate of or change the time for payment of interest on any such Notes;

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on any such Notes (except a rescission of acceleration of Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture and a waiver of the payment default that resulted from such acceleration);

(5) make any such Note payable in currency other than that stated in such Note;

(6) make any change to the provisions of the Indenture relating to waiver of past Defaults or the rights of Holders of the Notes issued thereunder to receive payments of principal of or interest on the Notes;

(7) after the Issuer s obligation to make an offer to purchase Notes arises thereunder, amend, change or modify in any material respect the obligations of the Issuer to make and consummate a Change of Control Offer with respect to a Change of Control that has occurred, including, without limitation, in each case, by amending, changing or modifying any of the definitions relating thereto;

(8) release the Issuer or any Guarantor that is a Significant Subsidiary from any of its obligations under its Note Guarantee or the Indenture otherwise than in accordance with the terms of the Indenture; or

(9) modify or change any provision of the Indenture affecting the ranking of the Notes or Note Guarantees issued thereunder in a manner adverse to the Holders of Notes issued thereunder.

Without the consent of any Holder of Notes, the Issuer, the Guarantors (except that any existing Guarantors need not execute a supplemental indenture entered into pursuant to clause (5) below) and the Trustee may amend or supplement the Indenture, the Notes governed thereby or the Note Guarantees issued thereunder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer or any Guarantor s obligations to the Holders of such Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer s or such Guarantor s assets;

(4) to secure the Notes;

(5) to add any Guarantor or release any Guarantor from its Note Guarantee if such release is in accordance with the terms of the Indenture;

(6) to conform the text of the Indenture, the Notes, or the Note Guarantees to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes, or the Note Guarantees, which intent may be evidenced by an officer s certificate to that effect;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture;

(8) to make any change that would provide any additional rights or benefits to the Holders of such Notes or that does not adversely affect the rights under the Indenture of any Holder thereunder in any material respect; or

(9) to comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

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Concerning the Trustee

The Indenture will contain certain limitations required by the TIA on the rights of the Trustee, should the Trustee in its capacity as Trustee become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee in its individual capacity is permitted to engage in other transactions with the Issuer; however, if the Trustee acquires any conflicting interest as defined under the TIA, it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee or resign.

The Holders of a majority in aggregate principal amount of the then outstanding Notes under the Indenture have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee under the Indenture, subject to certain exceptions. The Indenture will provide that in case an Event of Default of which a responsible officer of the Trustee has actual knowledge (as provided in the Indenture) shall occur under the Indenture (which shall not be cured or waived), the Trustee will be required, in the exercise of its rights and powers vested in it by the Indenture, to use the degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person s own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes issued thereunder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. The Trustee s fees, expenses and indemnities are included in the amounts guaranteed by the Note Guarantees.

Governing Law; Jury Trial Waiver

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Indenture provides that the Company, the Guarantors and the Trustee, and each Holder of a Note by its acceptance thereof, irrevocably waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes, the Note Guarantees or any transaction contemplated thereby.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

ABL Credit Facility means that certain Amended and Restated Credit Agreement dated as of December 12, 2012 among the Issuer, JPMorgan Chase Bank, N.A., as administrative agent, JPMorgan Chase Bank, N.A. Toronto Branch, as Canadian administrative agent and the other parties from time to time party thereto, together with all related notes, letters of credit, collateral documents, guarantees and any other related agreements and instruments executed and delivered in connection therewith, in each case as amended, modified, refinanced, refunded or replaced in whole or in part (including by sales of debt securities) from time to time including by or pursuant to any agreement(s) or instrument(s) (including an indenture) extending the maturity of or refinancing (including increasing the amount of available borrowings thereunder or adding any Subsidiaries of the Parent Guarantor as borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement(s) or instrument(s) any successor or replacement bank credit agreement(s) and whether by the same or any other agent, lender, group of lenders, purchasers, debt holders, creditor or group of creditors.

Additional Assets means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Parent Guarantor or any of its Subsidiaries;

(2) the Capital Stock of a Person that becomes a Subsidiary of the Parent Guarantor as a result of the acquisition of such Capital Stock by the Parent Guarantor or any of its Subsidiaries; or

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(3) Capital Stock constituting a non-controlling interest in any Person that at such time is a Subsidiary of the Parent Guarantor.

Affiliate of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, control, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms controlling, controlled by and under common control with have correlative meanings.

amend means to amend, supplement, restate, amend and restate or otherwise modify; and *amendment* shall have a correlative meaning.

Applicable Treasury Rate for any redemption date means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the Make-Whole Redemption of such Notes (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Make-Whole Redemption Date to December 15, 2016; *provided, however*, that if the period from the Make-Whole Redemption Date to December 15, 2016 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Applicable Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given except that if the period from the Make-Whole Redemption Date to December 15, 2016 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

asset means any asset or property, whether real, personal or mixed, tangible or intangible. *Asset Disposition* means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Parent Guarantor or any of its Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a disposition), of:

(1) any shares of Capital Stock of any of the Parent Guarantor s Subsidiaries (other than directors qualifying shares or shares required by applicable law to be held by a Person other than the Parent Guarantor or a Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Parent Guarantor or any of its Subsidiaries; or

(3) any other assets or property of the Parent Guarantor or any of its Subsidiaries outside of the ordinary course of business of the Parent Guarantor or such Subsidiary.

Notwithstanding the foregoing, none of the following shall be deemed to be an Asset Disposition:

(1) a disposition by a Subsidiary of the Parent Guarantor to the Parent Guarantor or by the Parent Guarantor or any of its Subsidiaries to any Subsidiary of the Parent Guarantor;

(2) for purposes of the covenant described under Repurchase at the Option of Holders Asset Dispositions only, a disposition of all or substantially all the assets of the Parent Guarantor or the Issuer in compliance with Merger, Consolidation or Sale of Assets or a disposition that constitutes a Change of Control pursuant to the Indenture;

(3) a sale, contribution, conveyance or other transfer of accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction by or to a Receivables Entity in a Qualified Receivables Transaction;

(4) the license or sublicense of intellectual property or other intangibles;

(5) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Security Interests not prohibited by the covenant described above under the caption Limitation on Liens ;

(8) the disposition by the Parent Guarantor or any of its Subsidiary in the ordinary course of business of (i) cash and cash equivalents, (ii) inventory and other assets acquired and held for resale in the ordinary course of business, (iii) damaged, worn out or obsolete assets or assets that, in the Parent Guarantor s reasonable judgment, are no longer used or useful in the business of the Parent Guarantor or its Subsidiaries, or (iv) rights granted to others pursuant to leases or licenses, to the extent not materially interfering with the operations of the Parent Guarantor or its Subsidiaries;

(9) a Restricted Payment that is permitted by the Indenture;

(10) any exchange of assets for assets (including a combination of assets (which assets may include Equity Interests or any securities convertible into, or exercisable or exchangeable for, Equity Interests, but which assets may not include any Indebtedness) of comparable or greater market value or usefulness to the business of the Parent Guarantor and its Subsidiaries, taken as a whole, which in the event of an exchange of assets with a fair market value in excess of (a) $50.0 million shall be evidenced by an officer s certificate and (b) $100.0 million shall be set forth in a resolution approved by at least a majority of the members of the Board of Directors of the Parent Guarantor; *provided* that the Parent Guarantor shall apply any cash or cash equivalents received in any such exchange of assets as described in the second paragraph under Repurchase at the Option of Holders Asset Dispositions ;

(11) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(12) the issuance by any Subsidiary of the Parent Guarantor of Preferred Stock or any convertible securities;

(13) any sale of Capital Stock or Indebtedness or other securities of a Foreign Subsidiary;

(14) any sale of assets received by Parent Guarantor or any of its Subsidiaries upon foreclosure on a Security Interest;

(15) the unwinding of any Hedging Obligations (including sales under forward contracts);

(16) any dispositions to the extent required by, or made pursuant to customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements;

(17) the lease or sublease of office space;

(18) the abandonment, farm-out, lease, assignment, sub-lease, license or sub-license of any real or personal property in the ordinary course of business;

(19) dispositions of property pursuant to casualty events;

(20) dispositions of property pursuant to a Sale and Leaseback Transaction permitted by the Indenture;

(21) foreclosures on assets to the extent they would not otherwise result in a Default or Event of Default; or

(22) a single transaction or series of related transactions that involve the disposition of assets with a fair market value of less than the greater of (x) $50.0 million and (y) 1.0% of Consolidated Total Assets.

Attributable Indebtedness, when used with respect to any Sale and Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate borne by the Notes, compounded on a semiannual basis) of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction.

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Board of Directors means, with respect to any Person, the board of directors or comparable governing body of such Person or, other than in connection with the definition of Change of Control, any duly authorized committee thereof.

Capital Stock means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; and

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited).

Capitalized Lease means a lease required to be capitalized for financial reporting purposes in accordance with GAAP.

Capitalized Lease Obligations of any Person means the obligations of such Person to pay rent or other amounts under a Capitalized Lease, and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

Change of Control means the occurrence of any of the following:

(1) any Transfer (other than by way of merger or consolidation) of all or substantially all of the assets of the Parent Guarantor and its Subsidiaries taken as a whole to any person (as defined in Section 13(d) of the Exchange Act) or group (as defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than any Transfer to the Parent Guarantor or one or more Subsidiaries of the Parent Guarantor;

(2) the adoption of a plan for the liquidation or dissolution the Parent Guarantor (other than in a transaction that complies with the covenant described under Certain Covenants Merger, Consolidation or Sale of Assets);

(3) a person (as defined above) or group (as defined above) becomes, directly or indirectly, the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of the voting power of the Voting Stock of the Parent Guarantor, other than as a result of (i) any transaction where the voting power of the Voting Stock of the Parent Guarantor immediately prior to such transaction constitutes or is converted into or exchanged for a majority of the voting power of the Voting Stock of such beneficial owner or (ii) any merger or consolidation of the Parent Guarantor with or into any *person* (as defined above) (a *Permitted Person*) or a subsidiary of a Permitted Person, in each case, if immediately after such transaction no person (as defined above) is the beneficial owner (as defined above), directly or indirectly, of more than 50% of the voting power of the Voting Stock of such Permitted Person; or

(4) the first day on which a majority of the members of the Board of Directors of the Parent Guarantor are not Continuing Directors.

Consolidated Cash Flow Available for Fixed Charges means, with respect to any Person for any period:

(1) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of:

(a) Consolidated Net Income;

(b) Consolidated Non-cash Charges;

(c) Consolidated Interest Expense to the extent the same was deducted in computing Consolidated Net Income;

(d) Consolidated Income Tax Expense (other than income tax expense (either positive or negative) attributable to extraordinary gains or losses);

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(e) any expenses or charges related to any Equity Offering, any recapitalization or incurrence of Indebtedness or this offering of the Notes;

(f) the amount of any interest expense attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary of the Parent Guarantor to the extent the same was deducted in computing Consolidated Net Income; and

(g) any net loss from discontinued operations; less

(2)(x) net income from discontinued operations and (y) non-cash items increasing Consolidated Net Income for such period, other than (a) the accrual of revenue consistent with past practice and (b) reversals of prior accruals or reserves for cash items previously excluded in the calculation of Consolidated Non-cash Charges.

In calculating Consolidated Cash Flow Available for Fixed Charges for any period, if any Asset Disposition or Asset Acquisition (whether pursuant to a stock or an asset transaction) shall have occurred since the first day of any twelve month period for which the Consolidated Cash Flow Available for Fixed Charges is being calculated, such calculation shall give pro forma effect to such Asset Disposition or Asset Acquisition including, for the avoidance of doubt, any Indebtedness incurred or repaid in connection with such Asset Disposition or Asset Acquisition.

For the purposes of calculating Consolidated Cash Flow Available for Fixed Charges, *Asset Acquisition* means any acquisition of property or series of related acquisitions of property that constitutes all or substantially all of the assets of a business, unit or division of a Person or constitutes all or substantially all of the common stock (or equivalent) of a Person; and *Asset Disposition* means any disposition of property or series of related dispositions of property that involves all or substantially all of the assets of a business, unit or division of a Person or constitutes all or substantially all of the common stock (or equivalent) of a Person.

Consolidated Fixed Charge Coverage Ratio means the ratio of Consolidated Cash Flow Available for Fixed Charges of the Parent Guarantor and its Subsidiaries during the most recent four consecutive full fiscal quarters for which financial statements are available (the *Four-Quarter Period*) ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (the *Transaction Date*) to Consolidated Fixed Charges of the Parent Guarantor and its Subsidiaries for the Four-Quarter Period. Notwithstanding anything to the contrary set forth in the definitions of Consolidated Cash Flow Available for Fixed Charges and Consolidated Interest Expense (and all component definitions referenced in such definitions), whenever pro forma effect is to be given to the incurrence or repayment of Indebtedness or the issuance or redemption of Preferred Stock, the pro forma calculations shall be determined in good faith by a responsible officer of the Parent Guarantor.

For purposes of this definition, Consolidated Cash Flow Available for Fixed Charges and Consolidated Fixed Charges shall be calculated after giving effect on a pro forma basis for the period of such calculation to the incurrence of any Indebtedness or the issuance of any Preferred Stock of the Parent Guarantor or any Subsidiary (and the application of the proceeds thereof) and any repayment of Indebtedness or redemption of other Preferred Stock (and the application of the proceeds therefrom) (other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence, repayment, issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four-Quarter Period.

In calculating Consolidated Fixed Charges for purposes of determining the denominator (but not the numerator) of this Consolidated Fixed Charge Coverage Ratio:

(a) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date (although interest with respect to any Indebtedness for periods while the same was actually outstanding during the respective period shall be calculated using the actual rates applicable thereto while the same was actually outstanding);

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(b) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four-Quarter Period (although interest with respect to any Indebtedness for periods while the same was actually outstanding during the respective period shall be calculated using the actual rates applicable thereto while the same was actually outstanding); and

(c) notwithstanding clause (a) or (b) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of these agreements.

Consolidated Fixed Charges for any period means the sum, without duplication, of (a) Consolidated Interest Expense of the Parent Guarantor and the Subsidiaries for such period, *plus* (b) the product of (a) all dividend payments on any series of Disqualified Equity Interests of the Parent Guarantor or any Subsidiary or any Preferred Stock of any Subsidiary (other than any such Disqualified Equity Interests or any Preferred Stock held by the Parent Guarantor or a Subsidiary or to the extent paid in Qualified Equity Interests) for such period, *multiplied by* (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined federal, state and local statutory tax rate of the Parent Guarantor and the Subsidiaries, expressed as a decimal.

Consolidated Income Tax Expenses means, with respect to any Person for any period the provision for federal, state, local and foreign income taxes of such Person and its subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

Consolidated Interest Expense means, with respect to any Person for any period, the interest expense of such Person and its subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP (including amortization of original issue discount and deferred financing costs, non-cash interest payments, the interest component of all payments associated with Capitalized Lease Obligations, capitalized interest, net payments, if any, pursuant to interest rate-related Hedging Obligations and imputed interest with respect to Attributable Indebtedness but excluding write-offs associated with the amendment and restatement or repayment of indebtedness).

Consolidated Net Income means, with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its subsidiaries for such period as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income, by excluding, without duplication:

(1) all extraordinary gains or losses (net of fees and expenses relating to the transaction giving rise thereto), income, expenses or charges;

(2) the portion of net income of such Person and its subsidiaries allocable to minority interests in unconsolidated Persons to the extent that cash dividends or distributions have not actually been received by such Person or one of its subsidiaries; *provided* that, for the avoidance of doubt, Consolidated Net Income shall be increased in amounts equal to the amounts of cash actually received;

(3) gains or losses in respect of any sales of Capital Stock or asset sales outside the ordinary course of business (including in a Sale and Leaseback Transaction) by such Person or one of its subsidiaries (net of fees and expenses relating to the transaction giving rise thereto);

(4) any gain or loss realized as a result of the cumulative effect of a change in accounting principles;

(5) any fees, expenses and other costs incurred or paid (and write-offs recorded) in connection with the offering of the Notes and any subsequent exchange offer, the Senior Secured Credit Facilities or other Indebtedness;

(6) nonrecurring or unusual gains or losses;

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(7) the net after-tax effects of adjustments in the inventory, property and equipment, goodwill and intangible assets line items in such Person s consolidated financial statements pursuant to GAAP resulting from the application of purchase accounting or the amortization or write-off of any amounts thereof;

(8) any fees and expenses incurred (and write-offs recorded) during such period, or any amortization thereof for such period, in connection with any acquisition, investment, asset sale, issuance or repayment or amendment or restatement of Indebtedness, issuance of Capital Stock, stock options or other equity-based awards, refinancing transaction or amendment or modification of any debt instrument (including without limitation any such transaction undertaken but not completed);

(9) any gain or loss recorded in connection with the designation of a discontinued operation (exclusive of its operating income or loss);

(10) any non-cash compensation or other non-cash expenses or charges arising from the grant of or issuance or repricing of Capital Stock, stock options or other equity-based awards or any amendment, modification, substitution or change of any such Capital Stock, stock options or other equity-based awards;

(11) any expenses or charges related to any Equity Offering, Asset Disposition, merger, amalgamation, consolidation, arrangement, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by the Indenture (including a refinancing thereof) (whether or not successful);

(12) unrealized gains and losses with respect to Hedging Obligations; and

(13) any non-cash impairment, restructuring or special charge or asset write-off or write-down, and the amortization or write-off of intangibles.

Consolidated Total Assets means the total assets of the Parent Guarantor and its Subsidiaries as of the most recent fiscal quarter end for which an internal consolidated balance sheet of the Parent Guarantor and its Subsidiaries is available, all calculated on a consolidated basis in accordance with GAAP.

Consolidated Non-cash Charges means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses of the Person and its subsidiaries (including without limitation any minority interest) reducing Consolidated Net Income for such period, determined on a consolidated basis in accordance with GAAP.

Continuing Director means, as of any date of determination, any member of the Board of Directors of the relevant Person who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election or is otherwise appointed by such Continuing Directors, including pursuant to the terms of any agreement.

Credit Facilities means one or more debt facilities (including, without limitation, the Senior Secured Credit Facilities or commercial paper facilities, in each case with banks or other lenders providing for revolving credit loans, term loans or letters of credit, together with all related notes, letters of credit, collateral documents, guarantees and any other related agreements and instruments executed and delivered in connection therewith, in each case as amended, modified, refinanced, refunded or replaced in whole or in part (including by sales of debt securities) from time to time including by or pursuant to any agreement(s) or instrument(s) (including an indenture) extending the maturity of or refinancing (including increasing the amount of available borrowings thereunder or adding the Parent Guarantor or Subsidiaries of the Parent Guarantor as borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement(s) or instrument(s) any successor or replacement bank credit agreement(s) and whether by the same or any other agent, lender, group of lenders, purchasers, debt holders, creditor or group of creditors.

Default means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

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Designated Non-cash Consideration means the fair market value of non-cash consideration received by Issuer or any of the Guarantors in connection with an Asset Disposition that is designated as Designated Non-cash Consideration pursuant to an officer s certificate, setting forth the basis of such valuation, less the amount of cash or cash equivalents received in connection with a subsequent sale, redemption or payment of, on or with respect to such Designated Non-cash Consideration.

Disqualified Equity Interests of any Person means any class of Equity Interests of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Notes; *provided*, *however*, that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Equity Interests that are not Disqualified Equity Interests, and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, will not be deemed to be Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests; *provided*, *further*, *however*, that any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests are convertible, exchangeable or exercisable) the right to require the Issuer to redeem such Equity Interests upon the occurrence of a change in control occurring prior to the 91st day after the final maturity date of the Notes shall not constitute Disqualified Equity Interests if the change of control provisions applicable to such Equity Interests are no more favorable to such holders than the provisions described under Repurchase at the Option of Holders Change of Control in this prospectus and such Equity Interests specifically provide that the Issuer will not redeem any such Equity Interests pursuant to such provisions prior to the Issuer s purchase of the Notes as required pursuant to the provisions described under Repurchase at the Option of Holders Change of Control.

Domestic Subsidiary means any Subsidiary of the Issuer, other than a Foreign Subsidiary. *Equity Interests* of any Person means (1) any and all shares or other equity interests (including common stock, Preferred Stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person, but excluding any debt securities that are convertible into such shares or other interests in such Person.

Equity Offering means a public sale for cash of common stock of the Parent Guarantor or any direct or indirect parent entity of the Parent Guarantor, other than (i) public offerings with respect to common stock of the Parent Guarantor or any of its direct or indirect parent entities registered on Form S-4 or Form S-8 or (ii) any sale to any Subsidiary of the Parent Guarantor.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Foreign Subsidiary means (i) any Subsidiary of the Issuer that is organized under the laws of a jurisdiction other than the United States, any state thereof or the District of Columbia, (ii) any Subsidiary of the Issuer that is organized under the laws of the United States, any state thereof or the District of Columbia that for U.S. federal income tax purposes is treated as a partnership or disregarded as an entity separate from its sole owner and that is a subsidiary of a Subsidiary of the Issuer that is a controlled foreign corporation within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended, or (iii) a subsidiary of any entity described in either of the preceding clauses (i) or (ii).

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect on the Issue Date; *provided*, for the avoidance of doubt, that any leases that are not or would not be characterized as Capitalized Leases under GAAP as in effect on the Issue Date shall not be reclassified as Capitalized Leases and additional liabilities associated with such leases shall not be classified as Indebtedness as a result of any changes in interpretive releases or literature regarding GAAP or any requirements by the independent auditors of the Parent Guarantor.

Guarantee means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, through letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness. Guarantee when used as a verb shall have a corresponding meaning.

Guarantor means:

(1) the Parent Guarantor;

(2) each Domestic Subsidiary of the Issuer that executes and delivers a Note Guarantee pursuant to the covenant described under Certain Covenants Additional Note Guarantees ; and

(3) each Subsidiary of the Issuer that otherwise executes and delivers a Note Guarantee,

in each case, until such time as such Person is released from its Note Guarantee in accordance with the provisions of the Indenture.

Hedging Obligations of any Person means the obligations of such Person under swap, cap, collar, forward purchase or similar agreements or arrangements dealing with interest rates, currency exchange rates or commodity prices or availability, either generally or under specific contingencies, and including both physical and financial settlement transactions.

Holder means any registered holder, from time to time, of any Notes.

Indebtedness of any Person at any date means, without duplication:

(a) all liabilities, contingent or otherwise, of such Person for borrowed money (whether or not the recourse of the lender is to theIZE=1> 802 802 Unrealized gain on investments, net of deferred income taxes 2,372 2,372 Unrealized foreign currency translation loss (109) (109)

Total comprehensive income	34,292	
Other	(4,327)	(4,327)

Balance at December 31, 2001 1,351 818,742 227,986 3,176 (9,479) 1,041,776 Issuance of 1,615 shares of Class A common stock pursuant to stock option, restricted stock incentive and stock purchase plans 16 33,145 3,448 36,609 Issuance of 9,430 shares of Class A common stock pursuant to equity offering 94 399,669 399,763 Settlement of warrants issued in connection with business combination (15,972) (15,972)Conversion of vested stock options pursuant to the acquisition of Travelocity.com minority interest 14,209 14,209 Tax benefit from exercise of employee stock options 9,687 9,687 Purchases of treasury stock (56,610) (56,610)Stock based compensation for employees and consultants 16,933 16,933 Comprehensive income: Net earnings 214,144 214,144 Minimum pension liability adjustment, net of deferred income taxes (21,638) (21,638)Unrealized gain on foreign currency forward contracts, net of deferred income taxes 4,174 4,174 Unrealized loss on investments, net of deferred income taxes (1,867) (1,867)Unrealized foreign currency translation gain 131 131

Total comprehensive income 194,944

Other (10) 249 239

Balance at December 31, 2002 $1,451 $ $1,276,662 $442,130 $(16,024)$(62,641)$1,641,578

The accompanying notes are an integral part of these financial statements.

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SABRE HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Sabre Holdings Corporation is a holding company. Its sole direct subsidiary is Sabre Inc., which is the successor to the businesses of The Sabre Group, which were previously operated as subsidiaries or divisions of American Airlines, Inc. ("American") or AMR Corporation ("AMR"). On March 15, 2000, AMR exchanged all of its 107,374,000 shares of our Class B common stock for an equal number of shares of our Class A common stock and distributed all those shares to AMR shareholders as a stock dividend ("the Spin-off"). AMR no longer has any ownership interest in us.

We are a leading provider of technology, distribution and marketing services for the travel industry. Through our *Sabre*[nc_cad,176] computer reservations system ("the *Sabre* system") subscribers can access information about, and can book reservations for, airline trips, hotel stays, car rentals, cruises and tour packages, among other things. We engage in consumer direct and business direct travel services and distribution through Travelocity and GetThere. In addition, we are a leading provider of technology and services, including development and consulting services, to airlines and other travel providers that support their businesses using technology. Disaggregated information relating to our business segments is presented in Note 15 to the Consolidated Financial Statements.

2. Summary of Significant Accounting Policies

Basis of Presentation We consolidate all of our majority-owned subsidiaries and companies over which we exercise control through majority voting rights. No entities are currently consolidated due to control through operating or financing agreements.

The consolidated financial statements include our accounts after elimination of all significant intercompany balances and transactions. We account for our interests in joint ventures and investments in common stock of other companies which we do not control but over which we exert significant influence using the equity method. Investments in the common stock of other companies over which we do not exert significant influence are accounted for at cost. We periodically evaluate equity and debt investments in entities accounted for at cost for impairment by reviewing updated financial information provided by the investee, including valuation information from new financing transactions by the investee and information relating to competitors of investees when available. If we determine that a cost method investment is impaired, the carrying value of the investment is reduced to its estimated fair value. To date, writedowns of investments carried at cost have been insignificant to our results of operations. See "Recent Accounting Pronouncements" below.

The consolidated financial statements reflect our results of operations, financial condition and cash flows as a majority-owned subsidiary of AMR through March 15, 2000 and may not be indicative of our actual results of operations and financial position under other ownership. We believe the consolidated income statements include a reasonable allocation of administrative costs, which are described in Note 8, incurred by AMR on our behalf.

Certain reclassifications have been made to the 2001 and 2000 financial statements to conform to the 2002 presentation.

Use of Estimates The preparation of these financial statements in conformity with generally accepted accounting principles requires that certain amounts be recorded based on estimates and assumptions made by management. Actual results could differ from these estimates and assumptions. Our accounting policies which include significant estimates and assumptions include estimation of the collectibility of accounts receivable, amounts for future cancellations of bookings processed through the *Sabre* system, the evaluation of the recoverability of the carrying value of intangible assets and goodwill and the evaluation of the recoverability of deferred tax assets. These policies are discussed in greater detail below.

Statement of Cash Flows Marketable securities, without regard to remaining maturity at acquisition, are not considered cash equivalents for purposes of the statement of cash flows.

Depreciation and Amortization Our depreciation and amortization policies are as follows:

Property and equipment:	
Buildings	30 years
Furniture and fixtures	5 to 15 years
Leasehold improvements	Lesser of lease term or useful life
Computer/service contract equipment	3 to 5 years
Computer software	3 to 7 years

Other assets:	
Capitalized software development costs	3 to 7 years
Intangible assets	1 to 20 years
Goodwill (prior to January 1, 2002)	3 to 20 years

Property and equipment are stated at cost less accumulated depreciation and amortization, which is calculated on the straight-line basis. Depreciation of property and equipment included in continuing operations totaled approximately $57 million, $97 million and $146 million in 2002, 2001 and 2000, respectively. Amortization of other assets included in continuing operations totaled approximately $60 million in 2002, $292 million in 2001 and $126 million in 2000. Other assets are amortized on the straight-line basis over the periods indicated. Accumulated amortization of other assets approximated $505 million and $449 million at December 31, 2002 and 2001, respectively. As discussed in more detail below, we adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002 and no longer amortize goodwill and certain other indefinite lived intangible assets.

Revenue Recognition We provide various travel marketing and distribution services using the *Sabre* system. As compensation for services provided, fees are collected from airline, car rental and hotel vendors and other providers of travel-related products and services ("associates") for reservations booked through the *Sabre* system. The fee per booking charged to associates is dependent upon the level of functionality within the *Sabre* system at which the associate participates. Revenue for airline travel reservations is recognized at the time of the booking of the reservation, net of estimated future cancellations. At December 31, 2002 and 2001, we have recorded booking fee cancellation reserves of approximately $18 million and $21 million, respectively. This reserve is calculated based on historical cancellation rates. In estimating the amount of future cancellations that will require us to refund a booking fee, we assume that a significant percentage of cancellations are followed by an immediate re-booking, without loss of revenue. This assumption is based on historical rates of cancellations/re-bookings and has a significant impact on the amount reserved. If circumstances change (i.e., higher than expected cancellation rates or changes in booking behavior), our estimates of future cancellations could be increased by a material amount and our revenue decreased by a corresponding amount. Revenue for car rental, hotel bookings and other travel providers is recognized at the time the reservation is used by the customer.

We also enter into service contracts with subscribers (primarily travel agencies) to provide access to the *Sabre* system, hardware, software, hardware maintenance and other support services. Fees billed on service contracts are recognized as revenue in the month earned.

During 2002, we instituted a merchant business model whereby we have given our subscribers access to hotel inventory at discounted prices which we determine. We purchase the inventory from suppliers at discounted wholesale prices, but we do not have purchase obligations for unsold rooms. Revenue from such transactions is recorded on a net basis, which is defined as the price to the consumer less the cost of the inventory obtained from the hotel, at the time of check-out.

Travelocity receives commissions from travel suppliers for air travel, hotel rooms, car rentals, vacation packages and cruises booked through the Travelocity Websites and advertising revenues from the delivery of advertising impressions on the Travelocity Websites. Commissions from air travel providers are recognized upon confirmation of pending payment of the commission. Commissions from other travel providers are recognized upon receipt. Advertising revenues are recognized in the period that advertising impressions are delivered.

Travelocity instituted a merchant business model in 2001 for air travel and in 2002 for vacation packages and hotels whereby we have access to supplier inventory of air segments, hotel rooms and related travel services at discounted wholesale prices which we offer for sale to end consumers at a retail price which we determine. We do not have purchase obligations for unsold inventory. Revenue from such transactions is recorded on a net basis, which is defined as the total price paid by the consumer (which includes the price of Travelocity services), less the cost of the inventory obtained from the supplier, and is recognized at the date of sale to the consumer for air travel and at the date of check-out for hotels and vacation packages.

We receive fees from travel suppliers and corporate customers for transactions booked through GetThere's Web-based travel booking systems and recognize the associated revenues in the month of the transaction. In addition, GetThere also charges certain up-front fees, such as implementation, franchise and license fees. The revenues for those fees are deferred and generally recognized over the term of the related contract.

Additionally, we provide software solutions and airline reservation hosting services. Revenue from airline reservation hosting services is recognized in the period earned. Our software is generally sold as part of agreements which also require us to provide customization and implementation services. Such agreements are accounted for using contract accounting under the provisions of Statement of Position 97-2, *Software Revenue Recognition*. Revenue from license fees, when software is sold without associated customization or implementation services, is recognized when the software is delivered, fees are fixed and determinable, no undelivered elements are essential to the functionality of delivered software and collection is probable. Fees for software maintenance are recognized ratably over the life of the contract. The fees for software maintenance included in initial software license agreements is based on the vendor specific objective evidence of the fair value of the services determined using actual renewal rates for software maintenance services. Services on long-term software development and consulting contracts are provided under both a time-and-materials basis and a fixed fee basis. Revenues with respect to time-and-materials contracts are recognized as services are performed. Revenues from services provided under fixed fee contracts are recognized using the percentage-of-completion method of accounting, based on costs incurred to date in comparison to total cost projected at completion. A contract is considered substantially complete when the product has been delivered and performance specifications have been substantially met. Losses, if any, on long-term contracts are recognized when the current estimate of total contract costs indicates a loss on a contract is probable. As a result of contractual billing terms, at December 31, 2002 and 2001 we had recorded accounts receivable of approximately $12 million and $8 million, respectively, that had not been billed to customers and deferred revenues of approximately $27 million and $35 million, respectively, related to advance payments from customers. Approximately $1 million and $11 million of these deferred revenues were noncurrent as of December 31, 2002 and 2001, respectively.

Prior to the EDS transaction (Note 3), we provided information technology infrastructure outsourcing services to the travel and transportation industries. Revenues relating to long-term outsourcing contracts were recognized as services were performed.

Derivatives We adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") effective January 1, 2001. SFAS 133 requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of the change in fair value of a derivative designated as a hedge is immediately recognized in earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

Advertising Costs Advertising costs are generally expensed as incurred. Advertising costs expensed in 2002, 2001 and 2000 totaled approximately $109 million, $109 million and $90 million, respectively.

Income Taxes The entities comprising Sabre Holdings have been included in the consolidated federal income tax return of AMR through March 15, 2000. We entered into a tax sharing agreement with AMR effective July 1, 1996 (the "Tax Sharing Agreement"), which provides for the allocation of tax liabilities during the tax periods we are included in the consolidated federal, state and local income tax returns filed by AMR. The Tax Sharing Agreement generally requires us to pay to AMR the amount of federal, state and local income taxes that we would have paid had we ceased to be a member of the AMR consolidated tax group. We are jointly and severally liable for the federal income tax of AMR and the other companies included in the consolidated return for all periods in which we are included in the AMR consolidated group. AMR has agreed, however, to indemnify us for any liability for taxes reported or required to be reported on a consolidated return arising from operations of subsidiaries of AMR other than us.

Except for certain items specified in the Tax Sharing Agreement, AMR generally retains any potential tax benefit carryforwards and remains obligated to pay all taxes attributable to periods before July 2, 1996. The Tax Sharing Agreement also grants us certain limited participation rights in any disputes with tax authorities.

As a result of the Spin-off, we are no longer consolidated with AMR for tax purposes. Therefore, we have separately reported and filed federal, state and local income tax returns for the taxable periods beginning March 16, 2000.

The results of operations of our consolidated subsidiaries are included in our federal income tax return, with the exception of Travelocity.com Inc., for periods prior to April 2002. Through the date of purchase of the minority interest in Travelocity.com Inc. in April 2002 (Note 5), Travelocity.com Inc. filed a separate federal income tax return. We included our proportionate share of the results of operations of the Travelocity partnership in our federal income tax return during periods prior to April 2002. Subsequent to the acquisition of the Travelocity.com minority interest, the results of operations of Travelocity.com are included in our consolidated federal income tax return (Note 12).

The provision for income taxes has been computed using the liability method. For periods prior to the acquisition of the minority interest, the provision for income taxes was computed as if we and Travelocity.com Inc. were separate taxpayers. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, based on available evidence, the future tax benefits more likely than not will not be realized.

Computer Software Developed or Purchased for Internal Use Costs related to applications, infrastructure and graphics development for our Websites, are capitalizable under Statement of Position 98-1, *Accounting for Computer Software Developed or Obtained for Internal Use* and are included in property and equipment in the accompanying balance sheets. Capitalizable costs consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software, (b) payroll and payroll-related costs for employees who are directly associated with and who devote time to the project and (c) interest costs incurred. Research and development costs incurred during the preliminary project stage or incurred for data conversion activities and training, maintenance and general and administrative or overhead costs are expensed as incurred. Costs that cannot be separated between maintenance of, and relatively minor upgrades and enhancements to, internal-use software are also expensed as incurred.

We amortize computer software using the straight-line method over the estimated useful life of the software, approximately three to seven years. At December 31, 2002 and 2001, unamortized computer software costs approximated $70 million and $51 million, respectively.

Capitalized Software Development Costs All costs incurred in the development of software which is licensed to third parties that have the option to take possession of the software are classified as research and development costs and are expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, such costs are capitalized until the product is ready for service. We define technological feasibility in accordance with Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*. Technological feasibility is achieved upon completion of all planning, designing, coding and testing activities that are necessary to establish that a product can be produced according to its design specifications.

We amortize capitalized software development costs using the straight-line method over the estimated economic life of the software. At December 31, 2002 and 2001, unamortized software development costs approximated $15 million and $14 million, respectively. Research and development costs incurred in software development approximated $40 million, $73 million and $57 million for 2002, 2001 and 2000, respectively.

Long-Lived Assets and Goodwill Prior to January 1, 2002, we reviewed all of our long-lived assets, including identifiable intangible assets, for impairment when changes in circumstances indicated that the carrying amount of an asset may not be recoverable. If we determined that such indicators were present, we prepared an undiscounted future net cash flow projection for the asset. In preparing this projection, we made a number of assumptions concerning such things as future booking volume levels, price levels, commission rates, rates of growth in our consumer and corporate direct booking businesses, rates of increase in operating expenses, etc. If our projection of undiscounted future net cash flows was in excess of the carrying value of the recorded asset, no impairment was recorded. If the carrying value of the asset exceeded the projected undiscounted net cash flows, an impairment was recorded. The amount of the impairment charge was determined by discounting the projected net cash flows. Intangible assets subject to amortization continue to be evaluated for impairment using this methodology.

Through the end of 2001, we evaluated goodwill for impairment based on undiscounted projected future cash flows. If the carrying value of the goodwill was less than the undiscounted projected future cash flows, no impairment would be recognized. Upon adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") on January 1, 2002, we began to evaluate our goodwill for impairment on an annual basis or whenever indicators of impairment exist. The evaluation is based upon a comparison of the estimated fair value of the unit of our business to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. The fair values used in this evaluation are estimated based upon discounted future cash flow projections for the unit. These cash flow projections are based upon a number of assumptions, as discussed above. Under SFAS No. 142 intangible assets deemed to have indefinite lives are subject to impairment tests annually or when changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value of an indefinite lived intangible asset exceeds its fair value, as generally estimated using a discounted future net cash flow projection, the carrying value of the asset is reduced to its fair value.

To date, we have not recorded a significant impairment of our goodwill or intangible assets. We believe that assumptions we have made in projecting future cash flows for the evaluations described above are reasonable. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

Upon adoption of SFAS 142, we no longer amortize goodwill and certain other indefinite lived intangible assets. Other intangible assets continue to be amortized over their useful lives. The following table reflects income from continuing operations and net income adjusted to exclude amortization expense (including related tax effects) recognized in the periods presented related to goodwill and other indefinite lived intangible assets (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Reported income (loss) from continuing operations	$ 214,144	$ (46,953)	$ 96,105
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interests		211,998	82,001
Adjusted income from continuing operations	$ 214,144	$ 165,045	$ 178,106
Reported net earnings	$ 214,144	$ 31,227	$ 144,052
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interests		211,998	82,001
Adjusted net earnings	$ 214,144	$ 243,225	$ 226,053

Earnings per share			
Basic:			
Reported income (loss) from continuing operations	$ 1.53	$ (.35)	$ .74
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interest		1.60	.63
Adjusted income from continuing operations	$ 1.53	$ 1.25	$ 1.37
Reported net earnings	$ 1.53	$ ..24	$ 1.11
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interest		1.60	.63

Adjusted net earnings	$ 1.53	$ 1.84	$ 1.74
Diluted:			
Reported income (loss) from continuing operations	$ 1.50	$ (.35)	$ .74
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interest		1.60	.63
Adjusted income from continuing operations	$ 1.50	$ 1.25	$ 1.37
Reported net earnings	$ 1.50	$ ..24	$ 1.11
Goodwill and indefinite lived intangible assets amortization, net of income taxes and minority interests		1.60	.63
Adjusted net earnings	$ 1.50	$ 1.84	$ 1.74

Amortization expense relating to intangible assets subject to amortization totaled $53 million, $41 million and $10 million during the years ended December 31, 2002, 2001 and 2000, respectively.

At December 31, 2002 and 2001, our intangible assets were comprised of the following (in thousands):

		December 31, 2002		December 31, 2001	
	Weighted Average Useful Lives	Gross Carrying Amount, at Cost	Accumulated Amortization	Gross Carrying Amount, at Cost	Accumulated Amortization
Not subject to amortization:					
Goodwill		$ 819,856	$	$ 626,785	$
Tradenames, trademarks and domain names		21,980		7,682	
		841,836		634,467	
Subject to amortization:					
Purchased technology	4 years	129,766	(68,961)	125,146	(36,592)
Acquired customer relationships and database	7 years	36,687	(10,834)	32,820	(4,950)
Non-compete agreements	4 years	17,059	(11,634)	17,059	(4,971)
Acquired contracts, supplier and distributor agreements	3 years	29,369	(13,526)	8,261	(5,018)
		212,881	(104,955)	183,286	(51,531)
Total		$ 1,054,717	$ (104,955)	$ 817,753	$ (51,531)

At December 31, 2001, accumulated amortization of $381 million and $6 million relating to goodwill and tradenames/trademarks, respectively, were reclassified against the gross cost of the related assets.

Estimated amortization expense relating to intangible assets subject to amortization for each of the five succeeding years is as follows (in thousands):

2003	$ 47,913
2004	40,676
2005	10,614
2006	4,382
2007	4,341

Changes in the carrying amount of goodwill during the twelve months ended December 31, 2001 and 2002 are as follows (in thousands):

	Sabre Travel Network	Travelocity	GetThere	Sabre Airline Solutions	Total
Balance at December 31, 2000	$ 129,684	$ 176,524	$ 545,941	$	$ 852,149
Goodwill acquired	6,400			3,724	10,124
Goodwill adjustments	(205)	1,312	527		1,634
Goodwill amortization	(12,160)	(80,234)	(144,728)		(237,122)
Balance at December 31, 2001	123,719	97,602	401,740	3,724	626,785
Goodwill acquired		198,341		1,457	199,798
Goodwill adjustments			(6,811)	84	(6,727)
Balance at December 31, 2002	$ 123,719	$ 295,943	$ 394,929	$ 5,265	$ 819,856

The goodwill balances at December 31, 2002 and December 31, 2001 include $94 million of goodwill related to our investments in joint ventures. Goodwill resulting from joint ventures is included in investments in joint ventures in the accompanying balance sheet.

In connection with the acquisition of GetThere, Inc. in October 2000, certain warrants to obtain GetThere stock were converted into contingent warrants for Sabre stock. We included $16 million for the value of these warrants in the purchase price recorded for our acquisition of GetThere. In March 2002, we made a cash payment of $10 million to settle these warrants. To record this settlement, equity was reduced by the $16 million recorded value of the warrants and goodwill was reduced by approximately $6 million, the difference between the cash payment and the recorded value of the warrants.

Concentration of Credit Risk Our customers are primarily located in the United States, Canada, Europe, Latin America and Asia, and are concentrated in the travel industry. We generate a significant portion of our revenues and corresponding accounts receivable from services provided to the commercial air travel industry. As of December 31, 2002, approximately 63% of our trade accounts receivable were attributable to these customers. Our other accounts receivable are generally due from other participants in the travel and transportation industry. Approximately 11%, 13% and 12% of revenues from continuing operations in 2002, 2001 and 2000, respectively, were related to American and other subsidiaries of AMR. Each of our segments recognized revenues from transactions with American through 2001. Beginning 2002, only one of our business segments did not recognize revenues from American. We generally do not require security or collateral from our customers as a condition of sale.

We regularly monitor the financial condition of the air transportation industry and have noted the financial difficulties faced by AMR and other air carriers. We believe the credit risk related to AMR's and other carriers' difficulties is mitigated somewhat by the fact that we collect a significant portion of the receivables from these carriers through the Airline Clearing House ("ACH"). In 2002, two other major airline customers filed for bankruptcy protection. In each case, invoices that were cleared through ACH were paid without interruption, including pre-petition invoices. We believe use of ACH mitigates our credit risk in cases of airline bankruptcies.

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We maintained an allowance for losses of approximately $35 million and $41 million at December 31, 2002 and 2001, respectively, based upon the amount of accounts receivable expected to prove uncollectible. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings, failure to pay amounts due to us or others), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off history (average percentage of receivables written off historically) and the length of time the receivables are past due.

During 2001 and 2002, the commercial air travel industry in particular, and the travel and transportation industry in general, was adversely affected by a decline in travel resulting from a softening economy. This was worsened by the aftermath of the events of September 11, 2001. We believe that we have appropriately considered the effects of these factors, as well as any other known customer liquidity issues, on the ability of our customers to pay amounts owed to us. However, if demand for commercial air travel softens, due to prevailing economic conditions, terrorist acts or other incidents involving commercial air transport, or other factors, the financial condition of our customers may be adversely impacted. If we begin, or estimate that we will begin, to experience higher than expected defaults on amounts due us, our estimates of the amounts which we will ultimately collect could be reduced by a material amount.

Customer Incentives Certain service contracts with significant subscribers contain booking productivity clauses and other provisions which allow subscribers to receive cash payments and/or various amounts of additional equipment and other services from us at no cost. We establish liabilities for these commitments and recognize the related expense as the subscribers earn incentives based on the applicable contractual terms. Accrued incentives liabilities at December 31, 2002 and 2001 were approximately $69 million and $89 million, respectively. Periodically, we make cash payments to subscribers at inception or modification of a service contract which are deferred and amortized over the expected life of the service contract, generally three years. At December 31, 2002 and 2001, we had $58 million and $22 million, respectively, in deferred charges related to such contracts. The service contracts are priced so that the additional airline and other booking fees generated over the life of the contract will exceed the cost of the incentives provided.

Earnings Per Share Basic earnings per share excludes any dilutive effect of options, warrants and other stock-based awards. The number of shares used in the diluted earnings per share calculations includes the dilutive effect of stock options and restricted and career equity shares.

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The following table reconciles weighted average shares used in computing basic and diluted earnings per common share (in thousands):

	Year Ended December 31,		
	2002	**2001**	**2000**
Denominator for basic earnings per common share weighted-average shares	140,337	132,317	129,198
Dilutive effect of stock awards and options	2,222		643
Denominator for diluted earnings per common share adjusted weighted-average shares	142,559	132,317	129,841

Options to purchase approximately 8,413,000, 4,936,000 and 8,280,000 weighted-average shares of common stock were outstanding during 2002, 2001 and 2000, respectively, but were excluded from the computation of diluted earnings per share because the effect would be antidilutive.

For additional information regarding stock awards and options, see Note 14.

Stock Awards and Options At December 31, 2002, we have six stock-based employee compensation plans, which are described more fully in Note 14. We account for stock awards and options (including awards of AMR stock and stock options granted to employees prior to July 2, 1996) using the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and related interpretations. Generally, no compensation expense is recognized for stock option grants if the exercise price is at or above the fair market value of the underlying stock on the date of grant. Compensation expense relating to other stock awards is recognized over the period during which the employee renders service to us necessary to earn the award.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation* ("FIN 44"), an interpretation of APB 25. FIN 44, which we adopted prospectively as of July 1, 2000, requires certain changes to previous practice regarding accounting for certain stock compensation arrangements. FIN 44 does not change APB 25's intrinsic value method, under which compensation expense is generally not recognized for grants of stock options to employees with an exercise price equal to the market price of the stock at the date of grant, but it has narrowed its application. The primary effect of the adoption of FIN 44 on our financial statements has been the requirement to record deferred compensation related to unvested employee stock options issued in connection with our acquisitions (Note 5). At December 31, 2002 and 2001, unamortized deferred stock compensation relating to acquisitions which we have made totaled approximately $32 million and $14 million, respectively, and is recorded as a reduction of additional paid-in capital.

The total charge for stock compensation expense recorded in accordance with APB 25 and included in wages, salaries and benefits expense for continuing operations was $31 million, $24 million and $10 million for 2002, 2001 and 2000, respectively. The stock compensation expense resulted from vested and unvested stock options assumed in connection with acquisitions and our grants of restricted stock (Note 14).

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The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), instead of APB 25's intrinsic value method to account for stock-based employee compensation (in thousands, except for per share amounts):

	Year Ended December 31,		
	2002	**2001**	**2000**
Net earnings as reported	$ 214,144	$ 31,227	$ 144,052
Add stock compensation expense, net of income taxes determined under intrinsic value method	19,794	15,934	7,080
Less total stock-based employee compensation expense determined under fair value based method for all awards, net of income taxes	(41,008)	(44,636)	(32,698)
Pro forma net earnings	$ 192,930	$ 2,525	$ 118,434
Net earnings per common share, as reported:			
Basic	$ 1.53	$ .24	$ 1.11
Diluted	$ 1.50	$ .24	$ 1.11
Net earnings per common share, pro forma:			
Basic	$ 1.37	$ .02	$ .92

	Year Ended December 31,		
Diluted	$ 1.35	$ .02	$ .91

The above pro forma information regarding net income and earnings per share has been determined as if we had accounted for employee stock options and stock-based awards under the fair value method set forth in SFAS 123. The fair value for the stock options granted by us to employees was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 2.51% to 4.85% for 2002, 3.44% to 5.58% for 2001 and 5.65% to 6.51% for 2000, a dividend yield of 0%; a volatility factor of the expected market price of our Class A common stock of 0.53 for 2002, 0.42 for 2001 and 0.40 for 2000; and a weighted-average expected life of the options granted of 4.5 years.

Comprehensive Income Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. During 2002 and 2001 amounts included in comprehensive income other than net income were approximately $19.2 million loss and $3.1 million income, respectively, primarily consisting of a minimum pension liability adjustment (Note 11) and unrealized gains on investments and foreign currency forward contracts. For the year ended December 31, 2000, the difference between net earnings and total comprehensive income was not significant and consisted primarily of unrealized gains and losses on investments.

SABRE HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

At December 31, 2002, the components of accumulated other comprehensive income (loss) were as follows (in thousands):

	Minimum Pension Liability Adjustment	Unrealized Gains (Losses) on Investments	Unrealized Gains on Foreign Currency Forward Contracts	Unrealized Foreign Currency Translation Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
Beginning balance, December 31, 2001	$	$ 2,483	$ 802	$ (109)	$ 3,176
2002 other comprehensive income, net of income taxes	(21,638)	(1,867)	4,174	131	(19,200)
Ending balance, December 31, 2002	$ (21,638)	$ 616	$ 4,976	$ 22	$ (16,024)

The minimum pension liability adjustment in 2002 is net of a $13.4 million deferred income tax effect. The income tax effects allocated to all components of other comprehensive income during the years ended December 31, 2002, 2001 and 2000 were not significant. Amounts reclassified from other comprehensive income to net income during the years ended December 31, 2002, 2001 and 2000 were not significant.

Financial Instruments The carrying value of our financial instruments including cash, marketable securities, accounts receivable and short and long-term debt instruments approximate their respective fair values at December 31, 2002 and 2001. The carrying value of our derivative instruments (Note 7) approximated their fair value at December 31, 2002 and 2001.

Treasury Stock We account for the purchase of treasury stock at cost. Upon reissuance of shares of treasury stock, we record any difference between the weighted-average cost of such shares and any proceeds received as an adjustment to additional paid-in capital.

Recent Accounting Pronouncements In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. This statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of this standard is not expected to have a significant effect on our financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements* ("FIN 46"). FIN 46 will significantly change current practice by requiring the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other pecuniary interests in the entity. Currently entities are generally consolidated by an enterprise which has a controlling financial interest through ownership of a majority voting interest in the entity. This statement is to be applied to all new variable interest entities entered into after January 31, 2003. The statement will apply to all existing variable interest entities for periods beginning after June 15, 2003. As a result of the issuance of FIN 46, we will begin consolidating a special purpose entity, with which we are affiliated, that qualifies as a variable interest entity, effective July 1, 2003 (Note 10). We are in the process of evaluating the impact of this statement on our other unconsolidated investees and other financial relationships.

3. EDS Transaction

On March 14, 2001, we entered into agreements with Electronic Data Systems Corporation ("EDS") which provide for (i) the sale of our technology infrastructure outsourcing business (the "Outsourcing Business") and information technology ("IT") infrastructure assets and associated real estate to EDS (the "Asset Purchase Agreement"), (ii) a 10-year contract with EDS to manage our IT systems (the "IT Outsourcing Agreement") and (iii) agreements between Sabre and EDS to jointly market IT services and software solutions to the travel and transportation industries (the "Marketing Agreements").

Effective July 1, 2001, we completed the sale to EDS of our Outsourcing Business including outsourcing contracts, Web hosting contracts and IT infrastructure assets and associated real estate to EDS for approximately $661 million in cash. In addition, we may receive aggregate additional payments from EDS for these assets of up to a total of $6 million on April 15, 2003 and 2004, depending on the amount of revenues received by EDS under an airline outsourcing contract included in the sale. On July 2, 2001, we repaid $710 million of existing short-term borrowings using proceeds from the EDS sale and existing cash balances.

The assets transferred included, among other things, our outsourcing contracts with American, US Airways, Gulf Air, and Dollar/Thrifty Rent-A-Car; and our data centers, network and desktop and mid-range computer systems. These assets were used for our Outsourcing Business and for transaction processing in our Sabre Travel Network segment, including the operation of the *Sabre* system. Approximately 4,000 of our employees, located mostly in the United States, were transitioned to employment with EDS upon closing of the transaction.

We retained our Sabre Travel Network business, Travelocity, our consumer direct travel services business, GetThere, our corporate direct travel services business, and Sabre Airline Solutions, our software development and consulting solutions business.

We also retained contracts and assets that are directly related to our core Sabre Airline Solutions business. Those include our reservations hosting business, which provides internal reservation systems for airline customers; contracts to provide software applications development, maintenance and licensing; our intellectual property assets, including our software applications portfolios; and the eMergo suite of products offered by Sabre Airline Solutions as an online application service provider.

Under the IT Outsourcing Agreement, EDS provides, manages and operates our IT infrastructure, including data center management, applications hosting, selected applications development, data assurance and network management services. The term of the IT Outsourcing Agreement is 10 years. Fees paid to EDS under the IT Outsourcing Agreement are primarily based upon the usage of services. The IT Outsourcing Agreement is expected to generate cost savings for us over the term of the agreements.

Under the Marketing Agreements, Sabre and EDS agreed to jointly market certain IT services and software solutions to the travel and transportation industries. As part of the marketing relationship, EDS contributed $20 million toward enhancing and promoting our portfolio of airline software solutions during 2001 and 2002. Such amounts were recognized as a reduction of our costs of such enhancements and promotions. EDS also moved its travel bookings to our *Sabre* system and implemented our GetThere corporate booking platform in its organization.

This disposition of the Outsourcing Business represents the disposal of a business segment under Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* ("APB 30"). As a result of this transaction, the consolidated statements of operations for the years ended December 31, 2001 and 2000 have been reclassified to present the Outsourcing Business as a discontinued operation. The related statements of cash flows for the years ended December 31, 2001 and 2000 have not been reclassified as permitted by APB 30.

Summarized financial information for the discontinued operations is as follows (in thousands):

	Year Ended December 31,	
	2001	**2000**
Revenues	$ 370,007	$ 676,640
Income before provision for income taxes	$ 59,060	$ 77,680
Provision for income taxes	22,755	29,733
Income from discontinued operations, net	$ 36,305	$ 47,947

No interest expense has been allocated to the discontinued operations.

We recorded a gain during the third quarter of 2001 of approximately $39 million, net of related income taxes of approximately $25 million, as a result of the disposition of these assets.

4. Marketable Securities

Marketable securities consist of (in thousands):

	December 31,	
	2002	**2001**
Corporate notes	$ 465,624	$ 237,616

	December 31,	
U.S. Government agency and treasury notes	185,602	
Mortgages	158,146	75,052
Overnight investments and time deposits	58,495	205,558
Asset-backed securities	22,717	129,806
Total	$ 890,584	$ 648,032

The following table summarizes marketable securities by contractual maturity (in thousands):

	December 31,	
	2002	2001
Due in one year or less	$ 145,709	$ 226,842
Due after one year through three years	512,872	308,709
Due after three years	232,003	112,481
Total	$ 890,584	$ 648,032

Marketable securities, all of which are classified as available-for-sale, are stated at fair value based on market quotes. Net unrealized gains and losses, net of deferred taxes, have not been significant and are recorded as a component of other comprehensive income.

We expect that the majority of marketable securities will be sold within one year, regardless of maturity date. We primarily invest in high credit quality debt instruments with an active resale market and money market funds to ensure liquidity and the ability to readily convert these investments into cash to fund current operations, or satisfy other cash requirements as needed. Accordingly, we have classified all marketable securities as current assets in the accompanying balance sheets.

5. Mergers and Acquisitions

2002 Mergers and Acquisitions

During 2002, we completed the following material acquisitions, each of which was accounted for using the purchase method of accounting for business combinations. The results of operations of the acquired entities have been included in our consolidated statements of income from the date of acquisition through December 31, 2002.

Acquisition of Travelocity.com Minority Interest

On April 8, 2002 we completed a $28 per share cash tender offer for all of the approximately 16.7 million outstanding publicly-held common shares of Travelocity.com that we did not own. Prior to the tender offer, we had an approximate 70% ownership stake in Travelocity.com. We then effected a short-form merger, whereby Travelocity.com became our indirect 100% owned subsidiary, on April 11, 2002. The Travelocity.com transaction supports our continuing strategy to deliver value to suppliers and travelers across multiple distribution channels. We believe it makes sense to combine the strengths of our segments to pursue new revenue opportunities, while optimizing investment decisions across segments.

The aggregate cost of the tender offer and the ensuing merger was approximately $474 million. We used available balances of cash and marketable securities to complete the acquisition, of which approximately $18 million remains to be paid at December 31, 2002. The results of operations of the acquired interest in Travelocity.com have been included in our consolidated statements of income and the results of operations from the date of the acquisition. The acquisition has been accounted for as a purchase. The proportionate share of the assets acquired and liabilities assumed from the minority interest have been recorded at their fair values and the excess of cost over the estimated fair value of the net assets has been recorded as goodwill. The fair values were determined by management based on an independent valuation of the net assets acquired, including intangible assets. The following table summarizes the allocation of the purchase price and amounts allocated to goodwill (in thousands):

Minority interest assumed	$	252,597
Deferred income tax asset, net		21,665
Distributor agreements (weighted average life of 3 years)		18,016
Supplier agreements (weighted average life of 3 years)		2,192
Proprietary software (weighted average life of 3 years)		2,256
Customer database (weighted average life of 7 years)		3,739
Tradenames, trademarks and domain names (indefinite life)		13,698
Goodwill		160,146
Total purchase price	$	474,309

The recorded goodwill relates to the Travelocity segment and is not deductible for tax purposes.

We are also recognizing stock compensation based on the intrinsic value of awards that were converted at the date of the acquisition from options to purchase shares of Travelocity.com Inc. common stock into options to purchase shares of our common stock. Total stock compensation expense related to the converted Travelocity.com options for the year ended December 31, 2002 was approximately $22.3 million, including $14.2 million of expense recognized at the date of acquisition relating to the conversion of vested employee options to purchase shares of Travelocity.com stock to purchase shares of our stock. At December 31, 2002 the amount of unrecognized stock compensation expense to be amortized over the remaining vesting period of the related options is approximately $20.9 million.

Site59

On March 27, 2002, we completed the acquisition of Site59.com, Inc. ("Site59"), a consumer direct seller of last-minute merchant model air, hotel and rental car inventory, for approximately $44 million in cash. Subsequent to the acquisition, Site59 is our indirect 100% owned subsidiary.

The acquisition of Site59 has provided Travelocity with a greater mix of merchant hotel inventory. This new inventory has complemented the extensive inventory Travelocity already receives through its long-term agreement with Hotels.com, Inc. ("Hotels.com", formerly Hotel Reservations Network, Inc.) (Note 7). In addition, on October 27, 2002 Travelocity launched its own Merchant Model Hotels ("MMH") offering. Many of the hotels marketing rooms through Site59 opted to expand their existing relationship to also participate in the MMH program.

We are operating Site59 as a separate unit within the Travelocity segment, generating revenue from last-minute travelers. The results of operations of Site59 have been included in our consolidated statements of income and the results of operations of our Travelocity segment from the date of acquisition. Assets acquired and liabilities assumed have been recorded at their estimated fair values and the excess of cost over the estimated fair value of the net assets has been recorded as goodwill. The fair values were determined by management based on an independent valuation of the net assets acquired, including intangible assets. The following table summarizes the allocation of the purchase price and amounts allocated to goodwill (in thousands):

Working capital acquired	$	1,770
Property and equipment and other non-current assets		824
Software		1,352
Non-current liabilities		(75)
Supplier agreements (weighted average life of 1.5 years)		900
Tradenames, trademarks and domain names (indefinite life)		600
Goodwill		38,195

Total purchase price	$ 43,566

The acquired goodwill is related to the Travelocity segment and is not deductible for tax purposes.

Pro Forma Statements of Operations Data for Mergers and Acquisitions During 2002

The unaudited pro forma statements of operations data in the table below presents the effects of the acquisition of the minority interest of Travelocity.com on our results of operations as if the acquisition occurred on January 1, 2001. Adjustments related to the acquisition that affect the statements of operations include stock compensation expense associated with the conversion of Travelocity.com options into options to purchase shares of Sabre's common stock, amortization of the fair value of amortizing intangible assets acquired and elimination of minority interests in the results of operations of Travelocity.com. Pro forma adjustments related to the acquisition of Site59 have not been included, as the effect of doing so would be immaterial. Amounts shown below are in thousands, except per share amounts.

	Year Ended December 31	
	2002	**2001**
	(unaudited)	
Revenues	$ 2,056,466	$ 2,144,961
Income (loss) from continuing operations	$ 220,777	$ (80,233)
Income (loss) before cumulative effect of change in accounting method	$ 220,777	$ (5,156)
Net earnings (loss)	$ 220,777	$ (2,053)
Earnings (loss) from continuing operations per common share		
Basic	$ 1.57	$ (.61)
Diluted	$ 1.55	$ (.61)
Net earnings (loss) per common share		
Basic	$ 1.57	$ (.02)
Diluted	$ 1.55	$ (.02)

2001 Mergers and Acquisitions

Sabre Pacific

In March 2001, we purchased the Sabre Pacific travel distribution business for approximately $46 million from Travel Industries Automated Systems Pty Limited (TIAS). Sabre Pacific was originally formed to distribute the *Sabre* system in Australia, New Zealand and the South Pacific under a licensing agreement with us. We did not previously have an ownership position in Sabre Pacific. Subsequent to the acquisition, Sabre Pacific was our indirect 100% owned subsidiary. The purchase will give travel suppliers, travel agents and travelers in the South Pacific region greater access to our global resources and technology, potentially boosting our bookings share in that region.

The acquisition has been accounted for as a purchase. Assets acquired and liabilities assumed have been recorded at their fair values and the excess of cost over the estimated fair value of the net assets has been recorded as goodwill. The fair values were determined by our management based on information furnished by Sabre Pacific's management and independent valuations of the net assets acquired, including intangible assets. The following table summarizes the allocation of the purchase price and amounts allocated to goodwill (in thousands):

Working capital acquired	$	745
Long term assets and liabilities		1,049
Non-compete agreements (weighted average life of 4 years)		13,200
Customer relationships (weighted average life of 7 years)		24,800
Goodwill		6,594
Total purchase price	$	46,388

The amortization periods for intangible assets subject to amortization are four to seven years. Goodwill is no longer amortized effective January 1, 2002 upon the adoption of SFAS 142 (Note 2). The recorded tax-deductible goodwill relates to the Sabre Travel Network segment.

In October 2001, ABACUS, a joint venture of which we own a 35% economic interest, exercised its option to purchase 49% of Sabre Pacific. We capitalized the subsidiary that purchased Sabre Pacific with approximately $15 million cash and loaned it approximately $31 million to purchase Sabre Pacific for a total of $46 million. ABACUS purchased 49% of Sabre Pacific by paying approximately $8 million for 49% of its equity and purchased 49% of the outstanding loan balance for approximately $15 million. This sale was completed in January 2002. No significant gain or loss was recognized upon the sale.

Pro Forma Statement of Operations Data for Mergers and Acquisitions During 2001

Pro forma information related to the mergers and acquisitions during 2001 has not been presented as the effect of these acquisitions was not material to our historical results of operations.

2000 Mergers and Acquisitions

Merger of Travelocity.com and Preview Travel, Inc.

On March 7, 2000, we completed the merger of Travelocity.com, a newly created subsidiary, and Preview Travel, Inc. ("Preview"), an independent publicly-traded company engaged in consumer direct travel distribution over the Internet. Under the terms of the merger agreement, shareholders of Preview received one common share of Travelocity.com for each share of Preview held, and Preview was merged into Travelocity.com, the surviving entity. Shares of Travelocity.com stock traded under the symbol "TVLY" on the NASDAQ National Market until the tender offer to acquire all outstanding shares was completed as discussed above. In connection with the merger, we contributed our Travelocity division and approximately $100 million in cash to Travelocity.com LP, a Delaware limited partnership (the "Partnership"). Immediately following the merger, Travelocity.com contributed the assets and businesses obtained from the acquisition of Preview to the Partnership. As a result of the merger, we owned an economic interest of approximately 70% in the combined businesses, composed of an approximate 60% direct interest in the Partnership and an approximate 25% interest in Travelocity.com which holds an approximate 40% interest in the Partnership. Travelocity.com was included in our consolidated financial statements and the approximate 30% outside ownership was reported as minority interest.

The cost of the acquisition of Preview was approximately $287 million, which has been allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. Fair values were determined by our management based on information furnished by Preview's management and independent valuations of the net assets acquired, including intangible assets. We recorded goodwill and other intangible assets related to this acquisition of approximately $252 million which are being amortized over one to three years, except for those assets no longer amortized under the provisions of SFAS 142.

On April 8, 2002 we completed a $28 per share cash tender offer for all of the approximately 16.7 million outstanding publicly-held common shares of Travelocity.com that we did not previously own. Accordingly, Travelocity.com became our indirect 100% owned subsidiary on April 11, 2002, thereby eliminating the minority interest.

Acquired Interest in Dillon Communication Systems GmbH ("Dillon")

On June 26, 2000, we acquired a 51% ownership interest in Dillon, a supplier of electronic travel distribution services in Germany. In accordance with the purchase agreement, we paid approximately $20 million in cash with additional payments of approximately $1 million to be made in each of the three years following the acquisition date. The cost of the acquisition of approximately $24 million was allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. We recorded goodwill and other intangible assets related to this acquisition of approximately $24 million, which are being amortized over approximately five years, except for those assets no longer amortized under the provisions of SFAS 142.

Acquisition of Gradient Solutions Limited

On August 15, 2000, we acquired Gradient Solutions Limited, ("Gradient") resulting in Gradient becoming an indirect 100% owned subsidiary. In 2002, Gradient's name was changed to Sabre Ireland Online Limited. Sabre Ireland Online Limited is a Dublin, Ireland-based technology company that provides e-commerce solutions to the global travel marketplace. The cost of the acquisition was approximately $39 million, of which approximately $13 million was paid in cash with the balance in Euro-denominated notes payable which has been subsequently paid. This cost was allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. We recorded goodwill and other intangible assets of approximately $38 million related to this acquisition, which are being amortized over approximately five years, except for those assets no longer amortized under the provisions of SFAS 142.

Acquisition of GetThere, Inc. ("GetThere")

On October 17, 2000, we acquired GetThere, a Delaware corporation, resulting in GetThere becoming our indirect 100% owned subsidiary. GetThere operates one of the world's largest Internet marketplaces focused on corporate travel services and powers online travel sites for leading airlines. The cost of the acquisition of GetThere was approximately $753 million. The cost of the acquisition has been allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. The fair values were determined by our management based on information furnished by GetThere's management and independent valuations of the net assets acquired, including intangible assets. We recorded goodwill and other intangible assets of approximately $688 million related to this acquisition, which are being amortized over two to four years, except for those assets no longer amortized under the provisions of SFAS 142.

Pro Forma Statement of Operations Data for Mergers and Acquisitions During 2000

The following unaudited pro forma information presents our results of operations from continuing operations as if the mergers and acquisitions which occurred in 2000 discussed above had occurred as of January 1, 2000. The pro forma information has been prepared by combining our results of operations and the acquired businesses for the year ended December 31, 2000. This pro forma information does not purport to be indicative of what would have occurred had these mergers and acquisitions occurred as of that date, or of results of operations from continuing operations that may occur in the future (in thousands, except per share data):

	Year Ended December 31, 2000
	(unaudited)

		Year Ended December 31, 2000
Revenues	$	2,028,412
Loss from continuing operations	$	(64,305)
Net loss	$	(16,358)
Loss per common share from continuing operations:		
Basic	$	(.50)
Diluted	$	(.50)
Net loss per common share:		
Basic	$	(.13)
Diluted	$	(.13)

6. Significant Events and Transactions

Events of September 11, 2001 On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope involving the hijacking and destruction of multiple passenger aircraft operated by commercial air carriers. Air travel in the United States was suspended for several days after the attacks. As a consequence, we experienced significant decreases in bookings volumes due to reduced travel in the United States and, to a lesser degree, internationally. Travel bookings decreased dramatically in the days immediately following the attacks, but steadily increased from an approximate 65% decline immediately after the attacks as compared to the same period the year before, to an approximate 15% decline by the end of 2001. Travel levels did not rebound in 2002, and for the full year total worldwide travel bookings processed through our global distribution system, which includes direct connect bookings and joint venture bookings for which we or our distribution partners earn a booking fee, were 397 million for the year ended December 31, 2002, a decrease of 7.8% from 431 million bookings in 2001.

We expect that we, the travel industry and the economy in general will continue to be adversely affected by the terrorist attacks, and by any subsequent terrorist-related activity, particularly if any such activity involves commercial air transportation, by the possibility of terrorist attacks, governmental hostilities and military action, by the financial instability of many air carriers and by delays caused by increased security at airports. Although we expect that the travel industry will gradually recover, it is not possible to predict either the severity or duration of such decreases in the medium or long term. A prolonged substantial decrease in travel bookings volumes could have an adverse impact on our financial performance, operations, liquidity, or capital resources and could impair our ability to recover the carrying value of certain of our assets, including capitalized software, other intangible assets and goodwill (Note 5).

US Airways Agreement In January 1998, we completed the execution of a 25-year information technology services agreement with US Airways. Under the terms of the agreement, we granted to US Airways two tranches of stock options, each to acquire approximately 3.4 million shares of our Class A common stock at an exercise price of $23.78 per share, as adjusted for the effects of the February 7, 2000 dividend (Note 13). Prior to January 1, 2001, US Airways had the ability to exercise the options and elect to receive cash or discounts on services provided under the related information technology services agreement. On December 14, 1999, US Airways exercised the first tranche of stock options. Pursuant to the terms of the exercised options, we settled the options in cash in lieu of issuing common stock and paid approximately $81 million to US Airways on January 5, 2000. The second tranche of options remained outstanding at December 31, 2002 and 2001.

Because of US Airway's ability to exercise and receive cash or discounts, the unexercised options represented a liability to us during periods prior to January 1, 2001. Accordingly, we recorded a liability and related deferred costs equal to the number of options outstanding, multiplied by the difference between the exercise price of the options and the market price of our Class A common stock. The deferred costs and liability were adjusted for changes in the market price of our stock at each month-end until such time as the options were settled or US Airways' ability to select cash or discounts in place of receiving stock expired. During 2001 and 2000 we recorded amortization expense of approximately $18 million and $12 million, respectively, related to the options, which is recorded in income from discontinued operations. The deferred costs were being amortized over the eleven-year non-cancelable portion of the agreement. The unamortized carrying value of the deferred costs of the options on July 2, 2001 of approximately $124 million was written off in connection with the sale of the Outsourcing Business to EDS (Note 3) and is included in the computation of our gain recorded upon the sale.

On December 31, 2000, the opportunity of US Airways to select an alternative vehicle in place of receiving shares of our common stock upon exercise of the second tranche of options expired. As a result, beginning January 1, 2001, those options held by US Airways began to be carried as an equity instrument instead of a liability instrument. The fair market value of the options on January 1, 2001 of approximately $100 million was reclassified from liabilities to additional paid-in capital.

France Telecom Depository Certificates Prior to June 30, 2001, American held for our economic benefit certain depository certificates representing beneficial ownership of common stock of Equant N.V., which was acquired by France Telecom in the first half of 2001. During 2001, our remaining ownership position in these holdings was liquidated, and we received proceeds totaling approximately $47 million. As our carrying value of these holdings was nominal, a gain approximating the proceeds received was recorded in other income during 2001.

Workforce Reductions As a result of decreased travel and booking volumes resulting from the September 11, 2001 terrorist attacks, we announced a workforce reduction in December 2001. This included an anticipated workforce reduction of approximately 700 employees, or approximately 12%. In addition, we made provisions for the closing of some small leased office facilities in the United States and Canada. The total expense recorded for these actions was approximately $28.2 million, of which approximately $20.0 million was for severance payments and benefits continuation charges for affected employees and approximately $8.2 million related to costs resulting from the cancellation of office leases. Most of the severance payments were made during the first half of 2002. Liabilities related to the vacated facilities will be paid over the applicable lease terms.

During the second quarter of 2002, it was determined that certain office space was not going to be vacated. Therefore, we reduced the facilities accrual by $3.5 million. We further reduced the facilities accrual by $0.4 million in the fourth quarter because certain of the facilities were vacated later than initially planned. In the fourth quarter of 2002, it was determined that only 615 employees were affected by the 2001 workforce reduction and we reduced the severance accrual by $2.4 million, accordingly. No further adjustments are expected related to the 2001 workforce reduction.

Due to continued low travel and booking volumes as a result of a weakening economy, we further reduced our workforce in December 2002 by approximately 400 employees, or 6% of our workforce. Approximately $15.8 million of expense was recorded for this reduction. We anticipate that substantially all of this severance accrual will be paid by the end of the first quarter of 2003. The following table summarizes the costs related to the 2001 and 2002 workforce reductions, as well as the liabilities included in the balance sheets at December 31, 2001 and 2002 (in thousands).

	Severance	Facilities	Total
Estimated cost of 2001 workforce reduction	$ 19,945	$ 8,245	$ 28,190
Amounts paid in 2001	(3,055)	(513)	(3,568)
Remaining liability at December 31, 2001	16,890	7,732	24,622
Estimated cost of 2002 workforce reduction	15,791		15,791
Amounts paid in 2002	(17,520)	(2,672)	(20,192)
Revisions of estimated cost of 2001 workforce reduction	(2,365)	(3,889)	(6,254)
Remaining liability at December 31, 2002	$ 12,796	$ 1,171	$ 13,967

Sale of Former Corporate Headquarters Office Facility On January 31, 2002, we sold our former headquarters office facility in Fort Worth, Texas to a third party. We received proceeds of approximately $80 million in cash and recognized a pre-tax gain of approximately $18 million as a result of the sale, which is included in other income.

Sale of Data Center Facility In July 2002, we purchased a data center facility constructed on our behalf in Tulsa, Oklahoma from the lessor under the provisions of the lease agreement for approximately $92 million and immediately sold it to a third party. This sale of the data center was contemplated as part of the sale of the Outsourcing Business. We received proceeds of approximately $68 million in cash and realized a loss of approximately $24 million, which had been previously accrued in 2001 in connection with the EDS transaction (Note 3).

7. Derivatives

We adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), effective January 1, 2001. At December 31, 2002 and 2001, we were a party to certain derivative instruments, including foreign currency forwards related to anticipated foreign currency expenditures over the next twelve months, warrants received from Hotels.com ("Hotels.com warrants") by Travelocity in connection with an affiliation agreement entered into during 2000 and interest rate swaps entered into in connection with unsecured notes issued in 2001.

We have designated the foreign currency forwards as a cash flow hedge. As such, the effective portion of the gain or loss on the forwards is reported as a component of other comprehensive income and reclassified into earnings as a component of cost of revenues in the same period or periods during which the hedged transaction affects earnings. Effectiveness is measured by comparing the changes in the present value of the anticipated foreign currency denominated expenses, measured using forward rates, arising from the hedged forecasted expenses with the changes in the fair value of the forward contract using forward exchange rates. Any gain or loss on the forwards in excess of the cumulative change in the present value of the anticipated foreign currency denominated expenses, if any, is recognized in other income during the period of change. The cumulative effect of adoption of SFAS 133 related to these foreign currency forwards was insignificant. Amounts reclassified from other comprehensive income to earnings during the years ended December 31, 2002 and 2001 relating to the forwards were not significant. There was no hedging ineffectiveness recorded in earnings relating to the forwards during the years ended December 31, 2002 and 2001.

We recognized a cumulative gain in earnings upon adoption of SFAS 133 of approximately $3 million, net of minority interest of approximately $2 million and deferred income taxes of approximately $2 million, relating to the Hotels.com warrants. During March 2001, we extended our affiliation agreement with Hotels.com through July 31, 2005 and expanded the scope of the Hotels.com relationship. In connection with the expanded and extended agreement, we received additional vested Hotels.com warrants with a fair value of approximately $30 million on the date of receipt. We will recognize this amount as revenue over the extended term of the agreement. During 2002, 2001 and 2000 we recognized revenue relating to amortization of the fair value of the Hotels.com warrants received at contract origination and modification totaling approximately $8.6 million, $7.4 million and $1.0 million, respectively. We may also vest in additional warrants in the future based upon the achievement of certain performance metrics. During 2002 and 2001, we received additional Hotels.com warrants, based on achievement of these metrics, with a fair value of approximately $8.6 million and $4.2 million, respectively. Such amounts have been recognized as revenue in the periods the warrants were earned. During the years ended December 31, 2002 and 2001, we completed cashless exercises of Hotels.com warrants and received approximately 160,000 shares and 1.1 million shares, respectively, of Hotels.com common stock; the stock was disposed of for cash proceeds totaling approximately $8.8 million and $38.9 million, respectively. No significant gain or loss was realized relating to the exercise of the warrants or disposals of the Hotels.com common stock during 2002 and 2001. During 2002 and 2001, we recorded a loss of approximately $.5 million and $3 million, respectively, in other income relating to changes in the fair value of the Hotels.com warrants. As of December 31, 2002 and 2001, we held 57,285 and 55,659 unexercised Hotels.com warrants, respectively, with fair values of $2.2 million and $1.7 million, respectively.

In connection with our issuance in August 2001 of $400 million principal amount in unsecured notes (Note 9) with a fixed interest rate of 7.35% ("Notes"), we entered into two interest rate swaps. We had designated the swaps as fair value hedges of $100 million and $200 million principal amount, respectively, of the Notes. Because the critical terms of the Notes and the swaps matched, the swaps were considered a perfectly effective hedge against changes in the fair value of the Notes due to changes in the London Interbank Offered Rate ("LIBOR"). On August 1, 2002 we terminated the swaps, resulting in a gain of approximately $17 million. The gain was recorded as an increase in the carrying value of the Notes, and will be amortized as an offset to interest expense over the remaining term of the Notes which mature in entirety on August 1, 2011. Also, on August 1, 2002, we entered into two new interest rate swaps. Under the terms of the two new interest rate swaps, which have notional amounts of $100 million and $200 million, we will receive semi-annual payments based on a fixed interest rate of 7.35% and will make semi-annual payments based on a six-month LIBOR plus 231 basis points. The reset dates on the swaps are February 1 and August 1 each year until maturity on August 1, 2011. The initial six-month LIBOR date for both swaps is August 1, 2002 and the initial rate of 4.17125% has been set on both swaps. We have designated the swaps as fair value hedges of $100 million and $200 million of the principal amount of the Notes. Changes in the fair value of the swaps are recognized as a component of other income in each reporting period. Additionally, the carrying value of the Notes is adjusted by a like amount, with the adjustment recognized as a component of other income. As of December 31, 2002 and 2001, we had recorded hedging assets of approximately $21.4 million and $2.9 million, respectively, which are included in other assets in the accompanying balance sheets, and had also recorded a corresponding increase in the carrying values of the Notes relating to these swaps.

7. Derivatives (Continued)

The estimated fair values of our derivatives as of December 31, 2002 and 2001 are provided below (in thousands):

	December 31,	
	2002	2001
Foreign currency forwards	$ 7,019	$ 356
Hotels.com warrants	2,213	1,669
Interest rate swaps	21,397	2,874
Total	$ 30,629	$ 4,899

Derivative assets and liabilities are classified as current or long-term other assets and other liabilities, respectively, in the accompanying balance sheets, depending on the date of settlement of the related contract.

8. Certain Transactions with AMR and American

On March 15, 2000, AMR distributed their ownership interest in us to AMR shareholders. Accordingly, Sabre is now independent from AMR and its subsidiaries. Prior to the Spin-off, AMR and its subsidiaries charged certain operating expenses to us to cover employee benefits, facilities rental, marketing services, management services, legal fees, travel costs and certain other administrative costs based on employee headcount or actual usage of facilities and services. Such expenses charged to us by AMR and its subsidiaries approximated $19 million during 2000 prior to the Spin-off. We also paid American approximately $20 million during 2000 for American providing marketing support for certain of our products and services. Revenues from American and other subsidiaries of AMR included in continuing operations were $226 million in 2000.

Information Technology Services Agreement On July 1, 1996, we entered into the Information Technology Services Agreement with American (the "Technology Services Agreement"), to provide American with certain information technology services. The base term of the Technology Services Agreement was to expire June 30, 2006. The Technology Services Agreement and related IT assets and personnel have been transferred to EDS as part of the sale of the Outsourcing Business (Note 3). Substantially all of the services under the Technology Services Agreement are now provided by EDS. We may receive additional payments from EDS for those assets, depending on the amount of revenues received by EDS under the Technology Services Agreement. The terms of the services to be provided to American by EDS, however, vary. Certain software applications development and maintenance services were retained by us under a new agreement with American. We also transferred to American approximately 250 employees who had previously been providing dedicated support services for American.

Travel Agreements Sabre and American are parties to a Travel Privileges Agreement dated July 1, 1996 (the "Travel Privileges Agreement"), pursuant to which we are entitled to purchase personal travel for our employees and retirees at reduced fares. The Travel Privileges Agreement will expire on June 30, 2008. To pay for the provision of flight privileges to certain of our future retired employees, we make a lump sum payment to American each year for each employee retiring in that year. The payment per retiree is based on the number of years of service with us and AMR over the prior ten years of service. The cost of providing this privilege is accrued over the estimated service lives of the employees eligible for the privilege (Note 11).

Sabre and American agreed to certain amendments to the Travel Privileges Agreement in connection with the Spin-off and the EDS transaction. These amendments allow American to provide certain employees with additional limited travel privileges and require us to indemnify American for costs related to our continued use of the travel privileges.

Sabre and American are also parties to a Corporate Travel Agreement, pursuant to which we receive discounts for certain flights purchased on American. In exchange, we agreed to fly a certain percentage of our travel on American as compared to all other air carriers combined.

Indemnification Agreement In July 1996, Sabre and American entered into an intercompany agreement (the "Indemnification Agreement") pursuant to which each party indemnified the other for certain obligations relating to our reorganization in preparation for our initial public offering. Pursuant to the Indemnification Agreement, we indemnified American for liabilities assumed against third party claims asserted against American as a result of American's prior ownership of assets or operation of businesses contributed to us and for losses arising from or in connection with our lease of property from American. In exchange, American indemnified us for specified liabilities retained by it against third party claims against us relating to American's businesses and asserted against us as a result of the ownership or possession by American prior to July 2, 1996 of any asset contributed to us in July 1996 and for losses arising from or in connection with American's lease of property from us.

In connection with the Spin-off, we agreed with American to terminate the Indemnification Agreement as of July 1, 2003.

Agreement On Spin-off Taxes In connection with the Spin-off, we entered into an indemnity agreement with American (the "Agreement on Spin-off Taxes") pursuant to which we will be responsible for Spin-off related taxes, in certain circumstances, if the Spin-off is deemed to be taxable as a result of certain factual representations and assumptions relating to us being inaccurate or as a result of our subsequent actions. The Internal Revenue Service ("IRS") has issued a Tax Ruling to the effect that the Spin-off will be tax-free to us, AMR and AMR shareholders under Section 355 of the Internal Revenue Code of 1986, as amended (except to the extent that cash is received in lieu of fractional shares). Under the terms of the Agreement on Spin-off Taxes, we have also agreed to comply with certain restrictions on our future operations to assure that the Spin-off will be tax free, including restrictions with respect to a third party's acquisition of shares of our stock and our issuance of stock.

9. Debt

On February 4, 2000, we entered into a $300 million, senior unsecured, revolving credit agreement (the "Credit Facility"), which expires on September 14, 2004. Concurrently, we entered into a short-term $200 million, senior unsecured, term loan agreement (the "Interim Loan"), with an original maturity of August 4, 2000 which was subsequently extended to February 4, 2001. On February 18, 2000, we utilized a portion of our available cash balance and marketable securities, as well as proceeds from both the Credit Facility and Interim Loan to fund a $675 million dividend to shareholders (Note 13). In connection with the bridge credit facility discussed below, the entire $200 million balance outstanding under the Interim Loan was repaid and the Interim Loan agreement was terminated. At December 31, 2000, there were no outstanding borrowings under the Interim Loan and $149 million outstanding under the Credit Facility at an average annual interest rate of 6.7%. These borrowings were retired during 2001.

On October 10, 2000, we entered into an $865 million bridge credit agreement (the "Bridge Credit Agreement") expiring July 10, 2001. Proceeds of the Bridge Credit Agreement were used to fund the acquisition of GetThere and to repay the $200 million outstanding under the Interim Loan. Interest on the Bridge Credit Agreement was variable, based upon the LIBOR, the prime rate or the federal funds rate plus a margin, at our option. At December 31, 2000, the outstanding balance of borrowings under the Bridge Credit Agreement was $710 million at an average interest rate of 7.1%. These borrowings were retired during 2001.

On August 7, 2001, we issued $400 million in unsecured notes with a fixed interest rate of 7.35% ("Notes") in an underwritten public offering, receiving net cash proceeds of approximately $397 million. The principal of the Notes matures in entirety on August 1, 2011. In conjunction with these Notes, we have entered into two interest rate swaps through 2011 for a total notional amount of $300 million, which pay us 7.35% and on which we will pay a variable rate based on a six-month LIBOR rate plus 231 basis points (Note 7). We used $79 million of the proceeds from the Notes to repay the borrowings under the Credit Facility. The remaining proceeds from the sale of the Notes were added to working capital.

10. Commitments and Contingencies

Syndicated Lease Financing As part of a syndicated lease arrangement, we are affiliated with a special purpose entity ("SPE") which is also a variable interest entity as that term is defined in FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements* ("FIN 46"), that currently qualifies for off-balance sheet treatment. In 1999, we arranged a syndicated lease financing facility of approximately $310 million through this entity for the use of land, an existing office building and the construction of a new corporate headquarters facility in Southlake, Texas, as well as the construction of a new data center in Tulsa, Oklahoma. The data center in Tulsa was sold during the third quarter of 2002 and the balance of the lease facility is now approximately $207 million. We currently account for the financing facility as an operating lease. As a result, neither the asset nor the related debt are recorded in our balance sheets at December 31, 2002 and 2001.

In January 2003, the FASB issued FIN 46. FIN 46 will significantly change current practice by requiring the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other pecuniary interests in the entity. Currently entities are generally consolidated by an enterprise which has a controlling financial interest through ownership of a majority voting interest in the entity. This statement is to be applied to all new variable interest entities entered into after January 31, 2003. The statement will apply to all existing variable interest entities for periods beginning after June 15, 2003. As a result of the issuance of FIN 46, we will begin consolidating the SPE effective July 1, 2003.

The SPE leases the properties to us under a master lease agreement. The initial lease term expires September 2004, with two one-year renewal periods thereafter, subject to certain lessor and lessee approvals. At any time during the lease term, including the renewal periods, we have the option to purchase or sell the properties. If the sell option is exercised, we have guaranteed to the lessor that proceeds on a sale will be at least 84% of the original fair value of the leased facilities and we are responsible for the first dollar loss on a devaluation of the property of up to 84% of the total funded value of the SPE. At December 31, 2002 (taking into consideration the sale of the data center), the total guarantee approximated $174 million. We periodically evaluate whether any liability exists related to this residual value guarantee. To date, we do not believe that any significant liability exists. If the sales proceeds exceed the original fair value of the leased facilities, we retain the excess.

All capitalization of the SPE has been provided by a consortium of independent banking institutions. The banks have invested capital at risk exceeding 3.3% of the capital of the SPE. Therefore, we do not consolidate the SPE in our financial statements. If the invested capital at risk of the lenders declines below 3.3%, or if certain other criteria are not met, we would be required to consolidate the SPE prior to the effective date of FIN 46.

Had we consolidated the SPE at December 31, 2002 (after taking into consideration the sale of the data center), our reported assets would have increased by approximately $192 million and reported liabilities would have increased approximately $201 million, net of deferred taxes. Additionally, instead of rent expense of $5 million and $3 million for the years ended December 31, 2002 and 2001, respectively, we would have recorded depreciation expense of $12 million and $3 million and interest expense of $5 million and $3 million, respectively.

Yahoo! Agreement During the second quarter of 2002, we entered into an agreement with Yahoo! whereby Travelocity will be the exclusive air, car and hotel booking engine on Yahoo! Travel. The agreement was effective July 1, 2002 and expires December 31, 2005. Under the terms of the agreement, we are obligated for minimum payments of $100 million to purchase certain levels of advertising, corporate services and enterprise solutions from Yahoo! The companies also plan to jointly develop travel solutions for individuals, travel agents and travel suppliers that use the firms' networks. The agreement also contains a productivity component, whereby Yahoo! is paid a percentage of the transactions services revenue generated through the Yahoo! network. The agreement can be extended for up to two years at Yahoo!'s option.

Minimum remaining payments due to Yahoo! under the terms of the agreement at December 31, 2002 are as follows (in thousands):

2003	$ 28,000
2004	29,000
2005	29,000
	$ 86,000

AOL Agreement In 1999, we entered into an agreement with AOL that provides, among other things, that the Travelocity Website will be the exclusive reservations engine for AOL's Internet properties. Travelocity is obligated for payments of up to $200 million and AOL and Travelocity will share advertising revenues and commissions over the five-year term of the agreement. As of December 31, 2002 Travelocity is obligated for future payments of up to $80 million. Under certain circumstances, Travelocity may elect to alter the terms of this agreement such that guaranteed payments to AOL would no longer be required. Payments due under this agreement are included in other long-term obligations in the table below.

Future Minimum Payments Under Contractual Obligations At December 31, 2002, future minimum payments required under the Notes, the lease with the SPE, other operating lease agreements with terms in excess of one year for facilities, equipment and software licenses and other significant contractual cash obligations were as follows (in thousands):

	Payments Due by Period For the Years Ended December 31,					
Contractual Obligations	**2003**	**2004**	**2005**	**2006**	**2007**	**Thereafter**
Notes payable (Note 9)	$	$	$	$	$	$ 400,000
Lease obligations	28,241	21,956	11,712	7,092	5,554	12,042
Amounts receivable under non-cancelable subleases	(5,880)	(5,880)	(5,880)	(5,880)	(5,880)	(20,580)
Other long-term obligations(1)	242,289	205,092	142,967	125,804	44,836	117,600
Total contractual cash obligations	$ 264,650	$ 221,168	$ 148,799	$ 127,016	$ 44,510	$ 509,062

(1) Primarily composed of obligations under (i) our agreement with AOL for Travelocity to be the exclusive reservations engine for AOL's Internet properties (ii) our agreement with Yahoo! for Travelocity to be the exclusive air, car and hotel booking engine on Yahoo! Travel and (iii) minimum amounts due to EDS under the terms of the IT Outsourcing Agreement.

We believe available balances of cash and short-term investments, cash flows from operations and funds available under our revolving credit facility will be sufficient to meet our cash requirements for the foreseeable future. We continually evaluate opportunities to sell additional equity or debt securities, obtain credit facilities from lenders, or restructure our long-term debt for strategic reasons or to further strengthen our financial position. If market conditions warrant, we may engage in additional financing transactions. In addition, to the extent we consider additional acquisitions of or investments in complementary businesses, products, services and technologies, such additional activities might affect our liquidity requirements or cause us to issue additional equity or debt securities.

Rental expense from continuing operations was approximately $26 million, $23 million and $21 million for the years ended December 31, 2002, 2001 and 2000, respectively.

We are involved in certain disputes and other matters arising in the normal course of business. Additionally, we are subject to review and assessment by various taxing authorities. Although the ultimate resolution of these matters cannot be reasonably estimated at this time, we do not believe that they will have a material, adverse effect on our financial condition or results of operations.

11. Employee Benefit Plans

We sponsor The Sabre 401(k) Savings Plan, formerly the Sabre Group Retirement Plan, which is a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code of 1986. We make a defined contribution and match a defined portion of employee contributions to the plan and have recorded expenses in continuing operations related to the 401(k) Savings Plan of approximately $14 million, $9 million and $11 million in 2002, 2001 and 2000, respectively.

Additionally, we sponsor The Sabre Inc. Legacy Pension Plan ("LPP"), formerly the Sabre Group Legacy Pension Plan, which is a tax-qualified defined benefit plan for employees meeting certain eligibility requirements.

We amended our retiree medical and life insurance plan effective January 1, 2001. Retiree life insurance is only available to those who have retired prior to January 1, 2001. The retiree medical plan was amended to offer subsidized retiree medical coverage only to employees hired prior to October 1, 2000. Employees hired after that date will be offered access to our company-sponsored plan but with no subsidy and therefore no liability to us.

Effective January 1, 2001, employee contributions for retiree medical prefunding were discontinued. As a result, approximately $11 million of prefunding employer contributions from previous years was used to fund other benefits during 2002, which is presented as employer distributions in the Change in Plan Assets table. Previously established employee retiree medical prefunding account balances were refunded on December 31, 2001, to all active, retired and disabled participants. Additionally, effective January 1, 2001, participating retirees began paying premiums, representing approximately 10% of the postretirement plan's annual cost. Retiree contributions increased to 13% of the plan's annual cost on January 1, 2002, and will increase to 20% of the postretirement plan's annual cost on January 1, 2006.

Effective July 1, 2001, we sold our Outsourcing Business to EDS. Additionally, American Airlines in-sourced certain IT functions which were previously performed by us. These two transactions caused a significant decrease in the number of active employees as they were transitioned to American Airlines and EDS. The transition of a large population of employees that had not met age and service requirements for retiree medical and travel benefit plans generated a curtailment gain of approximately $6 million. This gain was recorded as a component of the gain recognized by us in connection with the sale of the Outsourcing Business (Note 3).

Pursuant to the Travel Privileges Agreement, we are entitled to purchase personal travel for certain retirees. To pay for the provision of flight privileges to certain of our future retired employees, we make a lump sum payment to American for each employee retiring in that year. The payment per retiree is based on the number of years of service with Sabre and AMR over the prior ten years of service. The cost of providing this privilege is accrued over the estimated service lives of the employees eligible for the privilege.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2002 and 2001 and a statement of funded status as of December 31, 2002 and 2001 (in thousands):

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001

	Pension Benefits		Other Benefits	
Change in benefit obligation:				
Benefit obligation at January 1	$ (243,020)	$ (256,955)	$ (77,150)	$ (73,315)
Service cost	(7,052)	(9,891)	(3,213)	(4,047)
Interest cost	(19,219)	(18,372)	(5,671)	(5,457)
Actuarial losses	(46,088)	(18,464)	(14,667)	(4,137)
Transfers	(4,166)		(171)	
Divestitures		4,025		
Curtailments		54,440		7,192
Benefits paid	4,495	2,197	2,906	2,614
Benefit obligation at December 31	$ (315,050)	$ (243,020)	$ (97,966)	$ (77,150)
Change in plan assets:				
Fair value at January 1	$ 186,245	$ 152,665	$ 10,949	$ 10,966
Actual return on plan assets	(14,257)	3,350		982
Transfers	3,481			
Divestitures		(2,601)		
Employer contributions (distributions)	30,804	35,028	(10,949)	1,615
Benefits paid	(4,495)	(2,197)		(2,614)
Fair value at December 31	$ 201,778	$ 186,245	$	$ 10,949
Funded status of the plan (underfunded)	$ (111,884)	$ (56,775)	$ (97,759)	$ (66,202)
Transfers	(1,719)		(46)	
Unrecognized net loss	110,713	28,874	16,037	1,570
Unrecognized prior service cost	652	713	2,743	3,064
Minimum pension liability	(35,042)			
Accrued benefit cost	$ (37,280)	$ (27,188)	$ (79,025)	$ (61,568)

The assumptions used in the measurement of our benefit obligations as of December 31, 2002 and 2001 are as follows:

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Weighted-average assumptions:				
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	9.00%	9.50%	N/A	9.50%
Rate of compensation increase	5.25%	5.25%		

An 8.5% annual rate of increase in the per capita cost of covered retiree health care benefits was assumed for 2002. This rate was assumed to gradually decrease by 0.5% each year until it reaches an ultimate rate of 5.0%. At December 31, 2002, accrued benefit costs for the pension plan include a minimum liability of $35 million, representing the excess of the accumulated benefit obligation of the plan over the market value of the plan's assets.

The following table provides the components of net periodic benefit costs for the three years ended December 31, 2002 (in thousands).

	Pension Benefits			Other Benefits		
	2002	2001	2000	2002	2001	2000
Service cost	$ 7,052	$ 9,891	$ 10,836	$ 3,213	$ 4,047	$ 4,369
Interest cost	19,219	18,372	16,974	5,670	5,457	4,764
Expected return on plan assets	(20,848)	(16,376)	(13,025)		(1,003)	(1,093)
Amortization of transition asset	(24)	7	9	18		
Amortization of prior service cost	61	57	53	321	410	248
Amortization of net loss (gain)	332	1,045	74	206	156	(475)
Net periodic benefit cost	5,792	12,996	14,921	9,428	9,067	7,813
Settlement gain						(1,945)
Curtailment gains		(69)			(5,491)	
Total net periodic benefit cost	$ 5,792	$ 12,927	$ 14,921	$ 9,428	$ 3,576	$ 5,868

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement medical benefit plans. A one percentage point decrease in the assumed health care cost trend rates would decrease the total service and interest cost components of total net periodic benefit cost for 2002 and the postretirement benefit obligations at December 31, 2002 by approximately $2 million and $13 million, respectively. A one percentage point increase in the assumed health care cost trend rates would increase the total service and interest cost components of total net periodic benefit cost for 2002 and the postretirement benefit obligations at December 31, 2002 by approximately $2 million and $17 million, respectively.

Plan assets for the LPP benefits consist primarily of mutual fund shares, invested in debt and equity securities, managed by a subsidiary of AMR. For 2002, the mutual fund shares were managed by Fidelity Management & Research Company and a subsidiary of AMR.

Expenses included in income from continuing operations related to pensions and other postretirement benefits totaled approximately $15 million, $12 million and $14 million in 2002, 2001 and 2000, respectively.

SABRE HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Income Taxes

The provision (benefit) for income taxes from continuing operations is as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Current portion:			
Federal	$ 56,045	$ 66,547	$ 63,966
State	2,072	3,306	1,041
Foreign	13,603	8,984	10,611

	Year Ended December 31,		
Total current	71,720	78,837	75,618
Deferred portion:			
Federal	42,579	720	9,198
State	10,625	1,406	8,667
Total deferred	53,204	2,126	17,865
Total provision for income taxes	$ 124,924	$ 80,963	$ 93,483

The provision for income taxes relating to continuing operations differs from amounts computed at the statutory federal income tax rate as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Income tax provision at statutory federal income tax rate	$ 118,674	$ 11,718	$ 66,352
State income taxes, net of federal tax benefit	8,253	3,063	4,194
Non-deductible goodwill amortization		69,970	28,278
Other, net	(2,003)	(3,788)	(5,341)
Total provision for income taxes	$ 124,924	$ 80,963	$ 93,483

The components of our deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2002	2001
Deferred tax assets:		
Accrued expenses	$ 50,982	$ 79,321
Employee benefits other than pensions	30,825	25,295
Deferred revenue	2,139	3,007
Pension obligations	7,139	9,974
Net operating loss carryforwards	35,426	60,488
US Airways options	40,770	64,689
Total deferred tax assets	167,281	242,774
Deferred tax liabilities:		
Foreign operations	(4,471)	(2,065)
Depreciation and amortization	(28,981)	(26,929)
Amortization of computer software and intangible assets	(73,005)	(58,675)
Other	(58,851)	(41,737)

	December 31,	
Total deferred tax liabilities	(165,308)	(129,406)
Valuation allowance		(47,787)
Net deferred tax asset	$ 1,973	$ 65,581
Current deferred income tax asset	$ 15,728	$ 45,970
Noncurrent deferred income tax asset (liability)	(13,755)	19,611
Net deferred tax asset	$ 1,973	$ 65,581

Payments for the current federal income tax expense reflected above for 2002, 2001 and 2000, respectively, will be reduced by approximately $10 million, $31 million and $3 million for the exercise of nonqualified employee stock options. The tax benefit resulting from the exercise of these options has been credited to additional paid-in capital.

As a result of the acquisition of GetThere in October of 2000, we acquired net operating loss carryforwards ("NOL's") of approximately $100 million previously incurred by GetThere, which begin expiring in 2011. GetThere NOL's are subject to limitation under Section 382 of the Internal Revenue Code, but such limitation is not expected to have a significant impact on our ability to utilize the NOL's. We utilized approximately $44 million of these NOL's during both 2002 and 2001. We believe that, more likely than not, we will be able to utilize the NOL's acquired from GetThere. Accordingly, no valuation allowance has been established related to these NOL's.

As a result of the merger of Travelocity.com and Preview in March of 2000, Travelocity.com acquired NOL's of approximately $105 million previously incurred by Preview, which begin expiring in 2009. These NOL's are subject to limitation under Section 382. The results of operations of Travelocity.com were not included in our consolidated federal income tax return for periods prior to our acquisition of the Travelocity.com minority interest in April 2002 (Note 5), and only Travelocity.com could utilize the NOL's acquired from Preview. Because we were unable to conclude that it was more likely than not that Travelocity.com would utilize the NOL's, at December 31, 2001 a valuation allowance was recorded fully offsetting these deferred tax assets. Upon acquisition of the minority interest in Travelocity.com, the Preview NOL's, as well as additional NOL's totaling approximately $14 million relating to Travelocity.com's proportionate share of the tax losses of the Travelocity partnership subsequent to the acquisition of Preview, became available to offset taxable income included in our consolidated income tax return. We believe that, more likely than not, we will be able to utilize these NOL's in our consolidated returns. Accordingly, in connection with the accounting for the acquisition of the Travelocity.com minority interest, we recorded deferred tax assets totaling approximately $41 million for the NOL's. We utilized approximately $18 million of these NOL's during 2002. Accordingly, no valuation allowance has been recorded at December 31, 2002 related to these NOL's.

13. Capital Stock

On February 7, 2000, we declared a one-time cash dividend on all outstanding shares of our Class A common stock. The aggregate amount of the dividend was $675 million, or approximately $5.20 per share, and was paid to shareholders on February 18, 2000. Although we have traditionally retained our earnings to finance future growth, we may consider paying dividends in the future if we feel it is in the best interest of our shareholders. Any determination as to the future payment of dividends will depend upon future results of operations, capital requirements and financial condition and such other factors as our Board of Directors may consider, including any contractual or statutory restrictions on our ability to pay dividends.

On March 15, 2000, AMR exchanged all of its 107,374,000 shares of our Class B common stock for an equal number of shares of our Class A common stock and distributed such shares to AMR shareholders as a stock dividend. The distribution consisted of AMR's entire ownership interest in us. We now have only Class A common stock outstanding. We are authorized by our certificate of incorporation to issue up to 250 million shares of Class A common stock and up to 20 million shares of Preferred Stock.

During April 2002, we completed an underwritten public offering of 9.43 million shares of Class A common stock at $44.50 per share, which resulted in net proceeds to us of approximately $400 million, net of transaction fees. The net proceeds from this transaction were added to our working capital.

During 2002, 2001 and 2000, we repurchased 2,234,400, 374,000 and 1,004,193 shares of Class A common stock, respectively, pursuant to authorizations by our Board of Directors. At December 31, 2002, we have repurchased all of the shares previously authorized by our Board of Directors. We may consider additional share repurchases, but such repurchases would require approval from our Board of Directors. The timing, volume and price of any authorized future repurchases would be made at the discretion of management and would depend on corporate considerations and market conditions.

14. Options and Other Stock-Based Awards

Under our 1996 Long-Term Incentive Plan (the "1996 Plan") officers and other of our key employees may be granted restricted stock, deferred stock, stock options, stock appreciation rights, stock purchase rights, other stock-based awards and/or performance-related awards. In 1999, an Amended and Restated 1996 Long-Term Incentive Plan was approved by shareholders (the "Amended Plan"). This plan was again amended in May of 2002. Under the Amended Plan, we expanded the employees eligible for awards to include our non-employee directors and managers in addition to officers and key employees. The total number of shares of Class A common stock authorized to be issued under the Amended Plan is approximately 28 million shares, provided that no more than 1 million shares of stock shall be granted to any employee in a one-year period. The Amended Plan will terminate in May 2009. At December 31, 2002, approximately 16 million shares remained available for future grants of stock-based awards under the Amended Plan.

In 2000, we established the Sabre Holdings Corporation Stock Option Plan (the "2000 Plan") to attract, retain and reward our employees, by offering stock incentives. Under the 2000 Plan, employees may be granted stock options or stock appreciation rights. The total number of shares of Class A common stock authorized for distribution under the 2000 Plan is 7 million shares. At December 31, 2002 approximately 3 million shares remained available for future grants. In November 2001, the Compensation Committee of the Board of Directors reduced the term of future grants awarded under the 2000 Plan, beginning in 2002, to a term of five years.

In conjunction with the acquisition of GetThere in 2000 (Note 5), we assumed their two stock incentive plans and converted all outstanding GetThere options to Sabre options at the date of the acquisition. These converted options remain under the original GetThere plans and are administered under the original terms and conditions. We do not plan to use the GetThere plans for future grants.

Shares of restricted stock are awarded at no cost to employees. Restricted shares generally vest from one to five years following the date of grant. Restricted stock activity follows:

	Year Ended December 31,		
	2002	2001	2000
Outstanding at January 1	447,246	841,219	192,410
Granted	25,000	13,000	715,957
Issued	(118,423)	(342,785)	(67,148)
Canceled	(11,604)	(64,188)	
Outstanding at December 31	342,219	447,246	841,219

The weighted-average grant date fair values of restricted stock granted during 2002, 2001 and 2000 were $44.79, $37.68 and $34.70, respectively. The grant date fair values are based on our stock price on the date of grant. We recognize stock compensation expense for these grants over the related vesting period.

Sabre Performance Shares are also awarded at no cost to employees based on our performance metrics. The Sabre Performance Shares vest over a three-year performance period and are settled in cash. Our Performance Share activity was as follows:

	Year Ended December 31,		
	2002	2001	2000
Outstanding at January 1	292,509	466,147	479,069
Granted			282,361
Awards settled in cash	(133,201)	(153,405)	(194,957)
Canceled	(14,184)	(20,233)	(100,326)
Outstanding at December 31	145,124	292,509	466,147

The weighted-average grant date fair values of Sabre Performance Shares granted during 2000 was $46.43. There were no new shares granted under the Performance Share plan during 2001 or 2002. The grant date fair values are based on our stock price on the date of grant. We recognize stock compensation expense for these grants over the related performance periods.

Stock options are granted at the fair market value of Class A common stock on the date of grant, except as otherwise determined by a committee appointed by our Board of Directors, generally vest over three to five years, and are not exercisable more than ten years after the date of grant. Stock option activity follows:

	Year Ended December 31,					
	2002		2001		2000	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at January 1	9,693,103	$ 34.89	15,743,504	$ 32.53	4,672,970	$ 38.20
Granted	4,180,904	$ 36.84	498,217	$ 41.39	13,551,898	$ 30.89
Exercised	(1,332,330)	$ 38.64	(3,183,392)	$ 21.51	(779,866)	$ 27.07
Canceled	(1,787,717)	$ 42.99	(3,365,226)	$ 37.47	(1,701,498)	$ 37.54
Converted Travelocity.com options	3,645,221	$ 40.67				
Outstanding at December 31	14,399,181	$ 37.06	9,693,103	$ 34.89	15,743,504	$ 32.53
Exercisable options outstanding at December 31	5,094,143	$ 35.31	3,268,815	$ 30.56	3,305,349	$ 21.61

The weighted-average grant date fair value of stock options granted during 2002, 2001 and 2000 were $17.68, $17.30 and $13.42, respectively. The grant date fair values were estimated at the date of grant using the Black-Scholes option pricing model.

In 2002, in conjunction with the tender offer to acquire the portion of Travelocity.com we did not already own, we converted options in Travelocity.com to Sabre options. We are recognizing stock compensation expense based on the intrinsic value of the awards converted at the date of acquisition (Note 5).

The following table summarizes information about the stock options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 0.16 - $ 15.99	241,572	6.69	$ 10.89	225,399	$ 10.62
$16.00 - $ 25.99	1,592,610	6.96	$ 22.14	970,032	$ 21.82
$26.00 - $ 35.99	2,042,440	6.92	$ 31.30	998,934	$ 31.87
$36.00 - $ 48.99	8,831,724	8.37	$ 38.55	2,356,468	$ 39.01
$49.00 - $ 60.99	1,448,283	7.26	$ 50.08	356,682	$ 50.99
$61.00 - $105.06	242,552	7.00	$ 77.52	186,628	$ 76.97
Total	14,399,181	7.85	$ 37.06	5,094,143	$ 35.31

Stock appreciation rights ("SAR") may be granted in conjunction with all or part of any stock option granted. All appreciation rights will terminate upon termination or exercise of the related option and will be exercisable only during the time that the related option is exercisable. If a SAR is exercised, the related stock option will be deemed to have been exercised.

The above table does not include the Directors' Stock Incentive Plan, which provides for annual awards of options to purchase shares of our Class A common stock to non-employee directors was in effect until 1999. As of December 31, 2001, 90,855 options had been granted to directors at a weighted-average exercise price of $25.40. As of December 31, 2002, 18,171 of those options have been exercised. The options have an exercise price equal to the fair market value of the Class A common stock on the date of grant and vest pro rata over a five-year period. Each option expires on the earlier of (i) the date the non-employee director ceases to be a director of Sabre, if for any reason other than due to death, disability or retirement, or (ii) three years from the date the non-employee director ceases to be a director of Sabre due to death, disability or retirement.

Beginning in 1999, stock options granted to non-employee directors were granted under the Amended Plan. In 2002, 2001 and 2000, 56,000, 52,000 and 54,543 options were granted to directors at weighted-average exercise prices of $35.61, $40.90 and $30.79, respectively. These amounts are included in the previous stock options outstanding table.

Certain officers and key employees have been awarded deferred shares of our Class A common stock ("Company Career Equity Shares"). The Company Career Equity Shares were issued upon the individual's retirement from Sabre. During 2001, 3,609 of these shares were exercised. As of December 31, 2002 there were no shares outstanding under this plan.

In connection with the payment of the $675 million dividend on February 18, 2000, we adjusted the terms of our outstanding employee stock option plans such that the exercise price per share of each option was reduced and the number of options held by each employee was increased. Therefore, the aggregate intrinsic value of each employee's option holdings was the same before and after the effect of the payment of the dividend on our stock price. Because the adjustment to the option terms was done in accordance with Emerging Issues Task Force Issue No. 90-9, *Changes to Fixed Employee Stock Option Plans as a Result of Equity Restructuring*, no compensation expense was recorded by us. The weighted-average exercise prices, included in the schedules above, for stock options granted prior to the payment of the dividend have not been adjusted for the effects of the dividend.

We sponsor an Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees to purchase Class A common stock at a discount from the market price of such stock. From January 1997 through June 2000, participating employees could purchase the stock on a monthly basis at 85% of the market price at the beginning or the end of each monthly offering period, whichever was lower. Participating employees were limited to an aggregate maximum purchase price of either 1% or 2% of the employee's annual compensation, subject to certain limitations. The ESPP was amended July 1, 2000, to allow participating employees to purchase stock on a semiannual basis at 85% of the lower of the market price of the stock at the beginning or the end of a six-month period. In addition, the amended ESPP allows participating employees to purchase stock up to an aggregate maximum purchase price of 10% of the employee's annual compensation, subject to certain limitations. 2,000,000 shares of Class A common stock have been reserved for issuance under the ESPP. Approximately 397,000, 340,000 and 57,000 shares were issued under the ESPP during 2002, 2001 and 2000, respectively, and approximately 1,200,000 shares remain available for future purchases at December 31, 2002.

For other stock-based awards, a committee established by the Board of Directors determines the eligible persons to whom awards will be made, the times at which the awards will be made, the number of shares to be awarded, the price, if any, to be paid by the recipient and all other terms and conditions of the award.

15. Segment Reporting

Prior to the divestiture of our Outsourcing Business (Note 3), we had four reportable segments: Sabre Travel Network and Emerging Businesses ("Sabre Travel Network"), Travelocity, GetThere and Outsourcing and Software Solutions. Subsequent to the divestiture, we have redefined our Outsourcing and Software Solutions segment as the Sabre Airline Solutions segment. The segment information presented below is based on the new segment definition for all periods presented.

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The Sabre Travel Network segment distributes travel products and services through the travel agency channel. The Travelocity segment distributes travel services to individual consumers and unmanaged business travelers. Through the Travelocity Websites, consumers can compare prices, make travel reservations and obtain destination information online. GetThere distributes travel services directly to businesses. GetThere operates one of the world's largest Internet marketplaces focused on travel services for managed business travelers, travel arrangers and travel managers. GetThere also provides a Web interface for reservation systems operated by airlines or other suppliers. The Sabre Airline Solutions segment primarily provides software development, reservations hosting and consulting solutions to airlines and other travel providers.

Our reportable segments are strategic business units that offer different products and services and are managed separately because each business requires different market strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 2). We account for significant intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices.

Personnel and related costs for the corporate headquarters, certain legal and professional fees and other corporate charges are allocated to the segments through a management fee based primarily on usage. Depreciation expense on the corporate headquarters buildings and related facilities costs are allocated to the segments through a facility fee based on headcount. The related assets are not allocated to the segments. Other assets not allocated to the segments include cash, marketable securities and deferred tax assets. Benefits expense, including pension expense, postretirement benefits, medical insurance and workers' compensation, are allocated to the segments based on headcount. Unallocated corporate expenses include depreciation expense and other costs associated with the corporate headquarters buildings, net of facility fees allocated to the reportable segments and affiliated companies, expenses related to the Spin-off and certain other corporate charges maintained at the corporate level.

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The segment operating results are presented on a basis that excludes certain special items that are summarized below, except where noted. This presentation is consistent with the manner in which our management assesses the operating performance of our business segments (in thousands).

	Year Ended December 31,		
	2002	2001	2000

	Year Ended December 31,		
Revenues from external customers:			
Sabre Travel Network	$ 1,555,354	$ 1,655,155	$ 1,600,538
Travelocity	233,236	233,611	144,261
GetThere	49,611	42,337	11,991
Sabre Airline Solutions	205,289	195,817	177,871
Total external revenues	$ 2,043,490	$ 2,126,920	$ 1,934,661
Intersegment revenues:			
Sabre Travel Network	$ 26,508	$ 24,811	$ 16,249
Travelocity	80,051	68,159	48,409
GetThere	1,224	154	
Sabre Airline Solutions		2,852	3,046
Total intersegment revenues	$ 107,783	$ 95,976	$ 67,704
Equity in net income of equity method investees:			
Sabre Travel Network	$ 17,943	$ 18,041	$ 20,849
Travelocity	(4,967)		
Total equity in net income of equity method investees	$ 12,976	$ 18,041	$ 20,849
Total consolidated revenues:			
Sabre Travel Network	$ 1,599,805	$ 1,698,007	$ 1,637,636
Travelocity	308,320	301,770	192,670
GetThere	50,835	42,491	11,991
Sabre Airline Solutions	205,289	198,669	180,917
Elimination of intersegment revenues	(107,783)	(95,976)	(67,704)
Total consolidated revenues	$ 2,056,466	$ 2,144,961	$ 1,955,510
Segment operating income (loss) from continuing operations, excluding special items:			
Sabre Travel Network	$ 428,822	$ 374,051	$ 416,236
Travelocity	(11,821)	10,618	(43,502)
GetThere	(25,636)	(53,593)	(36,705)
Sabre Airline Solutions	20,924	(1,145)	(25,918)
Net corporate allocations	1,785	(15,974)	(1,894)
Total segment operating income from continuing operations, excluding special items	$ 414,074	$ 313,957	$ 308,217

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A summary of the special items and the reconciliation to consolidated operating income from continuing operations is set forth below (in thousands):

Year Ended December 31,

	2002	2001	2000
Sabre Travel Network:			
Goodwill and other intangibles amortization	$ 15,852	$ 19,136	$ 4,207
Write-off of software which will not be utilized		5,975	
Stock compensation	414	1,272	527
Severance expense	3,771	11,613	4,055
Total Sabre Travel Network	20,037	37,996	8,789
Travelocity:			
Goodwill and other intangibles amortization	9,823	85,060	67,996
Stock compensation	23,725	1,662	2,556
Severance expenses	313		
Tender offer expenses	7,111		
Total Travelocity	40,972	86,722	70,552
GetThere:			
Goodwill and other intangibles amortization	26,011	173,326	37,216
Stock compensation	2,750	6,660	1,665
Severance and integration expense	(396)	7,347	549
Total GetThere	28,365	187,333	39,430
Sabre Airline Solutions:			
Severance expenses	2,196	2,725	
Write-off of software which will not be utilized			3,153
Total Sabre Airline Solutions	2,196	2,725	3,153
Corporate:			
Litigation insurance	1,350		
Expenses related to Spin-off from AMR			12,548
Severance expenses	3,654	7,890	963
Total Corporate	5,004	7,890	13,511
Total special items	$ 96,574	$ 322,666	$ 135,435

Operating income (loss) from continuing operations including special items:			
Sabre Travel Network	$ 408,785	$ 336,055	$ 407,447
Travelocity	(52,793)	(76,104)	(114,054)
GetThere	(54,001)	(240,926)	(76,135)
Sabre Airline Solutions	18,728	(3,870)	(29,071)
Unallocated corporate expenses	(3,219)	(23,864)	(15,405)

Total consolidated operating income (loss) from continuing operations	$ 317,500	$ (8,709)	$ 172,782

	December 31,		
	2002	2001	2000
Depreciation and amortization included in income from continuing operations (in thousands):			
Sabre Travel Network	$ 46,429	$ 79,202	$ 110,699
Travelocity	23,835	94,002	82,348
GetThere	33,015	176,990	38,758
Sabre Airline Solutions	8,970	32,318	22,826
Unallocated depreciation and amortization	4,699	6,426	17,296
Total consolidated depreciation and amortization included in income from continuing operations	$ 116,948	$ 388,938	$ 271,927
Amortization of goodwill and intangible assets included in income from continuing operations, including special items (in thousands):			
Sabre Travel Network	$ 15,852	$ 19,136	$ 4,207
Travelocity	9,861	85,060	67,996
GetThere	26,011	173,326	37,216
Sabre Airline Solutions	1,700		
Total amortization of goodwill and intangible assets included in income from continuing operations	$ 53,424	$ 277,522	$ 109,419

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Segment assets at December 31, 2000, as presented below, have not been revised for the effects of the sale of the Outsourcing Business (Note 3). Assets sold to EDS, or disposed of as a result of this sale, totaling approximately $519 million at December 31, 2000 are included in the table below. Service contract equipment sold to EDS totaling approximately $220 million, net of accumulated depreciation, is included in the December 31, 2000 assets of the Sabre Travel Network segment. Segment assets totaling approximately $300 million relating to the Outsourcing Business are included in the assets of the Sabre Airline Solutions segment at December 31, 2000.

	December 31,		
	2002	2001	2000
Segment assets (in thousands):			
Sabre Travel Network	$ 713,905	$ 523,954	$ 459,483
Travelocity	490,677	373,024	370,205
GetThere	412,289	452,417	684,810
Sabre Airline Solutions	311,255	327,484	543,907
Unallocated cash, investments, corporate headquarters and other	828,405	699,138	591,949
Total consolidated assets	$ 2,756,531	$ 2,376,017	$ 2,650,354

	December 31,		

Capital expenditures for the year ending December 31, 2000 as presented in the table below, have not been revised for the effects of the sale of the Outsourcing Business (in thousands).

	Year Ended December 31,		
	2002	2001	2000
Capital expenditures for segment assets:			
Sabre Travel Network	$ 23,392	$ 62,348	$ 78,567
Travelocity	12,029	11,572	11,755
GetThere	6,025	7,985	1,341
Sabre Airline Solutions	16,139	70,949	81,876
Unallocated capital expenditures	5,065	5,553	16,587
Total capital expenditures	$ 62,650	$ 158,407	$ 190,126

Our revenues from continuing operations and long-lived assets, including goodwill and intangible assets, by geographic region are summarized below (in thousands). Revenues from continuing operations are attributed to countries based on the location of the customer.

	Year Ended December 31,		
	2002	2001	2000
Revenues from continuing operations:			
United States	$ 1,248,314	1,459,075	$ 1,328,708
Foreign	808,152	685,886	626,802
Total	$ 2,056,466	2,144,961	$ 1,955,510

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Long-lived assets at December 31, 2000 as presented below have not been revised for the effects of the divestiture of the Outsourcing Business. Long-lived assets sold to EDS, or disposed of as a result of the sale, totaling approximately $488 million at December 31, 2000 are included in the table below (in thousands). These assets are primarily located in the United States.

	December 31,		
	2002	2001	2000
United States	$ 1,186,873	$ 1,025,923	$ 1,681,641
Singapore (primarily investment in joint venture)	151,399	152,733	145,606
Other foreign	106,616	105,123	130,139
Total	$ 1,444,888	$ 1,283,779	$ 1,957,386

16. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2002 and 2001 (in thousands except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002				
Revenues	$ 549,358	$ 536,748	$ 517,374	$ 452,986
Operating income	$ 119,994	$ 104,304	$ 87,474	$ 5,728
Net earnings	$ 87,387	$ 67,965	$ 57,921	$ 871
Earnings per common share:				
Basic	$ .66	$ .48	$ .40	$ .01
Diluted	$ .64	$ .47	$ .40	$ .01

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Revenues	$ 583,581	$ 593,322	$ 535,453	$ 432,605
Operating income (loss)	$ 44,861	$ 38,448	$ 2,106	$ (94,124)
Income (loss) from continuing operations	$ 413	$ 5,051	$ 17,290	$ (69,707)
Income from discontinued operations, net	13,632	22,673	38,772	
Cumulative effect of accounting change, net	3,103			
Net earnings (loss)	$ 17,148	$ 27,724	$ 56,062	$ (69,707)
Earnings (loss) per common share basic:				
Income (loss) from continuing operations	$	$ .04	$ .13	$ (.52)
Income from discontinued operations, net	.10	.17	.29	
Cumulative effect of accounting change, net	.03			
Net earnings (loss)	$ .13	$ .21	$ .42	$ (.52)

Earnings (loss) per common share diluted:				
Income (loss) from continuing operations	$	$ .04	$ .13	$ (.52)
Income from discontinued operations, net	.10	.16	.29	
Cumulative effect of accounting change, net	.03			
Net earnings (loss)	$ .13	$ .20	$ .42	$ (.52)

The travel industry is seasonal in nature. Bookings, and thus fees charged for the use of the *Sabre* system, decrease significantly each year in the fourth quarter, primarily in December, due to early bookings by customers for travel during the holiday season and a decline in business travel during the holiday season. The third and fourth quarters of 2001 were also negatively impacted by the significant decrease in air travel and booking activity after the September 11 terrorist attacks, as was 2002 as the travel industry and general economy recovered from the aftermath of the attacks. We are unable to quantify with any precision the amount of revenue lost because of the attacks (Note 6).

As a result of decreased travel and booking volumes resulting from the September 11, 2001 terrorist attacks, we announced workforce reductions in December 2001 and October 2002. The 2001 reduction affected 615 employees, approximately 10% of our workforce. In addition, we made provision for the closing of some small leased office facilities in the United States and Canada. The 2002 reduction affected approximately 400 employees, approximately 6% of our workforce. The total expense recorded for these actions was approximately $10 million and $28 million during 2002 and 2001, respectively (Note 6).

17. Supplemental Guarantor/Non-Guarantor Financial Information

Certain obligations of Sabre Holdings Corporation ("Sabre Holdings") have been solely guaranteed by its 100% owned operating subsidiary, Sabre Inc. There are no restrictions on Sabre Holdings' ability to obtain funds from Sabre Inc. in the form of a dividend or loan other than those that would exist under Delaware law. Additionally, there are no significant restrictions on Sabre Inc.'s ability to obtain funds from its direct or indirect subsidiaries other than those that would exist under state or foreign law. Sabre Inc. is the sole direct subsidiary of Sabre Holdings. All other subsidiaries are direct or indirect subsidiaries of Sabre Inc. These subsidiaries are all included in the non-guarantor financial statements. The following financial information presents condensed consolidating balance sheets, statements of income and statements of cash flows for Sabre Holdings, Sabre Inc. and non-guarantor subsidiaries. The information has been presented as if Sabre Holdings accounted for its ownership of Sabre Inc., and Sabre Inc. accounted for its ownership of the non-guarantor subsidiaries, using the equity method of accounting. Certain reclassifications have been made to the 2000 and 2001 financial statements to conform to the 2002 presentation.

Sabre Inc. conducts the domestic operations of the Company's Sabre Travel Network segment and conducts the operations of the Sabre Airline Solutions segment. The operations of the Travelocity and GetThere segments, as well as the principal international operations of the Sabre Travel Network segment are conducted by the non-guarantor subsidiaries.

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Sabre Inc. and certain non-guarantor subsidiaries are parties to various intercompany agreements, which affect the amount of operating expenses reported in the following condensed consolidating statements of income. Among other things, fees are paid by Sabre Inc. to a non-guarantor subsidiary relating to the use of trademarks, tradenames, etc. owned by a non-guarantor subsidiary; incentive and marketing payments are made by Sabre Inc. to non-guarantor subsidiaries relating to the use and distribution of the *Sabre* system; and payments are made by non-guarantor subsidiaries to Sabre Inc. for access to the *Sabre* system under the terms of these agreements. During 2002, 2001 and 2000, Sabre Inc. recognized operating expenses totaling approximately $287 million, $323 million and $225 million, respectively, in connection with these agreements. These amounts, and the corresponding amounts recognized by the non-guarantor subsidiaries, are eliminated in consolidation.

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SABRE HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Supplemental Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2002
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Assets					
Current assets					
Cash and marketable securities	$	$ 898,958	$ 12,802	$	$ 911,760
Accounts receivable trade, net		223,216	75,282		298,498

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Intercompany accounts receivable (payable)	1,532,426	(2,094,913)	562,487		
Prepaid expenses		38,994	46,663		85,657
Deferred income taxes		15,678	50		15,728
Total current assets	1,532,426	(918,067)	697,284		1,311,643
Property and equipment, net		187,783	52,289		240,072
Investments in joint ventures		11,892	184,833		196,725
Deferred income taxes		(38,267)	38,267		
Goodwill and intangible assets, net		10,605	845,078		855,683
Investments in subsidiaries	529,892	1,675,167		(2,205,059)	
Other assets, net	24,058	89,060	39,290		152,408
Total assets	$ 2,086,376	$ 1,018,173	$ 1,857,041	$ (2,205,059)	$ 2,756,531
Liabilities and stockholders' equity					
Current liabilities					
Accounts payable	$ 88	$ 163,071	$ 18,775	$	$ 181,934
Accrued compensation and related benefits		44,752	10,018		54,770
Other accrued liabilities	8,381	169,783	85,046		263,210
Total current liabilities	8,469	377,606	113,839		499,914
Deferred income taxes		(13,404)	27,159		13,755
Pensions and other postretirement benefits		115,400	905		116,305
Other liabilities	564	8,679	29,671		38,914
Minority interests			10,300		10,300
Notes payable	435,765				435,765
Stockholders' equity	1,641,578	529,892	1,675,167	(2,205,059)	1,641,578
Total liabilities and stockholders' equity	$ 2,086,376	$ 1,018,173	$ 1,857,041	$ (2,205,059)	$ 2,756,531

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CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2001
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated

Assets					
Current assets					
Cash and marketable securities	$	$ 543,196	$ 123,691	$	$ 666,887
Accounts receivable trade, net		238,747	89,069		327,816
Intercompany accounts receivable (payable)	1,074,130	(1,406,885)	332,755		
Prepaid expenses		18,120	33,445		51,565
Deferred income taxes		45,740	230		45,970
Total current assets	1,074,130	(561,082)	579,190		1,092,238
Property and equipment, net		232,434	56,015		288,449
Investments in joint ventures		12,353	157,596		169,949
Goodwill and intangible assets, net		9,626	662,519		672,145
Investments in subsidiaries	372,556	1,132,522		(1,505,078)	
Other assets, net	5,845	76,545	70,846		153,236
Total assets	$ 1,452,531	$ 902,398	$ 1,526,166	$ (1,505,078)	$ 2,376,017
Liabilities and stockholders' equity Current liabilities					
Accounts payable	$	$ 136,608	$ 22,231	$	$ 158,839
Accrued compensation and related benefits		59,184	14,090		73,274
Other accrued liabilities	9,347	219,651	103,345		332,343
Total current liabilities	9,347	415,443	139,666		564,456
Pensions and other postretirement benefits		88,362	394		88,756
Other liabilities	1,033	26,037	33,868		60,938
Minority interests			219,716		219,716
Notes payable	400,375				400,375
Stockholders' equity	1,041,776	372,556	1,132,522	(1,505,078)	1,041,776
Total liabilities and stockholders' equity	$ 1,452,531	$ 902,398	$ 1,526,166	$ (1,505,078)	$ 2,376,017

17. Supplemental Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 2002
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Revenues	$	$ 1,577,252	$ 943,305	$ (464,091)	$ 2,056,466
Operating expenses	1,389	1,361,926	839,742	(464,091)	1,738,966
Operating income (loss)	(1,389)	215,326	103,563		317,500
Other income (expense)					
Interest income	90,440	22,064	22,219	(106,820)	27,903
Interest expense	(19,047)	(108,449)	(2,674)	106,820	(23,350)
Income from subsidiaries	168,029	85,151		(253,180)	
Other, net		19,134	(2,333)		16,801
Total other income (expense)	239,422	17,900	17,212	(253,180)	21,354
Minority interests			214		214
Income (loss) before income taxes	238,033	233,226	120,989	(253,180)	339,068
Provision for income taxes	23,889	65,197	35,838		124,924
Net income (loss)	$ 214,144	$ 168,029	$ 85,151	$ (253,180)	$ 214,144

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CONDENSED CONSOLIDATING STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2001
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Revenues	$	$ 1,660,384	$ 885,899	$ (401,322)	$ 2,144,961
Operating expenses	1,843	1,607,671	946,666	(402,510)	2,153,670
Operating income (loss)	(1,843)	52,713	(60,767)	1,188	(8,709)
Other income (expense)					
Interest income	37,251	18,885	5,774	(37,251)	24,659
Interest expense	(9,581)	(88,359)	19,524	37,251	(41,165)
Income from subsidiaries	14,214	(74,844)		60,630	
Other, net		42,385	(5,629)		36,756
Total other income (expense)	41,884	(101,933)	19,669	60,630	20,250
Minority interests			22,469		22,469
Income (loss) from continuing operations before income taxes	40,041	(49,220)	(18,629)	61,818	34,010

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Provision for income taxes	8,814	10,938	61,211		80,963
Income (loss) from continuing operations	31,227	(60,158)	(79,840)	61,818	(46,953)
Income (loss) from discontinued operations, net		36,164	1,329	(1,188)	36,305
Gain on sale of discontinued operations, net		38,208	564		38,772
Income before cumulative effect of change in accounting method	31,227	14,214	(77,947)	60,630	28,124
Cumulative effect of accounting method, net of minority interests and income taxes			3,103		3,103
Net income (loss)	$ 31,227	$ 14,214	$ (74,844)	$ 60,630	$ 31,227

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CONDENSED CONSOLIDATING STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2000
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Revenues	$	$ 1,643,077	$ 594,952	$ (282,519)	$ 1,955,510
Operating expenses	1,523	1,481,622	587,388	(287,805)	1,782,728
Operating income (loss)	(1,523)	161,455	7,564	5,286	172,782
Other income (expense)					
Interest income	28,534	11,894	4,197	(28,377)	16,248
Interest expense		(74,953)	14,890	28,377	(31,686)
Income from subsidiaries	126,259	15,812		(142,071)	
Other, net		310	1,180		1,490
Total other income (expense)	154,793	(46,937)	20,267	(142,071)	(13,948)
Minority interests			30,754		30,754
Income (loss) from continuing operations before income taxes	153,270	114,518	58,585	(136,785)	189,588
Provision for income taxes	9,218	35,076	49,189		93,483
Income (loss) from continuing operations	144,052	79,442	9,396	(136,785)	96,105
Income (loss) from discontinued operations, net		46,817	6,416	(5,286)	47,947

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Net income (loss)	$ 144,052	$ 126,259	$ 15,812	$ (142,071)	$ 144,052

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SABRE HOLDINGS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Supplemental Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Operating Activities					
Net earnings	$ 214,144	$ 168,029	$ 85,151	$ (253,180)	$ 214,144
Adjustments to reconcile net earnings to cash provided by operating activities:					
Depreciation and amortization		42,136	74,812		116,948
Stock compensation			31,142		31,142
Deferred income taxes		88,375	(35,171)		53,204
Tax benefit from exercise of stock options	9,687				9,687
Minority interests			(214)		(214)
(Income) loss from subsidiaries	(168,029)	(85,151)		253,180	
Gain on sale of former headquarters building		(18,308)			(18,308)
Other	11,828	(12,866)	(21,292)		(22,330)
Changes in operating assets and liabilities	(453,859)	576,763	(207,782)		(84,878)
Cash provided by (used for) operating activities	(386,229)	758,978	(73,354)		299,395
Investing Activities					
Additions to property and equipment		(40,654)	(21,996)		(62,650)
Business combinations, net of cash acquired		(2,963)	(495,545)		(498,508)
Proceeds from exercise of Travelocity.com stock options				33,658	33,658
Proceeds from sale of former headquarters building		80,000			80,000
		(92,092)			(92,092)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Purchase of data center facility from lessor					
Proceeds from sale of data center facility		68,464			68,464
Proceeds from sale of minority interest in Sabre Pacific			23,466		23,466
Purchases of marketable securities		(4,373,678)	(321,629)		(4,695,307)
Sales of marketable securities		4,018,609	434,453		4,453,062
Proceeds from sale of investments			8,807		8,807
Investments in subsidiaries, net	(10,945)	(457,494)		468,439	
Other investing activities, net		30,461	(26,107)		4,354
Cash provided by (used for) investing activities	(10,945)	(769,347)	(398,551)	502,097	(676,746)
Financing Activities					
Contributions from (repayments to) affiliates		10,945	457,494	(468,439)	
Proceeds from issuance of common stock	399,763				399,763
Proceeds from exercise of stock options and issuance of stock under employee stock purchase plan	36,609		33,658	(33,658)	36,609
Purchase of treasury stock	(56,610)				(56,610)
Other financing activities, net	17,412		(17,502)		(90)
Cash provided by (used for) financing activities	397,174	10,945	473,650	(502,097)	379,672
Increase in cash		576	1,745		2,321
Cash at beginning of the period		10,046	8,809		18,855
Cash at end of the period	$	$ 10,622	$ 10,554	$	$ 21,176

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Operating Activities					
Net earnings	$ 31,227	$ 14,214	$ (74,844)	$ 60,630	$ 31,227
Adjustments to reconcile net earnings to cash provided by operating activities:					
Depreciation and amortization		111,862	325,785		437,647

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Stock compensation			7,624		7,624
Deferred income taxes		(74,892)	(12,517)		(87,409)
Tax benefit from exercise of stock options	31,126				31,126
Minority interests			(22,469)		(22,469)
(Income) loss from subsidiaries	(14,214)	74,844		(60,630)	
Gain on sale of discontinued operations, net		(38,208)	(564)		(38,772)
Gain on sale of France Telecom shares		(47,303)			(47,303)
Cumulative effect of accounting change, net			(3,103)		(3,103)
Loss on disposal of equipment		8,132	215		8,347
Other		9,858	(7,322)		2,536
Changes in operating assets and liabilities	(504,030)	681,994	(107,178)		70,786
Cash provided by (used for) operating activities	(455,891)	740,501	105,627		390,237
Investing Activities					
Additions to property and equipment		(121,196)	(37,211)		(158,407)
Business combinations, net of cash acquired		(9,387)	(45,956)		(55,343)
Proceeds from exercise of Travelocity.com stock options				13,145	13,145
Proceeds from sale of discontinued operations		607,525	53,238		660,763
Purchases of marketable securities		(2,883,251)	(456,974)		(3,340,225)
Sales of marketable securities		2,466,243	367,671		2,833,914
Proceeds from sale of investments		47,303	38,950		86,253
Purchases of Travelocity.com common stock			(17,908)		(17,908)
Investments in subsidiaries, net	(41,699)	292		41,407	
Dividends received		13,758		(13,758)	
Other investing activities, net		(36,023)	(3,919)		(39,942)
Cash provided by (used for) investing activities	(41,699)	85,264	(102,109)	40,794	(17,750)
Financing Activities					
Contributions from (repayments to) affiliates		41,699	(292)	(41,407)	
Proceeds from exercise of stock options and issuance of stock under employee stock purchase plan	109,262		13,145	(13,145)	109,262
Purchase of treasury stock	(9,064)				(9,064)
Dividends paid			(13,758)	13,758	
Issuance of notes payable	397,392				397,392
Repayments of notes payable		(859,000)			(859,000)
Other financing activities, net					

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Cash provided by (used for) financing activities	497,590	(817,301)	(905)	(40,794)	(361,410)
Increase in cash		8,464	2,613		11,077
Cash at beginning of the period		1,582	6,196		7,778
Cash at end of the period	$	$ 10,046	$ 8,809	$	$ 18,855

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2000
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Operating Activities					
Net earnings	$ 144,052	$ 126,259	$ 15,812	$ (142,071)	$ 144,052
Adjustments to reconcile net earnings to cash provided by operating activities:					
Depreciation and amortization		179,458	166,336		345,794
Deferred income taxes		30,234	(7,900)		22,334
Minority interests			(30,754)		(30,754)
Income from subsidiaries	(126,259)	(15,812)		142,071	
Other		16,784	2,551		19,335
Changes in operating assets and liabilities	243,836	(258,498)	(175,327)		(189,989)
Cash provided by (used for) operating activities	261,629	78,425	(29,282)		310,772
Investing Activities					
Additions to property and equipment		(154,523)	(35,603)		(190,126)
Business combinations, net of cash acquired			(711,383)		(711,383)
Proceeds from exercise of Travelocity.com stock options				3,786	3,786
Purchases of marketable securities		(9,726,716)	(260,586)		(9,987,302)
Sales of marketable securities		10,212,988	218,241		10,431,229
Investments in subsidiaries	53	(799,207)		799,154	
Dividends received	428,285	1,754		(430,039)	
Other investing activities, net		(40,564)	21,381		(19,183)
Cash provided by (used for) investing activities	428,338	(506,268)	(767,950)	372,901	(472,979)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminating Entries	Sabre Consolidated
Financing Activities					
Contributions from (repayments to) affiliates		(53)	799,207	(799,154)	
Proceeds from exercise of stock options and issuance of stock under employee stock purchase plan	18,198		3,786	(3,786)	18,198
Purchase of treasury stock	(34,472)				(34,472)
Dividends paid	(675,000)	(428,285)	(1,754)	430,039	(675,000)
Issuance of notes payable		859,000			859,000
Other financing activities, net		(4,362)	(7)		(4,369)
Cash provided by (used for) financing activities	(691,274)	426,300	801,232	(372,901)	163,357
Increase (decrease) in cash	(1,307)	(1,543)	4,000		1,150
Cash at beginning of the period	1,307	3,125	2,196		6,628
Cash at end of the period	$	$ 1,582	$ 6,196	$	$ 7,778

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference is the information set forth under the headings "Nominees for Election as Directors," "Continuing Directors" and information concerning the executive officers set forth under the heading "Executive Officers of the Registrant" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 13, 2003.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference is the information set forth under the heading "Executive Compensation" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 13, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the information set forth under the heading "Ownership of Securities" from our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 13, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Within 90 days prior to the filing of this report, our principal executive officer ("CEO") and principal financial officer ("CFO") evaluated the effectiveness of our disclosure controls and procedures. Based on these evaluations, our CEO and CFO believe (i) that our disclosure controls and procedures have been designed to ensure that information required to be disclosed by us in this Report is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure; and (ii) that our disclosure controls and procedures are functioning as designed.

Changes in internal controls. There have been no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the evaluation referred to above, nor have there been any corrective actions with regard to significant deficiencies or material weaknesses.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)

(1) The financial statements listed in the accompanying index to financial statements and the schedules are filed as part of this report.

(2)

The schedules listed in the accompanying index to financial statements and schedules are filed as part of this report.

(3)

Exhibits required to be filed by Item 601 of Regulation S-K.

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(1)
2.2	First Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(2)
2.3	Second Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(3)
3.1	Restated Certificate of Incorporation of Sabre Holdings Corporation.(5)
3.2	Restated Bylaws of Sabre Holdings Corporation.(6)
4.1	Specimen Certificate representing Class A common stock.(7)
4.2	Indenture, dated as of August 3, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, providing for issuance of debt securities in series.(8)
4.3	First Supplemental Indenture, to be dated August 7, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, relating to the 7.35% Notes Due 2011 of Sabre Holdings Corporation.(9)
10.1	Marketing Cooperation Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(10)(11)
10.2	Tax Sharing Agreement, dated July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.3	Travel Privileges Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(10)(11)
10.4	Amendment to Travel Privileges Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc.(10)(21)
10.5	Software Marketing Agreement, dated September 10, 1996, among Registrant, The Sabre Group, Inc. and AMR Corporation.(10)(11)

Exhibit Number	Description of Exhibit
10.6	American Airlines Special Facilities Lease Agreement, dated October 1, 1972, between American Airlines, Inc. and the Dallas-Fort Worth Regional Airport Board, as amended by Supplemental Agreements Nos. 1-5.(11)
10.7	Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.8	Sublease, dated June 1, 1958, between American Airlines, Inc. and the Trustees of the Tulsa Municipal Airport Trust, as amended by Amendments Nos. 1-12.(11)
10.9	Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.10	Amended and Restated Sublease Agreement, dated May, 1996, between American Airlines, Inc. and the Tulsa Airports Improvement Trust.(11)
10.11	Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.12	Syndicated Lease Facility with Various Associated Documents, dated September 14, 1999 as specified below:(4)

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(30) Incorporated by reference to our Registration Statement on Form S-8 (Registration No. 333-40932).

(b) Reports on Form 8-K:

On December 9, 2002, Sabre Holdings Corporation submitted a report on Form 8-K confirming that Sabre's wholly-owned subsidiary Travelocity.com expects to begin charging early in 2003 customer service fees of up to $5 for most airline tickets purchased on its North American web sites.

On December 23, 2002, Sabre Holdings Corporation submitted a report on Form 8-K, a portion of which was filed supplementing financial projections issued on December 13, 2002. The portion that was furnished as an Item 9 disclosure is not incorporated into this Form 10-K or into any other form or report filed with the Commission into which this Form 10-K would be incorporated by reference.

Pursuant to General Instruction B.2. of Form 8-K, the Forms 8-K listed below contained only Item 9 disclosures, except for the December 23, 2002 Form 8-K, a portion of which was furnished under Item 9 as noted above and below, and consequently such Forms 8-K are not incorporated into this Form 10-K or into any other form or report filed with the Commission into which this Form 10-K would be incorporated by reference.

On October 22, 2002, Sabre Holdings Corporation submitted a report on Form 8-K announcing a new multi-year offering for airlines in its Participating Carrier Agreement for Direct Connect Availability.

On October 23, 2002, Sabre Holdings Corporation submitted an amended report on Form 8-K/A amending and restating its report of October 22, 2002 about the new multi-year offering for airlines in its Participating Carrier Agreement for Direct Connect Availability.

On November 14, 2002, Sabre Holdings Corporation submitted a report on Form 8-K stating that it had delivered to the SEC statements in writing, under oath, of each of the principal executive officer and the principal financial officer of Sabre Holdings Corporation pursuant to Title 18 United States Code Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002.

On December 23, 2002, Sabre Holdings Corporation submitted a report on Form 8-K, a portion of which was furnished under Item 9 supplementing financial projections issued on December 13, 2002.

SABRE HOLDINGS CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES COVERED BY REPORT OF INDEPENDENT AUDITORS

[Item 15(a)]

Financial Statements

All other schedules are omitted because the required information is included in the financial statements or notes thereto, or because the required information is either not present or not present in sufficient amounts.

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Sabre Holdings Corporation

Schedule II Valuation and Qualifying Accounts

For Each of the Three Years in the Period Ended December 31, 2002

(in thousands)

		Additions			
Classification	**Balance at Beginning of Year**	**Charged to Costs and Expenses**	**Charged to Other Accounts(1)**	**Deductions(2)**	**Balance at End of Year**
Year Ended December 31, 2002					
Allowance for uncollectible accounts	$ 41,317	$ 12,812	$	$ (19,629)	$ 34,500
Booking fee cancellation reserve	21,017		840	(3,500)	18,357
Associate reserves	2,189	10,831(3)		(5,850)	7,170
Year Ended December 31, 2001					
Allowance for uncollectible accounts	$ 21,053	$ 35,099		$ (14,835)	$ 41,317
Booking fee cancellation reserve	20,854		1,163	(1,000)	21,017
Associate reserves	1,600	5,283		(4,694)	2,189
Year Ended December 31, 2000					
Allowance for uncollectible accounts	11,913	16,412		(7,272)	21,053
Booking fee cancellation reserve	19,748		1,106		20,854
Associate reserves	1,704	4,133		(4,237)	1,600

(1) Amounts charged against revenue.

(2) Includes write-offs for uncollectible accounts and other reserve adjustments.

(3) Includes $4,256 to reserve for Travelocity debit memos and credit card chargebacks.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SABRE HOLDINGS CORPORATION

/s/ WILLIAM J. HANNIGAN

William J. Hannigan
Chairman and Chief Executive Officer (Principal Executive Officer)

/s/ JEFFERY M. JACKSON

Jeffery M. Jackson
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Date: March 14, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted:

Directors:

/s/ ROYCE S. CALDWELL Royce S. Caldwell	/s/ BOB L. MARTIN Bob L. Martin
/s/ PAUL C. ELY, JR. Paul C. Ely, Jr.	/s/ PAMELA B. STROBEL Pamela B. Strobel
/s/ WILLIAM J. HANNIGAN William J. Hannigan	/s/ MARY ALICE TAYLOR Mary Alice Taylor
/s/ RICHARD G. LINDNER Richard G. Lindner	/s/ RICHARD L. THOMAS Richard L. Thomas
/s/ GLENN W. MARSCHEL, JR.	

Glenn W. Marschel, Jr.

Date: March 14, 2003

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I, William J. Hannigan, certify that:

1. I have reviewed this annual report on Form 10-K of Sabre Holdings Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/s/ WILLIAM J. HANNIGAN

William J. Hannigan
Chairman of the Board,
President and Chief Executive Officer

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I, Jeffery M. Jackson, certify that:

1. I have reviewed this annual report on Form 10-K of Sabre Holdings Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/s/ JEFFERY M. JACKSON

Jeffery M. Jackson
Executive Vice President and
Chief Financial Officer

Index to Exhibits

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(1)
2.2	First Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(2)
2.3	Second Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(3)
3.1	Restated Certificate of Incorporation of Sabre Holdings Corporation.(5)
3.2	Restated Bylaws of Sabre Holdings Corporation.(6)
4.1	Specimen Certificate representing Class A common stock.(7)
4.2	Indenture, dated as of August 3, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, providing for issuance of debt securities in series.(8)
4.3	First Supplemental Indenture, to be dated August 7, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, relating to the 7.35% Notes Due 2011 of Sabre Holdings Corporation.(9)
10.1	Marketing Cooperation Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(10)(11)
10.2	Tax Sharing Agreement, dated July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.3	Travel Privileges Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(10)(11)
10.4	Amendment to Travel Privileges Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc.(10)(21)
10.5	Software Marketing Agreement, dated September 10, 1996, among Registrant, The Sabre Group, Inc. and AMR Corporation.(10)(11)
10.6	American Airlines Special Facilities Lease Agreement, dated October 1, 1972, between American Airlines, Inc. and the Dallas-Fort Worth Regional Airport Board, as amended by Supplemental Agreements Nos. 1-5.(11)
10.7	Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.8	Sublease, dated June 1, 1958, between American Airlines, Inc. and the Trustees of the Tulsa Municipal Airport Trust, as amended by Amendments Nos. 1-12.(11)
10.9	Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc.(11)
10.10	Amended and Restated Sublease Agreement, dated May, 1996, between American Airlines, Inc. and the Tulsa Airports Improvement Trust.(11)
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QuickLinks