



SABRE HOLDINGS CORPORATION

Financial Statements

Fiscal Year Ended December 31, 2008

Note: All or some portion of certain notes to the consolidated financial statements have been removed for competitive reasons

**Letter from the Chief Financial Officer
Sabre Holdings Corporation
March 4, 2009**

Although we are now a private company with no public reporting requirements, we have decided to post full year 2008 unaudited financial statements. Except as set forth in the following sentence, the accompanying consolidated balance sheets of Sabre Holdings Corporation and subsidiaries as of December 31, 2008 and 2007 (Successor), and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended December 31, 2008 (Successor), the period from March 31, 2007 to December 31, 2007 (Successor), the period from January 1, 2007 to March 30, 2007 (Predecessor) and the year ended December 31, 2006 (Predecessor) have been prepared in accordance with U.S. Generally Accepted Accounting Principles. Notwithstanding the foregoing, all or some portion of certain notes to the consolidated financial statements have been removed from the accompanying consolidated financial statements for competitive reasons.

In evaluating these financial statements, you will see that we incurred a GAAP net loss of \$320 million for the year ending December 31, 2008. It is important to note that this loss was primarily due to the fact that we, like many other companies recently, recorded an impairment charge for goodwill and intangibles. Annually, we look at the value of all of our goodwill and intangible assets as required under FAS 142 for purposes of determining any non-cash impairment. Given the extreme multiple compression affecting most of our comparable company set, we took a \$382 million impairment charge in the fourth quarter of 2008. It is important to note that this there is no cash or operating impact from this write-down and it was actually a small percentage of our balance sheet. After adjusting for the impairment charge, discontinued operations, and other one-time costs, our adjusted EBITDA for the year was \$578 million. This is essentially unchanged from the prior year, which is due to the strength of our portfolio and our ongoing cost reduction efforts.

Thank you for your continued interest in Sabre Holdings Corporation.

Jeffery M. Jackson
Chief Financial Officer
Sabre Holdings Corporation

FINANCIAL INFORMATION

SABRE HOLDINGS CORPORATION CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (In thousands)

	(Successor)		(Predecessor)	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 30, 2007	December 31, 2006
Revenues	\$ 2,875,757	\$ 2,146,768	\$ 705,082	\$ 2,759,526
Cost of revenues	1,545,532	1,165,439	412,315	1,559,434
Amortization of purchased technology	56,089	42,393	7,987	33,601
Stock compensation expenses	876	600	18,389	14,566
Total cost of revenues	<u>1,602,497</u>	<u>1,208,432</u>	<u>438,691</u>	<u>1,607,601</u>
Gross profit	1,273,260	938,336	266,391	1,151,925
Other operating expenses				
Selling, general and administrative	928,880	668,128	207,518	821,573
Amortization of other intangible assets	128,458	95,885	7,868	30,098
Impairment of goodwill and intangible assets	312,169	-	-	-
Transaction related expense	-	-	34,383	-
Stock compensation expenses	3,297	2,322	39,847	17,887
Total other operating expenses	<u>1,372,804</u>	<u>766,335</u>	<u>289,616</u>	<u>869,558</u>
Operating (loss) income	(99,544)	172,001	(23,225)	282,367
Other income (expense)				
Interest income	8,444	5,760	13,005	14,095
Interest expense	(281,291)	(236,047)	(21,267)	(79,026)
Other, net	2,965	(685)	865	226
Total other expense	<u>(269,882)</u>	<u>(230,972)</u>	<u>(7,397)</u>	<u>(64,705)</u>
(Loss) income from continuing operations before provision for income taxes	(369,426)	(58,971)	(30,622)	217,662
Income tax (benefit) expense	<u>(116,769)</u>	<u>(15,812)</u>	<u>2,002</u>	<u>63,710</u>
(Loss) earnings from continuing operations	(252,657)	(43,159)	(32,624)	153,952
(Loss) earnings from discontinued operations, net of tax	<u>(67,176)</u>	<u>2,292</u>	<u>(10,950)</u>	<u>1,686</u>
Net (loss) earnings	<u>\$ (319,833)</u>	<u>\$ (40,867)</u>	<u>\$ (43,574)</u>	<u>\$ 155,638</u>

See Notes to Consolidated Financial Statements.

SABRE HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited) (In thousands, except share data)

	<u>(Successor)</u> <u>December 31,</u> <u>2008</u>	<u>(Successor)</u> <u>December 31,</u> <u>2007</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 204,047	\$ 87,070
Restricted cash	5,034	9,359
Short-term investments	-	17,265
Accounts receivable, net	332,505	386,647
Prepaid expenses	53,056	62,330
Deferred income taxes	51,567	48,580
Other receivables	168,920	182,754
Assets of discontinued operations held for sale	<u>32,238</u>	<u>151,749</u>
Total current assets	847,367	945,754
Property and equipment		
Buildings & leasehold improvements	163,652	162,468
Furniture, fixtures & equipment	24,378	22,639
Computer equipment	166,288	113,053
Internally developed software	<u>143,021</u>	<u>60,804</u>
	497,339	358,964
Less accumulated depreciation and amortization	<u>(130,159)</u>	<u>(45,511)</u>
Total property and equipment	367,180	313,453
Investments in joint ventures	180,416	153,215
Goodwill and intangible assets, net	4,915,520	5,331,497
Other assets, net	<u>155,650</u>	<u>186,476</u>
Total assets	<u><u>\$ 6,466,133</u></u>	<u><u>\$ 6,930,395</u></u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 103,993	\$ 140,795
Travel supplier liabilities and related deferred revenue	275,494	365,284
Accrued compensation and related benefits	52,879	92,170
Accrued subscriber incentives	92,725	95,084
Deferred revenues	43,155	24,883
Revolving credit facility	-	69,600
Other accrued liabilities	336,258	372,175
Liabilities of discontinued operations held for sale	<u>29,115</u>	<u>63,023</u>
Total current liabilities	933,619	1,223,014
Deferred income taxes	189,224	378,401
Other liabilities	337,098	241,976
Revolving credit facility	296,846	-
Long-term debt	3,795,318	3,791,730
Stockholders' equity		
Class A Common Stock: \$0.01 par value;		
100 shares issued at December 31, 2008 and 2007	-	-
Additional paid-in capital	1,373,755	1,369,614
Retained deficit	(360,700)	(40,867)
Accumulated other comprehensive loss	<u>(99,027)</u>	<u>(33,473)</u>
Total stockholders' equity	914,028	1,295,274
Total liabilities and stockholders' equity	<u><u>\$ 6,466,133</u></u>	<u><u>\$ 6,930,395</u></u>

See Notes to Consolidated Financial Statements.

SABRE HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited) (In thousands, except share data)

	(Predecessor) Class A Common Stock	(Successor) Class A Common Stock	Additional Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total
<i>Predecessor</i>							
Balance at December 31, 2005	\$ 1,459	\$ -	\$ 1,275,836	\$ 769,231	\$ (77,872)	\$ (325,542)	\$ 1,643,112
Issuance of class A common stock pursuant to:							
Stock option plans	-	-	(6,292)	-	-	44,806	38,514
Restricted stock (net of forfeitures)	-	-	(20,782)	-	-	20,782	-
Restricted stock withheld upon vesting	-	-	-	-	-	(3,625)	(3,625)
Employee stock purchase plan	-	-	(21)	-	-	679	658
Tax benefit from exercise of employee stock options and restricted stock	-	-	3,990	-	-	-	3,990
Dividends, \$0.43 per common share	-	-	-	(56,745)	-	-	(56,745)
Purchases of treasury stock	-	-	-	-	-	(23,387)	(23,387)
Amortization of restricted stock and other stock-based compensation	-	-	32,453	-	-	-	32,453
Comprehensive income (loss):							
Net earnings	-	-	-	155,638	-	-	155,638
Minimum pension liability adjustment, net of deferred income taxes	-	-	-	-	1,654	-	1,654
Unrealized gain on foreign currency forward and option contracts, net of deferred income taxes	-	-	-	-	8,016	-	8,016
Unrealized gain on hedge settlement	-	-	-	-	2,321	-	2,321
Unrealized gain on investments, net of deferred income taxes	-	-	-	-	1,749	-	1,749
Unrealized foreign currency translation gain, net of deferred income taxes	-	-	-	-	116,362	-	116,362
Total comprehensive income	-	-	-	-	-	-	285,740
Adjustment to initially apply Statement of Financial Accounting Standards No. 158, <i>Employers'</i> <i>Accounting for Defined Benefit</i> <i>Pension and Postretirement Plans</i> , net of tax	-	-	-	-	2,636	-	2,636
Other	-	-	1,447	-	-	(1,437)	10
Balance at December 31, 2006	\$ 1,459	\$ -	\$ 1,286,631	\$ 868,124	\$ 54,866	\$ (287,724)	\$ 1,923,356
Issuances pursuant to:							
Stock-based compensation plans	-	-	(5,443)	-	-	10,641	5,198
Tax benefit from exercise of employee stock options and restricted stock	-	-	1,194	-	-	-	1,194
Dividends, \$0.13 per common share	-	-	-	(17,359)	-	-	(17,359)
Amortization of stock-based compensation plans	-	-	58,235	-	-	-	58,235
FASB Interpretation No. 48, <i>Accounting</i> <i>for Uncertainty in Income Taxes</i> <i>Adjustment</i>	-	-	-	38,754	-	-	38,754
Comprehensive income (loss):							
Net loss	-	-	-	(43,574)	-	-	(43,574)
Minimum pension liability adjustment, net of deferred income taxes	-	-	-	-	5,100	-	5,100
Unrealized loss on foreign currency forward contracts, net of deferred income taxes	-	-	-	-	(1,894)	-	(1,894)
Unrecognized loss on hedge settlement	-	-	-	-	(63)	-	(63)
Unrealized gain on investments, net of deferred income taxes	-	-	-	-	592	-	592
Unrealized foreign currency translation loss, net of deferred income taxes	-	-	-	-	(3,931)	-	(3,931)
Total comprehensive loss	-	-	-	-	-	-	(43,770)
Balance at March 30, 2007	<u>\$ 1,459</u>	<u>\$ -</u>	<u>\$ 1,340,617</u>	<u>\$ 845,945</u>	<u>\$ 54,670</u>	<u>\$ (277,083)</u>	<u>\$ 1,965,608</u>

SABRE HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(Unaudited) (In thousands)

	(Predecessor) Class A Common Stock	(Successor) Class A Common Stock	Additional Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total
Successor							
Equity contributions	\$ -	\$ -	\$ 1,366,690	\$ -	\$ -	\$ -	\$ 1,366,690
Amortization of stock based compensation	-	-	2,924	-	-	-	2,924
Comprehensive income (loss):							
Net loss	-	-	-	(40,867)	-	-	(40,867)
Defined benefit pension & other post retirement benefit plans, net of deferred income taxes	-	-	-	-	5,927	-	5,927
Unrealized loss on foreign currency forward contracts and interest rate swaps, net of deferred income taxes	-	-	-	-	(35,129)	-	(35,129)
Unrealized gain on investments, net of deferred income taxes	-	-	-	-	2,096	-	2,096
Unrealized foreign currency translation loss, net of deferred income taxes	-	-	-	-	(6,367)	-	(6,367)
Total comprehensive loss	-	-	-	-	-	-	(74,340)
Balance at December 31, 2007	\$ -	\$ -	\$ 1,369,614	\$ (40,867)	\$ (33,473)	\$ -	\$ 1,295,274
Issuances pursuant to:							
Amortization of stock based compensation	-	-	4,173	-	-	-	4,173
Exercise of stock options	-	-	213	-	-	-	213
Comprehensive income (loss):							
Net loss	-	-	-	(319,833)	-	-	(319,833)
Defined benefit pension & other post retirement benefit plans, net of deferred income taxes	-	-	-	-	(53,696)	-	(53,696)
Unrealized loss on foreign currency forward contracts and interest rate swaps, net of deferred income taxes	-	-	-	-	(35,527)	-	(35,527)
Unrealized loss on investments, net of deferred income taxes	-	-	-	-	(5,239)	-	(5,239)
Unrealized foreign currency translation gain, net of deferred income taxes	-	-	-	-	28,908	-	28,908
Total comprehensive loss	-	-	-	-	-	-	(385,387)
Other	-	-	(245)	-	-	-	(245)
Balance at December 31, 2008	\$ -	\$ -	\$ 1,373,755	\$ (360,700)	\$ (99,027)	\$ -	\$ 914,028

See Notes to Consolidated Financial Statements.

SABRE HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

	(Successor)		(Predecessor)	
	Fiscal Year Ended December 31, 2008	Nine Months Ended December 31, 2007	Three Months Ended March 30, 2007	Fiscal Year Ended December 31, 2006
Operating Activities				
Net (loss) earnings	\$ (319,833)	\$ (40,867)	\$ (43,574)	\$ 155,638
Adjustments to reconcile net (loss) earnings to cash provided by (used in) operating activities:				
Depreciation and amortization	268,146	182,902	42,850	167,604
Impairment loss on goodwill and intangible assets	312,169	-	-	-
Stock-based compensation for employees	4,173	2,924	58,235	32,453
Allowance for doubtful accounts	28,436	8,269	2,504	16,075
Deferred income taxes	(136,592)	(32,752)	(463)	16,713
Joint venture equity income	(16,325)	(17,477)	(2,415)	(16,067)
Distributions of income from joint venture investments	15,550	22,722	-	18,809
Loss on sale of subsidiaries	-	-	-	9,768
Amortization of debt issuance costs	11,494	10,449	-	-
Other	(4,515)	(11,634)	(6,570)	(14,788)
Loss (earnings) from discontinued operations	67,176	(2,292)	10,950	(1,686)
Changes in operating assets and liabilities:				
Accounts and other receivables	(8,156)	27,423	(70,536)	12,754
Prepaid expenses	(186)	20,576	840	13,632
Other assets	(18,833)	2,677	(931)	18
Accounts payable and other accrued liabilities	(155,293)	(204,501)	194,759	(39,317)
Pensions and other postretirement benefits	(8,033)	(16,551)	(1,334)	(16,387)
Cash provided by (used in) operating activities	39,378	(48,132)	184,315	355,219
Investing Activities				
Additions to property and equipment	(135,820)	(88,395)	(23,473)	(108,774)
Purchases of marketable securities	-	(2,543,910)	(7,427,878)	(12,629,602)
Sales of marketable securities	-	2,744,806	7,478,400	12,753,098
Sale of (investment in) securities invested in Rabbi Trust	16,477	(17,265)	-	-
Investment in joint ventures	(7,753)	-	-	-
Proceeds from sale of joint ventures	2,482	2,030	-	-
Acquisitions (net of cash acquired)	(40,542)	(14,453)	-	(50,438)
Acquisition of Sabre Holdings by Sovereign Holdings (net of cash acquired)	-	(4,117,919)	-	-
Other investing activities	110	1,701	-	7,968
Cash (used in) provided by investing activities	(165,046)	(4,033,405)	27,049	(27,748)
Financing Activities				
Prepayment of bridge facility	-	-	-	(800,000)
Proceeds of borrowings from lenders	-	3,015,000	-	-
Payment of borrowings from lenders	-	(85,000)	-	-
Debt issuance costs	-	(94,127)	-	-
Proceeds from mortgage facility	-	-	85,000	-
Settlement of capital lease obligation	-	-	(103,736)	-
Proceeds from borrowings on revolving credit facility	1,484,196	798,200	-	180,000
Payments on borrowings under revolving credit facility	(1,256,950)	(728,600)	(155,000)	(25,000)
Proceeds from issuance of notes	-	-	-	397,136
Equity contribution from TPG, Silverlake & co-investors	-	1,366,690	-	-
Proceeds from issuance of common stock	213	-	5,198	35,547
Dividends paid	-	-	(17,359)	(56,745)
Purchases of treasury stock	-	-	-	(23,387)
(Increase) decrease in restricted cash	4,325	1,684	(1,089)	37,211
Other financing activities	8,134	(21,455)	4,053	(6,224)
Cash provided by (used in) financing activities	239,918	4,252,392	(182,933)	(261,462)
Cash Flows from Discontinued Operations				
Net cash provided by (used in) operating activities of discontinued operations	18,884	1,908	(9,288)	23,404
Net cash used in investing activities of discontinued operations	(455)	(88,344)	(281)	(138)
Net cash provided by (used in) discontinued operations	18,429	(86,436)	(9,569)	23,266
Effect of exchange rate changes on cash and cash equivalents	(15,702)	2,651	900	24,277
Increase in cash and cash equivalents	116,977	87,070	19,762	113,552
Cash and cash equivalents at beginning of period	87,070	-	248,785	135,233
Cash and cash equivalents at end of period	<u>\$ 204,047</u>	<u>\$ 87,070</u>	<u>\$ 268,547</u>	<u>\$ 248,785</u>
Cash payments for income taxes	\$ 15,436	\$ 20,523	\$ 4,085	\$ 52,617
Cash payments for interest	\$ 295,669	\$ 188,186	\$ 32,716	\$ 69,889

See Notes to Consolidated Financial Statements.

SABRE HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Information

On March 30, 2007, Sabre Holdings Corporation was acquired by TPG Partners V, LP, Silver Lake Partners II, LP and other co-investors with Sabre Holdings Corporation continuing as the surviving entity (see Note 2).

Sabre Holdings Corporation ("Sabre Holdings") is a Delaware holding company incorporated on June 15, 1996. Sabre Inc. is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre Inc. or its direct or indirect subsidiaries conduct all of our businesses. In these Consolidated Financial Statements, references to the "Company", "we", "our", "ours" and "us" refer to Sabre Holdings and its consolidated subsidiaries both prior to and after the acquisition unless otherwise stated or the context otherwise requires.

We are a world leader in travel commerce, marketing travel products and providing distribution and technology solutions for the travel industry. We market and distribute travel-related products and services directly and indirectly through travel agencies and other distribution partners, to leisure and business travelers including air, hotel, car rental, cruises and packaged trip offerings through our *Travelocity*¹ business. Through our *Sabre*[®] global distribution system (the "*Sabre* system" or "*Sabre* GDS") subscribers, generally travel agencies, can access information about, and can book reservations for, among other things, airline trips, hotel stays, car rentals, cruises and tour packages. Our *Sabre Travel Network*[®] business operates the *Sabre* GDS. In addition, our *Sabre Airline Solutions*[®] business is a leading provider of technology and services, including development and consulting services, to airlines and other travel providers.

2. The Transaction

On December 11, 2006, the Board of Directors of Sabre Holdings approved an Agreement and Plan of Merger by and among Sovereign Holdings, Inc. ("Sovereign Holdings"), a Delaware corporation formed by affiliates of Texas Pacific Group ("TPG") and Silver Lake Partners II, LP ("SLP"), Sovereign Merger Sub, Inc. ("Merger Sub"), a Delaware corporation and a wholly-owned subsidiary of Sovereign Holdings, and Sabre Holdings, which was subsequently executed on December 12, 2006.

On March 29, 2007, the plan of merger was approved by a shareholder vote of record. Following the shareholder vote, TPG, SLP and other co-investors contributed a combined \$1,374 million to Sovereign Holdings. These funds were deemed transferred to Merger Sub as a capital contribution on March 29, 2007. We recorded a \$7 million reduction to this equity investment as a basis adjustment. These transactions resulted in a combined total of \$1,367 million in contributions at December 31, 2007. We repurchased all of our outstanding Common Stock as of March 30, 2007 for \$32.75 per share for a total of \$4,318 million and settled all in-the-money outstanding stock-based awards.

The acquisition of Sabre Holdings was completed on March 30, 2007 through the merger of Sabre Holdings with Merger Sub, with Sabre Holdings being the surviving entity ("the Transaction"). Sabre Holdings (the "Successor") is now a wholly-owned subsidiary of Sovereign Holdings.

1 lastminute.com, Sabre, Sabre Airline Solutions, Sabre Holdings, the Sabre Holdings logo, Sabre Travel Network, TRAMS, Travelocity, Travelocity.com, Zuji, and Zuji.com are trademarks and/or service marks of an affiliate of Sabre Holdings Corporation. All other trademarks, service marks, or trade names are the property of their respective owners. © 2009 Sabre Holdings Corporation. All rights reserved.

The Transaction was financed through the following:

- Funds raised through borrowings under a credit agreement;
- Equity investments from TPG, SLP and a co-investment group;
- Excess cash on the Consolidated Balance Sheet; and
- Previously existing debt.

Also, in conjunction with the Transaction, the following occurred:

- Settled outstanding balances under our revolving credit agreement that had been in place since July 22, 2005 and terminated the agreement;
- Purchased the headquarters assets under the capital lease obligation and refinanced the headquarters utilizing a mortgage note and cash on hand; and
- Filed proper forms with the Securities and Exchange Commission to de-register our public notes due in 2011 and 2016.

See Note 12 for further discussion on our existing and new borrowings.

3. Summary of Significant Accounting Policies

Basis of Presentation—The accompanying Consolidated Financial Statements present our financial position, results of operations, statement of stockholders' equity and cash flows for the periods preceding the acquisition up to March 30, 2007 ("Predecessor") and following the acquisition as of December 31, 2007 and 2008 ("Successor"). Subsequent to March 30, 2007, in the Successor entity, our equity balances represent contributions from our new owners, retained earnings, and accumulated other comprehensive income from the date of the acquisition on March 30, 2007. Results of operations for the day of March 31, 2007, are included in the Predecessor results of operations as the effects of showing the results separately as Successor would be insignificant. As a result, we refer to the period from January 1, 2007 to March 30, 2007 as the "three months ended" throughout these financial statements.

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 agreements, financing agreements, or as the primary beneficiary of a variable interest entity.

The Consolidated Financial Statements include our accounts after elimination of all significant intercompany balances and transactions. We utilize the equity method to account for our interests in joint ventures and investments in stock of other companies that we do not control but over which we exert significant influence, with our share of their results classified as revenues in the Consolidated Statements of Income. 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 other than temporarily impaired, the carrying value of the investment is reduced to its estimated fair value. To date, impairments of investments carried at cost have been insignificant to our results of operations.

The following table displays the name of each of those investees that we do not control but over which we exert significant influence, and our voting interest in their stock held at December 31, 2008:

<u>Joint Venture</u>	<u>Voting Interest</u>
Sabre Israel Travel Technologies Ltd. (1)	51%
Auto Holidays (Pty) Limited (South Africa)	50%
Moneydirect Limited	50%
Sabre Sociedad Tecnológica S de RL de C.V	48%
ESS Elektroniczne Systemy Spzedazy Sp. zo.o.	40%
ABACUS International PTE Ltd.	35%
TripIt, Inc.	28%
Axess International Network, Inc.	25%

(1) Sabre Israel Travel Technologies Ltd. is not consolidated in the Consolidated Financial Statements because it is insignificant to our financial statements.

Our investments in joint ventures on the Consolidated Balance Sheets includes \$110 million representing our excess basis over the underlying equity of the joint ventures.

Reclassifications— Certain reclassifications have been made to the 2007 Consolidated Financial Statements to conform to the 2008 presentation. In 2008, we transitioned a significant portion of a European subsidiary, lastminute.com, to our global financial accounting and reporting system. In this process, we reclassified certain amounts to be consistent with our consolidated presentation.

Additionally, in 2008, we determined that there was a misclassification on the Consolidated Statements of Income for the three months ended March 30, 2007 related to stock compensation expense. We have corrected the misclassification which resulted in a decrease to cost of revenues and an increase to selling, general and administrative expenses of \$46 million for the three months ended March 30, 2007.

Recent Accounting Pronouncements—In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities- an amendment of FASB Statement No. 133*. This statement, effective for fiscal years beginning after November 15, 2008, requires enhanced disclosures about an entity’s derivative and hedging activities. The enhanced disclosures include additional information about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how these instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. We have early adopted this statement and applied its requirements to our 2008 disclosures. See Note 11 for the expanded required disclosures.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. This statement is effective for fiscal years beginning after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement will only impact the classification of minority interest on the financial statements which we plan to implement beginning in 2009. We do not expect the impact to be material.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations (Revised)* (“SFAS 141R”). The statement requires a number of changes to the accounting for business combinations, including a revision to the fair value methodology for recording the fair value of assets and liabilities. Additionally, pre-acquisition assets acquired and liabilities assumed arising from contingencies must be recognized at their acquisition date fair values. The statement requires in process research and development assets to be capitalized and amortized over the useful life of the asset and requires most transaction and restructuring costs to be expensed as incurred. Restructuring costs must meet the requirements of Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, at the date of acquisition to qualify for capitalization. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008. However, the accounting for the resolution of any tax uncertainties remaining as of January 1, 2009 related to acquisitions prior to December 31, 2008 will be subject to the provisions of SFAS 141R and could have a significant impact on our financial results as these resolutions will generally no longer adjust goodwill and will be reflected in income tax expense. Otherwise, we expect the adoption of SFAS 141R on January 1, 2009 to have an effect on our Consolidated Financial Statements only to the extent we enter into a new business combination and apply this new statement.

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115* (“SFAS 159”). This standard is designed to work in concert with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS 157”) and provides an option to measure many financial instruments and other items at fair value that are not currently required to be measured at fair value. This statement also establishes disclosures that will help compare the different measurement attributes for similar assets chosen by different companies. See Note 13 for further discussion.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (“SFAS 158”). This new standard requires recognition of the funded status of a defined benefit postretirement plan as either an

asset or liability in the Consolidated Balance Sheets and recognition of changes in the funded status through other comprehensive income in the year that the changes occur. Additionally, the statement requires measurement of the funded status as of the fiscal year-end balance sheet date. The standard also requires additional annual disclosures regarding adjustments to other comprehensive income related to changes in the funded status and amounts expected to be recognized as net periodic benefit costs over the following fiscal year. The measurement date provisions of this statement are effective for fiscal years ending after December 15, 2008 with earlier application encouraged. The new measurement date standards had no effect, as we have historically measured the funded status of our defined benefit pension plans and other postretirement benefit plans as of the year-end balance sheet date. We applied the recognition provisions and disclosure requirements of this standard prospectively in accordance with the guidance for the year ended December 31, 2006. See Note 8 for application of this standard.

Effective January 1, 2008, we adopted the provisions of SFAS 157. This standard defines fair value, provides guidance regarding the measurement of fair value and expands the required disclosures for fair value measurements. On February 6, 2008, the FASB deferred this statement's effective date for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. Beginning in 2010, we will adopt the provisions of SFAS 157 for non-financial assets and liabilities. See Note 13 for the required disclosures for fair value measurements of financial assets and liabilities.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation, effective for fiscal years beginning after December 15, 2006, provides thresholds and measurement guidelines for recognizing an uncertain tax position taken or expected to be taken in a tax return. As a result of adopting FIN 48, on January 1, 2007, we recognized approximately an \$18 million decrease in our liability for unrecognized tax benefits. This adjustment was accounted for as a \$28 million increase to income taxes receivable, an \$8 million decrease to goodwill (Predecessor) and a \$38 million increase to the balance of retained earnings as of January 1, 2007, which is included in the Predecessor period presented.

Use of Estimates—The preparation of these financial statements in conformity with generally accepted accounting principles ("GAAP") 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, revenue recognition for software development, determination of the fair value of assets and liabilities acquired in a business combination, determination of the fair value of derivatives, the evaluation of the recoverability of the carrying value of intangible assets and goodwill, assumptions utilized in the determination of pension and other postretirement benefit liabilities and the evaluation of uncertainties surrounding the calculation of our tax assets and liabilities. These policies are discussed in greater detail below.

Revenue Recognition

Travelocity—Our Travelocity segment receives commissions from travel suppliers for air travel, hotel rooms, car rentals, vacation packages and cruises booked through our Travelocity websites and advertising revenues based on the number of advertising impressions delivered on our Travelocity websites and based on the number of clicks executed on our advertising products such as RateFinder. Travelocity recognizes commission revenue for stand-alone air travel at the time the travel is booked with a reserve for canceled bookings, except for lastminute.com entities, which, prior to the second quarter of 2008, recognized these revenues for stand-alone air travel at the date of departure. As of April 1, 2008, the lastminute.com recognition policy for its United Kingdom operations changed to conform to the rest of the Travelocity segment as we now have adequate data to estimate cancellations. The impact of this change on the results of operations was not significant. Commissions from car and hotel travel providers are recognized upon the scheduled date of travel consumption. We record car and hotel commission revenue net of an estimated reserve for cancellations, no-shows, non-commissionable bookings and uncollectible commissions. At December 31, 2008 and 2007, our reserve for car and hotel commissions was approximately \$6 million and \$10 million, respectively. The decrease was due primarily to a decline in bookings. Advertising revenues are recognized in the period that advertising impressions are delivered or the click-through occurs.

Travelocity has negotiated with travel suppliers for the right to access travel content at pre-determined net rates. Net rate travel offerings can include air travel, hotel stays, car rentals, pre-packaged holidays and dynamically packaged combinations of those components. We market those travel offerings to travelers at a price that includes an amount sufficient to pay the travel supplier its charge for providing the travel accommodations, along with any applicable occupancy and other local taxes we expect will be invoiced to us by the travel supplier on that charge, as well as additional amounts representing our service fees. Travelocity requires prepayment by the traveler at the time of booking. Travelocity does not have purchase obligations for unused offerings. Travelocity recognizes net rate revenue for stand-alone air travel at the time the travel is booked, except for lastminute.com entities, which, prior to the second quarter of 2008, recognized these net rate revenues for stand-alone air travel at the date of consumption. As of April 1, 2008, the lastminute.com recognition policy for its United Kingdom operations changed to conform to the rest of the Travelocity segment as we now have adequate data to estimate cancellations. The impact of this change on the results of operations was not significant. Vacation packages and hotel net rate revenues are recognized at the date of consumption.

For our *Travelocity* net rate and *TotalTrip*® offerings, we record net rate revenues based on the total amount paid by the customer for products and services, minus our payment to the travel supplier. At the time a customer makes and prepays a reservation, we accrue a supplier liability based on the amount we expect to be billed by our suppliers. In some cases, a portion of Travelocity's prepaid net rate and travel package transactions goes unused by the traveler. In those circumstances, and some others, Travelocity may not be billed the full amount of the accrued supplier liability. We reduce the accrued supplier liability for amounts aged more than six months and record it as revenue. Our process includes consideration of key factors, including, but not limited to, the age of the supplier liability, historical billing and payment information.

Sabre Travel Network—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 based on historical data. In estimating the amount of future cancellations that will require us to refund a booking fee, we assume that a certain percentage of cancellations are followed immediately by a new reservation, without loss of revenue. At December 31, 2008 and 2007, we have recorded transaction fee cancellation reserves of approximately \$8 million and \$9 million, respectively. 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) for hardware, software, hardware maintenance and other support services. Fees billed on service contracts are recognized as revenue in the month earned. We receive fees from travel suppliers and corporate customers for transactions booked through our web-based travel booking systems and recognize the associated revenues in the month of the transaction.

Sabre Airline Solutions—We provide software solutions and airline reservation and software hosting services. Revenue from airline reservation and software hosting services is recognized in the period earned either based on a monthly fee or number of passengers boarded, depending on the contract. Our software is sometimes 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*. We evaluate revenue recognition for agreements with customers which generally are represented by individual contracts but could include groups of contracts if the contracts are executed at or near the same time. In accordance with EITF 00-21, *Revenue Arrangements with Multiple Deliverables*, for agreements that contain multiple elements of services or deliverables, we account for separable elements on an individual basis with value assigned to each element based on its relative fair value.

Revenue from license fees, when software is sold without associated customization or implementation services, is recognized when the software is delivered, fees are fixed or 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. We also provide our software solutions in a hosted environment. Revenue from implementation services in a hosted environment is recognized ratably over the term of the agreement, generally through a monthly fee.

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 development projects and consulting provided under fixed fee contracts are 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, 2008 and 2007, we had recorded accounts receivable of approximately \$42 million and \$36 million, respectively, that had not been billed to customers and deferred revenues of approximately \$34 million and \$22 million, respectively, related to billings to and advance payments from customers which have not yet met the criteria to be recognized as revenue. Substantially all of these deferred revenues were classified as current liabilities as of December 31, 2008 and 2007.

Seasonality—The travel industry is seasonal in nature. Travel bookings for our Sabre Travel Network business, and the revenue we derive from those bookings, decrease significantly each year in the fourth quarter, primarily in December. Customers generally book their November and December holiday leisure travel earlier in the year, and business travel declines during the holiday season. Travelocity revenues are also impacted by the seasonality of travel bookings, but to a lesser extent since commissions from car and hotel travel providers and net rate revenue for vacation packages and hotel stays are recognized at the date of consumption. There is a slight increase in Travelocity revenues for the second and third quarters when compared to the first and fourth quarters due to European travel patterns.

Research and Development—We define research and developments costs as costs incurred during the preliminary project stage for software development according to Statement of Position 98-1, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use* (“SOP 98-1”), and costs incurred up to the point of technological feasibility for software development according to Statement of Financial Accounting Standards 86, *Accounting for the Cost of Computer Software to Be Sold, Leased or Otherwise Marketed* (“SFAS 86”). Research and development costs were expensed as incurred and approximated \$2 million for the year ended December 31, 2008, \$2 million for the nine months ended December 31, 2007 (Successor), negligible for the three months ended March 30, 2007 (Predecessor) and \$3 million for the year ended December 31, 2006.

Foreign Currency Risk—We are exposed to foreign exchange rate fluctuations as we translate the financial statements of our non-USD functional foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries’ financial statements into U.S. dollars will lead to translation gains or losses, which are recorded net as a component of other comprehensive income (loss).

We are also exposed to foreign exchange rate fluctuations as we remeasure foreign currency transactions and the financial statements of our USD functional foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign currency transactions and the foreign subsidiaries’ financial statements into U.S. dollars will lead to transaction gains or losses, which are recorded in our Consolidated Statements of

Income.

Cash and Cash Equivalents—We classify all highly liquid instruments, including money market funds with original maturities of three months or less, as cash equivalents.

Statement of Cash Flows—In June 2007, we liquidated our marketable securities and invested in a single money market account that is classified as a cash equivalent for purposes of the Consolidated Statements of Cash Flows. In addition, as a result of the Transaction, the funding for the Sabre non-qualified Deferred Compensation Plan and Supplemental Retirement Plan were transferred into an irrevocable grantor trust (“Rabbi Trust”). As of December 31, 2007, assets held by this trust were not considered cash equivalents for purposes of the Consolidated Statements of Cash Flows. As of December 31, 2006 and up to June 2007, marketable securities, without regard to remaining maturity at acquisition, were not considered cash equivalents for purposes of the Consolidated Statements of Cash Flows. As of March 31, 2008, we liquidated the Rabbi Trust in connection with the termination and subsequent payout of the Supplemental Executive Retirement Plan and the Deferred Compensation Plan. We recognized an immaterial loss as a result of the sale of these investments.

Restricted Cash—We held approximately \$5 million and \$9 million in cash that was restricted at December 31, 2008 and 2007, respectively. Approximately \$2 million and \$5 million of this restricted cash represented cash collateral required for bank guarantees on behalf of Zuji Holdings Limited entities at December 31, 2008 and 2007, respectively. The remaining \$3 million and \$4 million of restricted cash related to securing bank guarantees for certain subsidiaries in Europe within the Travelocity segment at December 31, 2008 and 2007, respectively.

Other receivables—Value-added tax is tax that is charged on exchanges. This tax is levied on the added value that results from each exchange. We record value-added tax receivables net of payables due. As of December 31, 2008 and 2007, our other receivables included \$85 million and \$90 million of value-added tax net receivables, respectively. In addition, included in our other receivables balance at December 31, 2008 and 2007 was \$84 million and \$93 million of United States federal income taxes receivable, respectively.

Derivatives—We recognize all derivatives on the Consolidated Balance Sheets 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. No hedging ineffectiveness was recorded in earnings during the periods presented.

Income Taxes—The provision for income taxes has been computed using the asset and liability method according to Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, (“SFAS 109”) as amended. Under SFAS 109, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities and are measured using the tax rates and laws in effect at the time of such determination. 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.

The calculation of our tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax laws. On January 1, 2007, the Company adopted FIN 48 which prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. See Note 10 for additional information on income taxes. Interest and penalties related to income taxes are included as a component of income tax expense.

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

Property and equipment:	
Buildings, including buildings under capital lease	Lesser of lease term or 35 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	4 to 30 years

During 2006, we were depreciating the capital lease assets for our corporate headquarters buildings, furniture and fixtures to the amount of the residual value guarantee over the ten-year term of the lease. In December 2006, we completed the sale of a headquarters facility located near our main campus in Southlake, Texas (“Solana building”), associated improvements and certain undeveloped land and other property rights at our Southlake, Texas headquarters (together with the Solana building, the “Property”) to affiliates of Maguire Partners – Dallas, LTD (“Maguire”) and began our five-year leaseback of the Solana building from Maguire. We completed the sale of the Property after exercising our option under the capital lease facility to purchase the Property, and we used the proceeds from the sale to repay a portion of the capital lease facility. See Note 12 for additional information on this transaction.

Property and equipment and other assets are stated at cost less accumulated depreciation and amortization, which is calculated on the straight-line basis. Depreciation of property, capital lease assets and equipment totaled approximately \$82 million in the year ended December 31, 2008 (Successor), \$45 million in the nine months ended December 31, 2007 (Successor), \$25 million in the three months ended March 30, 2007 (Predecessor) and \$97 million in the year ended December 31, 2006 (Predecessor), respectively. In connection with the Transaction, a portion of our internally-developed software was reclassified from property and equipment to intangible assets subject to amortization in the Consolidated Balance Sheets. Amortization of other assets totaled approximately \$186 million in the year ended December 31, 2008 (Successor), \$138 million in the nine months ended December 31, 2007 (Successor), \$18 million in the three months ended March 30, 2007 (Predecessor), and \$71 million in the year ended December 31, 2006 (Predecessor). Accumulated amortization of other assets approximated \$277 million and \$138 million at December 31, 2008 and 2007, respectively. With the Transaction and revaluation of our property and equipment and intangible assets to their fair value, accumulated depreciation and amortization were restarted resulting in the decrease at December 31, 2007.

Computer Software Developed or Purchased for Internal Use—Costs related to applications, infrastructure and graphics development for the *Sabre* system and our websites are capitalizable under SOP 98-1 and are included in property and equipment in the Consolidated Balance Sheets. Capitalizable costs consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software and (b) payroll and payroll-related costs for employees who are directly associated with and who devote time to the *Sabre* system and web-related development projects. Research and development costs incurred during the preliminary project stage or costs 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, 2008 and 2007, unamortized computer software costs for internal use approximated \$135 million and \$51 million, respectively. For the year ended December 31, 2008 (Successor), amortization expense for computer software developed or purchased for internal use was \$19 million. Amortization expense for computer software developed or purchased for internal use was \$2 million for the nine months ended December 31, 2007 (Successor) and \$16 million for the three months ended March 30, 2007 (Predecessor). For the year ended December 31, 2006 (Predecessor), amortization expense for computer software developed or purchased for internal use was \$56 million. The decrease in amortization expense during 2007 was primarily due to the reduction in unamortized computer software after the Transaction, as noted above, but was offset by additional amortization of the purchased technology intangible assets resulting from the Transaction.

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 SFAS 86. 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, 2008 and 2007, unamortized software development costs, which represent products developed for licensing from our Sabre Airline Solutions segment, approximated \$3 million and \$2 million respectively. For the year ended December 31, 2008 (Successor), amortization expense for capitalized software development costs was \$1 million. Amortization expense for capitalized software development costs was a negligible amount for the nine months ended December 31, 2007 (Successor) and \$1 million for the three months ended March 30, 2007 (Predecessor). For the year ended December 31, 2006 (Predecessor), amortization expense for capitalized software development costs was \$3 million.

Goodwill and Long-Lived Assets—Pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), we evaluate goodwill for impairment on an annual basis or if impairment indicators exist. The evaluation requires a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the fair value of that reporting unit, the carrying value of the reporting unit's goodwill is reduced to its implied fair value through an adjustment to the goodwill balance, resulting in an impairment charge.

The fair values used in our SFAS 142 evaluation are estimated based upon discounted future cash flow projections. These cash flow projections are based upon a number of assumptions, including risk-adjusted discount rates, future booking and transaction volume levels, future price levels, rates of growth in our consumer and corporate direct booking businesses and rates of increase in operating expenses, cost of revenue and taxes. Goodwill was assigned to each reporting unit based on that reporting unit's percentage of enterprise value as of the date of the Transaction. Due to the current economic conditions and our current projections for discounted future cash flows, we identified and recorded an impairment charge of \$295 million to goodwill related to continuing operations and \$29 million related to discontinued operations. We believe the assumptions used to project future cash flows for the evaluations described above were reasonable. However, if future actual results do not meet our expectations, we may be required to record an additional impairment charge, the amount of which could be material to our results of operations.

Intangible assets subject to amortization are evaluated for impairment pursuant to Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"), which requires impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted cash flows is less than the carrying value of the intangible asset, an impairment charge is recorded to reduce the intangible asset to its fair value.

We identified impairments to certain intangible assets under the criteria of SFAS 144. As a result, we recorded an impairment charge on amortizable intangible assets of \$17 million related to continuing operations and \$40 million related to discontinued operations. See Note 4 for additional information on impairments of intangible assets related to discontinued operations.

Impairments related to continuing operations are recorded in "Impairment of goodwill and intangible assets" in the Consolidated Statements of Income. Impairments related to discontinued operations are included in "Earnings (Loss) from discontinued operations" in the Consolidated Statements of Income.

Amortization expense relating to intangible assets subject to amortization totaled \$185 million for the year ended December 31, 2008 (Successor), \$138 million for the nine months ended December 31, 2007 (Successor), \$16 million for the three months ended March 30, 2007 (Predecessor), and \$64 million for the year ended December 31, 2006 (Predecessor). The increase in amortization beginning in 2007 was due to the revaluation of our fixed and intangible assets in conjunction with the purchase price allocation for the Transaction. With the purchase price allocation, a portion of our internally-developed software was reclassified from property and equipment in the Predecessor balance sheet to intangible assets subject to amortization in the Successor balance sheet. Additionally, all intangible assets were assigned finite lives and are being

amortized over those useful lives.

The following table presents our goodwill and intangible assets at December 31, 2008 and 2007 (in thousands). The impairments discussed above have been reflected in the gross carrying amounts and accumulated amortization as of December 31, 2008.

	Weighted-Average Useful Lives	(Successor) December 31, 2008		(Successor) December 31, 2007	
		Gross Carrying Amount, at Cost	Accumulated Amortization	Gross Carrying Amount, at Cost	Accumulated Amortization
Not subject to amortization:					
Goodwill		\$ 3,213,483	\$ -	\$ 3,449,461	\$ -
		3,213,483	-	3,449,461	-
Subject to amortization:					
Acquired customer relationships and database	9 years	658,561	(123,633)	694,200	(70,607)
Purchased technology	7 years	379,438	(92,678)	396,072	(42,393)
Non-compete agreements	4 years	10,419	(1,293)	1,800	(210)
Acquired contracts, supplier and distributor agreements	15 years	25,600	(3,375)	26,499	(1,628)
Trademarks and brandnames	30 years	903,337	(54,339)	901,733	(23,430)
		1,977,355	(275,318)	2,020,304	(138,268)
Total continuing operations		\$ 5,190,838	\$ (275,318)	\$ 5,469,765	\$ (138,268)

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

2009	\$ 176,824
2010	156,503
2011	153,810
2012	150,248
2013 and thereafter	1,064,652
Total	\$ 1,702,037

Travel Supplier Liabilities and Related Deferred Revenue—Our travel suppliers provide content, including air travel, hotel stays, car rentals and dynamically packaged combinations of these components, on either a fee-based or a net-rate basis. Under our fee-based arrangements, we collect the full price of the travel from the consumer and remit the payment to the travel supplier, after withholding our service fee. Under our net-rate agreements, suppliers provide content to us at pre-determined net rates. We market net-rate offerings to travelers at a price that includes an amount sufficient to pay the travel supplier for its charge for providing the travel accommodations, along with any applicable taxes we expect will be invoiced to us by the travel supplier on that charge, as well as additional amounts representing our service fees. We record amounts due to travel suppliers and our service fees in “Travel supplier liabilities and deferred revenue” on the Consolidated Balance Sheets until these amounts are paid to the suppliers or recognized as revenue upon consumption of the travel.

Subscriber Incentives—Certain service contracts with significant travel agency subscribers contain booking productivity clauses and other provisions that allow subscribers to receive cash payments or other consideration. 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, 2008 and 2007 were approximately \$93 million and \$95 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, which is generally three years. At December 31, 2008 and 2007, we had \$36 million and \$41 million, respectively, in deferred charges related to such contracts recorded in other assets in the Consolidated Balance Sheets. 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.

Comprehensive Income (Loss)—Comprehensive income (loss) 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 the year ended December 31, 2008 (Successor), amounts included in comprehensive loss other than net loss were pre-tax losses of approximately \$66 million which were primarily due to losses on pension plan assets (see Note 8) and unrealized losses on interest rate swaps and forward currency forward contracts, offset by unrealized gains on foreign currency translations. During the nine months ended December 31, 2007 (Successor), amounts included in comprehensive loss other than net loss were pre-tax losses of approximately \$33 million which were primarily due to the decrease in the value of our interest rate swaps (see Note 11). During the three months ended March 30, 2007 (Predecessor), amounts included in comprehensive income other than net loss were losses of a negligible amount. During the year ended December 31, 2006 (Predecessor), amounts included in comprehensive income other than net earnings were pre-tax gains of approximately \$133 million. The gain consisted primarily of unrealized gains on investments, hedge settlements, foreign currency forward contracts and foreign currency translations in 2006.

At December 31, 2008 the components of accumulated other comprehensive income (loss), net of related deferred income taxes were as follows (in thousands):

	Minimum Pension Liability	Defined Benefit Pension & Other Post Retirement Benefit Plans	Unrealized Gains (Losses) on Foreign Currency Forward Contracts and Interest Rate Swaps	Unrealized Gains (Losses) on Investments	Unrealized Foreign Currency Translation Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
<i>Predecessor</i>						
Balance at December 31, 2005	\$ (55,624)	\$ -	\$ (4,169)	\$ 538	\$ (18,617)	\$ (77,872)
Cumulative adjustment to initially apply SFAS 158	53,970	(51,334)	-	-	-	2,636
2006 other comprehensive income, net of deferred taxes	1,654	-	8,016	4,070	116,362	130,102
Balance at December 31, 2006	-	(51,334)	3,847	4,608	97,745	54,866
2007 other comprehensive income (loss), net of deferred taxes	-	5,100	(1,894)	529	(3,931)	(196)
Balance at March 30, 2007	\$ -	\$ (46,234)	\$ 1,953	\$ 5,137	\$ 93,814	\$ 54,670
<i>Successor (1)</i>						
2007 other comprehensive income (loss), net of deferred taxes	\$ -	\$ 5,927	\$ (35,129)	\$ 2,096	\$ (6,367)	\$ (33,473)
Balance at December 31, 2007	-	5,927	(35,129)	2,096	(6,367)	(33,473)
2008 other comprehensive income (loss), net of deferred taxes	-	(53,696)	(35,527)	(5,239)	28,908	(65,554)
Balance at December 31, 2008	\$ -	\$ (47,769)	\$ (70,656)	\$ (3,143)	\$ 22,541	\$ (99,027)

(1) On March 31, 2007, we closed out all stockholders' equity accounts and the related comprehensive income accounts due to the Transaction. As a result, the Successor comprehensive loss contains only the activity during the year ended December 31, 2008 and nine months ended December 31, 2007.

Defined benefit pension and other postretirement benefit plans were both net of deferred tax effects of approximately \$30 million for the year ended December 31, 2008 (Successor), \$3 million for the nine months ended December 31, 2007 (Successor), \$3 million for the three months ended March 30, 2007 (Predecessor) and \$2 million for the year ended December 31, 2006 (Predecessor). The 2006 net adjustment to initially apply SFAS 158 is net of deferred tax effects of approximately \$2 million (see Note 8).

Unrealized gains and losses on foreign currency forward contracts and interest rate swaps are net of deferred tax effects of approximately \$17 million for the year ended December 31, 2008 (Successor), \$20 million for the nine months ended December 31, 2007 (Successor), a negligible amount for the three months ended March 30, 2007 (Predecessor) and \$5 million for the year ended December 31, 2006 (Predecessor).

Unrealized foreign currency translation gains and losses are net of deferred tax effects of approximately \$14 million for the year ended December 31, 2008, \$3 million for the nine months ended December 31, 2007 (Successor), \$2 million for the three months ended March 30, 2007 (Predecessor) and \$62 million for the year ended December 31, 2006 (Predecessor).

The tax effects allocated to all other components of other comprehensive income (loss) during the years ended December 31, 2008, 2007 and 2006 were not significant.

Unrealized gains and losses from foreign currency forward contracts reclassified from other comprehensive income (loss) to net earnings (loss) were gains of \$5 million for the year ended December 31, 2008 (Successor), gains of approximately \$6 million for the nine months ended December 31, 2007 (Successor), gains of \$2 million for the three months ended March 30, 2007 (Predecessor) and losses of less than \$1 million for the year ended December 31, 2006 (Predecessor). Unrealized gains and losses from interest rate swaps reclassified from other comprehensive income (loss) to net earnings (loss) were losses of \$33 million for the year ended December 31, 2008 (Successor) and gains of approximately \$3 million for the nine months ended December 31, 2007 (Successor). Reclassifications from other comprehensive income (loss) to net earnings (loss) for all other components of other comprehensive income (loss) for the years ended December 31, 2008, 2007 and 2006 were not significant.

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, 2008 and 2007, approximately 46% and 41%, respectively, of our trade accounts receivable was attributable to these customers. Our other accounts receivable are generally due from other participants in the travel and transportation industry. We generally do not require security or collateral from our customers as a condition of sale. A prolonged substantial decrease in travel transaction volumes could have an adverse impact on our financial performance, operations, liquidity, or capital resources.

We regularly monitor the financial condition of the air transportation industry and have noted the financial difficulties faced by several air carriers. We believe the credit risk related to the air 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") and other similar clearing houses. As of December 31, 2008, approximately 53% of our air customers make payments through the ACH which accounts for approximately 95% of our air revenue. For these carriers, we believe the use of ACH mitigates our credit risk in cases of airline bankruptcies. For those carriers from whom we do not collect payments through the ACH or other similar clearing houses, our collection risk is higher. However, these carriers are monitored and accounted for through our normal reserve policies.

We evaluate the collectability 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 recorded receivable to the amount we reasonably believe will be collected. For all other customers, we record 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. We maintained an allowance for losses of approximately \$53 million and \$38 million at December 31, 2008 and 2007, respectively, based upon the amount of accounts receivable expected to prove uncollectible. There was an increase of \$4 million in specific reserves from December 31, 2007 to December 31, 2008. The remaining increase of \$11 million is due to the aging of accounts receivable.

Through the normal course of business, we accumulate receivables related to value added taxes from multiple jurisdictions. There are ongoing audits related to these receivables. If any of these audit results become unfavorable, the amount we would be required to writeoff could be material to our results of operations.

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

	Successor		Predecessor	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 30, 2007	December 31, 2006
Revenues:				
United States	\$ 1,792,610	\$ 1,153,983	\$ 408,286	\$ 1,551,207
Europe	609,524	495,549	159,431	670,894
Other foreign	473,623	497,236	137,365	537,425
Total	<u>\$ 2,875,757</u>	<u>\$ 2,146,768</u>	<u>\$ 705,082</u>	<u>\$ 2,759,526</u>

	Successor	
	December 31,	
	2008	2007
Long-lived assets (excluding goodwill and intangible assets):		
United States	\$463,287	\$416,881
Singapore (primarily investment in joint venture)	167,027	148,763
Europe	55,039	64,366
Other foreign	17,893	23,134
Total	<u>\$703,246</u>	<u>\$653,144</u>

4. Discontinued Operations

First Option—In November 2008, we sold the business operations of First Option Hotel Reservations Limited ("First Option"), a lastminute.com entity, to a third party. Goodwill, business intellectual property, customer information and the benefit of and obligation to service all open bookings were transferred. First Option provided a unique service offering whereby First Option enters into agreements with suppliers and provides booking services for corporations. First Option would then collect funds from the corporations and pay the suppliers on their behalf. The sale was effective December 5, 2008 and resulted in a pre-tax loss of \$1.2 million. The decision to sell First Option was made to further align Travelocity with its core strategies of focusing on product and customer experience excellence. This decision allows us to reduce our technology complexity by reducing the number of supported business platforms.

Med Hotels Limited— In the fourth quarter of 2008, we designated the business operated as Med Hotels Limited ("Med Hotels"), a lastminute.com entity, as held for sale, due to a commitment by management to sell the business, active discussions with a potential buyer and the likelihood of completing a transaction within a short period of time. The Med Hotels business provides unique services in the Mediterranean, including customized agreements with handling agents in the region to reserve hotel content, up-front payments to handling agents and suppliers and on-ground transportation services. Med Hotels customers are primarily travel agencies who re-sell this content to end consumers. We do not plan to continue providing such services to travel agencies in the future. Due to this designation as held for sale, we reviewed the intangible assets associated with this business for impairment under FAS 144 and recorded an impairment of \$38 million, which is included in the results of discontinued operations in the Consolidated Statements of Income.

In January 2009, we signed a definitive agreement to sell certain assets and liabilities related to Med Hotels. The sale was effective February 1, 2009.

The decision to sell Med Hotels was made to further align Travelocity with its core strategies of focusing on product and customer experience excellence, and displaying and promoting highly relevant content. This decision allows us to lessen our complexity and support our initiative to reduce our technology complexity by reducing the number of supported business platforms.

Results of Discontinued Operations—We have reported the results of operations of First Option and Med Hotels as discontinued operations, which consist of the following summarized financial information (in thousands):

	(Successor)		(Predecessor)	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 31, 2007	December 31, 2006
Revenues	\$ 26,418	\$ 42,883	\$ 3,301	\$ 64,272
Impairments associated with discontinued operations, net of taxes	\$ 68,221	\$ -	\$ -	\$ -
Net (loss) earnings from discontinued operations, before income taxes	\$ (102,555)	\$ 2,754	\$ (16,888)	\$ 2,594
Income tax (benefit) expense	(36,169)	462	(5,938)	908
Net (loss) earnings from discontinued operations	(66,386)	2,292	(10,950)	1,686
Loss on disposition before income taxes	(1,220)	-	-	-
Income tax benefit	(430)	-	-	-
Net loss on disposition	(790)	-	-	-
Net (loss) earnings from discontinued operations, net of taxes	\$ (67,176)	\$ 2,292	\$ (10,950)	\$ 1,686

5. Short-term Investments

In April 2007, subsequent to the Transaction (see Note 2), the funding for the Sabre non-qualified Deferred Compensation Plan and Supplemental Retirement Plan was transferred into a Rabbi Trust for an amount equal to the value of benefits earned as of that date. In accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the assets held by the Rabbi Trust were classified as available-for-sale securities and were stated at fair value based on market quotes. As of December 31, 2007, the fair value of the money market securities held within the Rabbi Trust was \$17 million. In March 2008, we liquidated the Rabbi Trust in connection with the termination and subsequent payout of the Supplemental Executive Retirement Plan and the Deferred Compensation Plan (see Note 8). We recognized an immaterial loss as a result of the sale of these investments.

In June 2007, we liquidated our short-term investment portfolios and began investing in a single money market fund. In accordance with the Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*, this money market account is classified as cash and cash equivalents in our Consolidated Balance Sheets and Statements of Cash Flows.

We held no short-term investments at December 31, 2008. At December 31, 2007, short-term investments, all of which were classified as available-for-sale, were stated at fair value based on market quotes. At December 31, 2007, the Rabbi Trust did not have a single maturity date since payments made from the trust were based on when claims are submitted. Unrealized gains and losses, net of deferred taxes, were not significant and were recorded as a component of other comprehensive loss. The realized gains and losses of securities sold were based on the specific identification method.

6. Mergers and Acquisitions

During 2008, 2007 and 2006, we completed the following material acquisitions, each of which was accounted for using the purchase method of accounting for business combinations according to Statement of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS 141").

2008 Mergers and Acquisitions- Successor Financial Statements

Acquisition of Flight Explorer—On September 10, 2008, we completed the acquisition of Flight Dimensions International, Inc. ("Flight Explorer"), the leading provider of commercial Aircraft Situation Display (ASD) solutions providing real-time tracking, reporting, and display of en-route aircraft. This acquisition is part of Sabre's long-term growth plans and continual investments in our Airline Solutions business. The acquired goodwill is deductible for tax purposes. The results of operations of the Flight Explorer® business have been included in our Consolidated Statements of Income and the results of operations of our Sabre Airline Solutions segment from the date of acquisition.

The assets acquired and liabilities assumed have been recorded on our Consolidated Balance Sheets based on preliminary estimates of fair value by management. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of Flight Explorer. Accordingly, the information presented on our Consolidated Balance

Sheets and elsewhere in this report may differ from the final purchase price allocation.

Other Acquisitions— During 2008, we completed three other acquisitions which individually were not material to our financial statements. In the second quarter of 2008, we acquired BidStork, LLC ("BidStork"), a web-based application that creates, delivers and manages hotel requests for proposals. In the fourth quarter of 2008, we acquired travel software assets from Voxel Soluções em Informatica ("Voxel"). These assets enabled us to develop the MySabre® Plus Brazil Suite with the key content integrations that are essential to success in Brazil. Both the BidStork and Voxel acquisitions have been included in our Sabre Travel Network segment.

Also, in the fourth quarter of 2008, we acquired EB2 International Limited, a London-based independent supplier of e-commerce enabling software products, solutions, infrastructure and services to global airlines. This acquisition has been included in our Sabre Airline Solutions segment.

Pro forma adjustments related to acquisitions occurring during 2008 have not been included, as the effect of doing so would be immaterial.

2007 Mergers and Acquisitions- Successor Financial Statements

Acquisition of E-Site Marketing— On June 1, 2007, we acquired E-Site Marketing, LLC ("E-Site"), an internet marketing company specializing in online business solutions exclusively for the hospitality industry. The results of operations of E-Site have been included in our Consolidated Statements of Income and the results of operations of our Sabre Travel Network segment from the date of acquisition. Assets acquired and liabilities assumed were recorded at their estimated fair values, with the excess of cost over the estimated fair value of the net assets was recorded as goodwill by the Successor. The acquired goodwill is deductible for tax purposes. Intangible assets subject to amortization are being amortized over their respective lives and relate primarily to customer relationships and purchased technology.

Pro forma adjustments related to this acquisition have not been included, as the effect of doing so would be immaterial.

2006 Mergers and Acquisitions- Predecessor Financial Statements

Acquisition of TRAMS, Inc. and Related Assets—On February 10, 2006, the Predecessor acquired certain assets from an individual, including all of the outstanding stock of TRAMS, Inc. ("TRAMS"), a leading provider of financial reporting, customer relationship management tools and direct marketing solutions and services for travel agencies. The results of operations of TRAMS® have been included in our Consolidated Statements of Income and the results of operations of our Sabre Travel Network segment from the date of acquisition. A portion of the acquired goodwill is deductible for tax purposes. At the date of acquisition, the fair values were determined by management based in part on an independent valuation of the net assets acquired, which included intangible assets. Intangible assets subject to amortization were being amortized in the Predecessor financial statements over a weighted-average period of 11 years and related primarily to technology and customer relationships.

7. Significant Transactions and Events

Economic Condition and Outlook—Recent significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce our earnings and cash flows. Additionally, general economic conditions can affect the demand for our products and services. Volatile oil prices, falling equity market values, declining business, weakened consumer confidence, risks of increased inflation and deflation and increased unemployment rates have created fears of a severe recession. These negative economic conditions and negative outlook have decreased travel and dampened demand for our travel products and distribution and technology solutions. We are dependent on consumer travel and general economic conditions. A significant or prolonged decline in travel could have a material adverse effect on our results of operations if current economic difficulties, as well as a slowdown in travel, continue into the foreseeable future.

EDS Service Contract—In September 2007, we completed the renegotiation and extension of an information technology ("IT") services contract with Electronic Data Systems ("EDS") through September 2014. Under this 7-year agreement, EDS provides technology services, including data center management, application hosting, applications development and maintenance, end-user computing support and network management. Additionally, as part of the renegotiation we were required to pay EDS \$18 million in September 2007, of which \$11 million was expensed immediately as it represented a payment to exit a former commercial agreement and a billing dispute resolution. The remaining \$7 million represents an upfront transition fee which is being amortized over the seven year contract life. The transition fee represents funding to assist EDS in making certain upgrades to their systems which serve the Company.

Purchase of the Assets Under our Capital Lease Facility—On March 29, 2007, we purchased all of the assets under our capital lease facility. These assets consisted of buildings, land and furniture and fixtures located at our headquarter facilities in Southlake, Texas. The total purchase price of the assets was \$104 million. The purchase was financed through \$85 million raised by a mortgage facility that we entered into and \$19 million from cash on hand. The buildings and land that were purchased, as well as the \$85 million mortgage facility, are held by Sabre Headquarters, LLC, a special-purpose entity, wholly owned by Sabre Inc. Sabre Inc. guarantees the debt held by Sabre Headquarters, LLC. See Note 12 for more information on the mortgage facility entered into related to this transaction.

Cost Reductions—In 2008, 2007 and 2006, we reduced our workforce and accrued approximately \$7 million, \$2 million and \$3 million, respectively, for severance and related costs for formal cost reduction plans, of which \$6 million remains outstanding for the 2008 plan and only a negligible amount remains outstanding for the 2007 accrual as of December 31, 2008.

The following table summarizes the severance costs related to exit activities, as well as the liabilities included in the Consolidated Balance Sheets at December 31, 2008 and 2007 (in thousands):

	<u>2006 Cost</u> <u>Reduction Plans</u> <u>Severance and</u> <u>Benefits</u>	<u>2007 Cost</u> <u>Reduction Plans</u> <u>Severance and</u> <u>Benefits</u>	<u>2008 Cost</u> <u>Reduction Plans</u> <u>Severance and</u> <u>Benefits</u>	<u>Total</u>
Remaining liability at December 31, 2006	\$ 666	\$ -	\$ -	\$ 666
Estimated cost of 2007 workforce reduction	-	1,944	-	1,944
Amounts paid in 2007	<u>(666)</u>	<u>(31)</u>	<u>-</u>	<u>(697)</u>
Remaining liability at December 31, 2007	-	1,913	-	1,913
Estimated cost of 2008 workforce reduction	-	-	7,207	7,207
Amounts paid in 2008	<u>-</u>	<u>(1,861)</u>	<u>(899)</u>	<u>(2,760)</u>
Remaining liability at December 31, 2008	<u>\$ -</u>	<u>\$ 52</u>	<u>\$ 6,308</u>	<u>\$ 6,360</u>

The costs in the table above are included in the Consolidated Statements of Income as cost of revenues or selling, general and administrative expenses depending on the classification of the related employees. The total amount of severance and other benefit costs including costs incurred for reductions made outside of formalized plans was \$20 million in fiscal year ended December 31, 2008 (Successor), \$13 million in the nine months ended December 31, 2007 (Successor), \$5 million in the three months ended March 30, 2007 (Predecessor) and \$10 million in fiscal year ended December 31, 2006 (Predecessor).

Sale and Leaseback of a Portion of our Southlake, Texas Headquarters Facilities—In December 2006, we exercised our option under the capital lease facility and sold a headquarters facility located near our main campus in Southlake, Texas (“Solana building”), associated improvements and certain undeveloped land and other property rights at our Southlake, Texas headquarters (together with the Solana building, the “Property”) to affiliates of Maguire Partners – Dallas, LTD (“Maguire”), and began our five-year leaseback of the Solana building from Maguire. Under the leaseback, we are responsible for rent of approximately \$6 million annually for a term of 5 years and for operational expenses such as maintenance and property taxes. We used the proceeds from the sale to repay a portion of the capital lease facility. The sale resulted in a \$4 million deferred loss that was to be amortized to expense over the leaseback term. However, due to plans to fully vacate the Solana building during late 2008, in conjunction with recording the Transaction, we recorded a \$27 million liability related to the present value of future obligations net of the previously deferred loss under the leaseback as a part of the Transaction, \$17 million of which remained at December 31, 2008. As of December 31, 2008, we had re-accommodated a significant portion of employees from the Solana building into two other headquarters buildings in Southlake, Texas and occupied only a small portion of the Solana building. See Note 12 for additional information on this transaction.

Sale of Certain Travelocity Europe and lastminute.com Businesses—In June 2006, we sold three offline traditional retail businesses in our Travelocity Europe and lastminute.com operations as a part of the integration efforts that continue in the Travelocity segment and in Europe particularly. This sale was part of an effort to rationalize our portfolio of assets to focus on the higher growth online operations. The revenues and costs of these businesses were not material, individually or in the aggregate.

Long-Term Full Content Agreements— During 2008, Sabre Travel Network established a 10-year full content agreement with Dubai-based Emirates, the largest aviation and travel services company in the Middle East. Sabre Travel Network also signed a two-year extension to United Airlines' current full-content agreement. During 2007, Sabre Travel Network established multi-year full content agreements with the following large non-U.S. airlines: British Airways and Qantas, which had pre-existing contracts up for renewal and Air France and Alitalia, which did not previously have long-term full content agreements. The new agreements, like the original Direct Connect Availability (“DCA”) 3-year agreements, require participating airlines to provide all *Sabre* GDS users long-term, broad access to schedules, seat availability and published fares, including Web fares and other promotional fares. These agreements also generally require participating airlines to furnish to passengers booked through the *Sabre* GDS the same customer perquisites and amenities as those afforded to passengers booked through other GDSs and websites.

In 2006, we transitioned approximately 350 carriers from our traditional Participating Carrier Agreement (“PCA”) to a new Travel Marketing Agreement (“TMA”). These new agreements are one-year agreements, as compared with 30 days in the PCA, and are automatically renewed unless canceled by either side. The TMA has pricing that varies by region and, in some cases, by the value of the ticket that was sold. This pricing better aligns price with value for the airline and provides better content guarantees to Sabre Travel Network.

On September 1, 2006 we launched the *Efficient Access*SM *Solution* for our airline and travel agency customers. The *Efficient Access Solution* is a balanced program to address the economic pressures airlines face while continuing to provide travel agencies with the incentives and long-term protections described below. With *Efficient Access Solution*, carriers participating in the program receive a discount on booking fees for reservations made by participating agencies. In return, the airlines agree to provide over the long-term, key benefits and protections to agencies participating in the program. Through participation in *Efficient Access Solution*, agencies are assured of long-term commitments from those airlines concerning:

- Full content from program carriers, including published fares and Web fares, as well as non-discriminatory access to private fares, including agency negotiated rates and rates provided to the corporate or government customers those agencies serve, and
- Protection from service fees that a program carrier might otherwise levy on bookings made through the *Sabre* GDS.

Agencies participating in the program agree to adjusted financial terms in exchange for the significant benefits and protections afforded by the new agreements. The terms will vary according to agency contract type, but generally result in lower incentive payments. Additionally, because carriers participating in the program will receive a discount on booking fees, this has the effect of lowering Sabre Travel Network revenues and incentive expenses.

8. Pension and Other Postretirement Benefit Plans

We sponsor the Sabre Inc. 401(k) Savings Plan (“401(k) Plan”), which is a tax-qualified defined contribution plan that allows tax-deferred savings by eligible employees to provide funds for their retirement. We make a matching contribution equal to 100% of each pre-tax dollar contributed by the participant on the first 6% of eligible compensation. We have recorded expenses related to the 401(k) Plan of approximately \$17 million for the year ended December 31, 2008 (Successor), \$13 million for the nine months ended December 31, 2007 (Successor), \$4 million for the three months ended March 30, 2007 (Predecessor) and \$17 million for the year ended December 31, 2006 (Predecessor).

We also sponsor personal pension plans for eligible staff at lastminute.com. lastminute.com contributed 5% of eligible pay on behalf of these employees to the plan. We contributed and expensed approximately \$2 million for the year ended December 31, 2008 (Successor), \$1 million for nine months ended December 31, 2007 (Successor), a negligible amount for the three months ended March 30, 2007 (Predecessor) and \$1 million for the year ended December 31, 2006 (Predecessor).

Additionally, we sponsor The Sabre Inc. Legacy Pension Plan (“LPP”), which is a tax-qualified defined benefit pension plan for employees meeting certain eligibility requirements. The LPP and related benefits under the Supplemental Executive Retirement Plan (“SERP”) were amended to freeze pension benefit accruals as of December 31, 2005, so that no

additional pension benefits are accrued after that date. We also sponsor a defined benefit pension plan for certain employees in Canada.

On January 31, 2008, the Board of Directors approved the termination of SERP and the Deferred Compensation Plan effective January 31, 2008. At December 31, 2007, \$2 million was accrued for the 401(k) SERP, \$7 million accrued for the LPP SERP and \$10 million accrued for the Deferred Compensation Plan recorded in other accrued liabilities on the Consolidated Balance Sheet. As of March 31, 2008, the entire \$19 million was paid out to participants of these plans. Of these payments, \$16 million was funded by the Rabbi Trust and the remainder was funded by additional cash on hand. See Note 5 for additional information on the Rabbi Trust.

We amended the LPP, effective as of April 1, 2008, to add a lump sum optional form of payment which participants may elect when their plan benefits commence. The effect of the amendment was to decrease the 2008 periodic benefit cost by \$4 million and the projected benefit obligation by \$34 million, which will be amortized over 23.5 years representing the average of the lump sum benefit period and the life expectancy of the participants.

We provide retiree life insurance benefits to certain employees who retired prior to January 1, 2001, and we subsidize a portion of the cost of retiree medical benefits for certain retirees and eligible employees hired prior to October 1, 2000. In December 2004, we amended the retiree medical benefit plan, effective as of January 1, 2005, to cap our portion of medical costs for retirees and covered dependents at the level of our subsidy for 2004. See Note 16.

Pursuant to a Travel Privileges Agreement with AMR (American Airlines), we are entitled to purchase personal travel for certain retirees. Eligible employees were required to retire from the company on or before June 30, 2008 to receive this benefit, unless they met the requirements to dual-retire from AMR and Sabre. These dual-retirees will receive these benefits upon retiring from Sabre. To pay for the provision of flight privileges for eligible retired employees, we make a lump-sum payment to American Airlines in the year they retire.

In accordance with SFAS 158, we remeasured the plan assets and benefit obligations of the defined benefit pension plans and other defined benefit postretirement plans as of March 31, 2007 due to the Transaction (see Note 2).

The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of assets and the funded status as of December 31, 2008 and December 31, 2007 (in thousands):

	Pension Benefits		Other Benefits	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Change in benefit obligation:				
Benefit obligation at January 1	\$ (385,363)	\$ (396,026)	\$ (89,239)	\$ (87,300)
Service cost	-	(142)	(687)	(960)
Interest cost	(21,301)	(23,655)	(5,396)	(5,066)
Participant contributions	-	-	(1,560)	(1,581)
Actuarial gains (losses), net	6,976	23,548	4,398	(2,705)
Plan amendments	33,683	-	2,842	-
Benefits paid	35,624	10,912	5,408	8,373
Benefit obligation at December 31	<u>\$ (330,381)</u>	<u>\$ (385,363)</u>	<u>\$ (84,234)</u>	<u>\$ (89,239)</u>
Change in plan assets:				
Fair value of assets at January 1	\$ 379,662	\$ 366,055	\$ -	\$ -
Actual return on plan assets	(95,146)	24,146	-	-
Transfers	-	65	-	-
Employer contributions	6,862	308	6,690	6,792
Participant contributions	-	-	1,560	1,581
Benefits paid	(39,504)	(10,912)	(8,250)	(8,373)
Fair value of assets at December 31	<u>\$ 251,874</u>	<u>\$ 379,662</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status at December 31	\$ (78,507)	\$ (5,701)	\$ (84,234)	\$ (89,239)

The cumulative amounts recognized in the Consolidated Balance Sheets as of December 31, 2008 and December 31, 2007 consists of (in thousands):

	Pension Benefits		Other Benefits		Total	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Non current assets	\$ -	\$ 803	\$ -	\$ -	\$ -	\$ 803
Current liabilities	-	(6,457)	(7,198)	(8,996)	(7,198)	(15,453)
Non current liabilities	(78,507)	(47)	(77,036)	(80,243)	(155,543)	(80,290)
Total	<u>\$ (78,507)</u>	<u>\$ (5,701)</u>	<u>\$ (84,234)</u>	<u>\$ (89,239)</u>	<u>\$ (162,741)</u>	<u>\$ (94,940)</u>

The current and noncurrent liabilities are presented in other accrued liabilities and other liabilities, respectively, in the Consolidated Balance Sheets.

The amounts recognized in accumulated other comprehensive income (loss) as of December 31, 2008 and December 31, 2007 consist of (in thousands):

	Pension Benefits		Other Benefits		Total	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Net actuarial (gain) loss	\$ 68,662	\$ (8,215)	\$ (192)	\$ 2,288	\$ 68,470	\$ (5,927)
Prior service cost	(20,701)	-	-	-	(20,701)	-
Accumulated other comprehensive income (loss)	<u>\$ 47,961</u>	<u>\$ (8,215)</u>	<u>\$ (192)</u>	<u>\$ 2,288</u>	<u>\$ 47,769</u>	<u>\$ (5,927)</u>

As a result of the Transaction on March 30, 2007 (see Note 2), no net actuarial loss or prior service costs were amortized from accumulated other comprehensive loss into net periodic benefit cost for the remainder of 2007.

The accumulated benefit obligation for all defined pension plans was \$330 million and \$385 million at December 31, 2008 and December 31, 2007, respectively and plan assets at fair value were \$252 million and \$380 million at December 31, 2008 and December 31, 2007, respectively.

The discount rate used in the measurement of our benefit obligations as of December 31, 2008 and December 31, 2007 is as follows:

	Pension Benefits		Other Benefits	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Weighted-average assumptions				
Discount rate	6.52%	6.43%	6.52%	6.43%

Due to the freeze of pension benefit accruals under the LPP and the SERP as of December 31, 2005, no assumption for future rate of compensation increase is necessary.

The following table provides the components of net periodic benefit costs associated with our pension and other postretirement benefit plans for the years ended December 31, 2008, 2007 and 2006 (in thousands):

Pension Benefits	Fiscal Year Ended December 31,		
	2008	2007	2006
Components of net periodic benefit cost:			
Service cost	\$ -	\$ 142	\$ 116
Interest cost	21,301	23,655	20,955
Expected return on plan assets	(28,309)	(28,095)	(26,061)
Amortization of transition assets	-	(3)	(12)
Amortization of prior service cost	(1,432)	-	-
Amortization of net loss	-	741	2,369
Net periodic benefit	(8,440)	(3,560)	(2,633)
Settlement loss	522	-	307
Net benefit	\$ (7,918)	\$ (3,560)	\$ (2,326)

Other Benefits	Fiscal Year Ended December 31,		
	2008	2007	2006
Components of net periodic benefit cost:			
Service cost	\$ 687	\$ 960	\$ 1,170
Interest cost	5,396	5,066	4,648
Amortization of transition assets	-	4	16
Amortization of prior service cost	-	(1,623)	(6,491)
Amortization of net loss	-	1,028	3,838
Net benefit cost	\$ 6,083	\$ 5,435	\$ 3,181

Income related to pensions and other postretirement benefits totaled approximately \$2 million for the year ended December 31, 2008 (Successor). Expenses included in income related to pensions and other postretirement benefits totaled approximately \$2 million for the nine months ended December 31, 2007 (Successor), less than \$1 million for the three months ended March 30, 2007 (Predecessor) and \$1 million for the year ended December 31, 2006 (Predecessor).

We estimate that \$1 million of prior service cost for the defined benefit pension plans will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2009. Additionally, we estimate that a net actuarial gain of \$1 million for the other postretirement benefit plans will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2009.

The principal assumptions used in the measurement of our net benefit costs for the three years ended December 31, 2008, 2007 and 2006 are as follows:

	Pension Benefits			Other Benefits		
	2008	2007	2006	2008	2007	2006
Discount rate	6.43%	6.00%	5.75%	6.43%	6.00%	5.75%
Expected return on plan assets	7.75%	7.75%	8.00%	-	-	-
Rate of compensation increase	-	-	-	-	-	-

Due to a cap on the Company's retiree medical plan cost, a one-percentage point change in the assumed health care cost trend rates would not have a significant impact on service and interest cost or on our postretirement benefit obligation as of December 31, 2008 and December 31, 2007.

The following table provides the pension plans' target asset allocation as of December 31, 2008 and the actual weighted-average asset allocations at December 31, 2008 and 2007, by asset category:

<u>Asset Category</u>	<u>Target 2009 Allocation</u>	<u>Asset Allocation at December 31,</u>	
		<u>2008</u>	<u>2007</u>
Equity securities	47%-53%	52%	52%
Debt securities	42%-48%	41%	43%
Real estate	5%	7%	5%
Total plan assets		100%	100%

We made no contributions to fund our defined benefit pension plan during the year ended December 31, 2008 or 2007. Annual contributions to our defined benefit pension plans are based on several factors that may vary from year to year. Therefore, past contributions are not always indicative of future contributions. We are currently evaluating making contributions in 2009.

Defined benefit pension plan assets are invested in selected mutual funds and commingled pooled funds. Diversification is provided by using an asset allocation primarily between equity and debt securities in proportions expected to provide opportunities for reasonable long-term returns with acceptable levels of investment risk. The basis for the selected target asset allocation included consideration of the demographic profile of plan participants, expected future benefit obligations and payments, projected funded status of the plan and other factors.

The expected long-term rate of return on plan assets for each measurement date was selected after giving consideration to historical returns on plan assets, assessments of expected long-term inflation and market returns for each asset category and the target asset allocation strategy.

We do not anticipate the return of any plan assets to us in 2009 and we are currently not required to make any significant contributions to the defined benefit plans in 2009.

We expect to make the following estimated future benefit payments under the plans as follows (in thousands):

	<u>Pension</u>	<u>Other Benefits</u>
2009	\$ 17,732	\$ 7,198
2010	16,759	6,730
2011	17,900	7,411
2012	19,863	7,169
2013	23,330	6,909
2014-2017	129,645	31,112

9. Options and Other Stock-Based Awards

The Amended and Restated 2005 Long-Term Incentive Plan—Under our Amended and Restated 2005 Long-Term Incentive Plan (the "LTIP"), executives, non-employee directors, managers and other key employees may have been granted restricted stock, deferred stock, stock options, stock appreciation rights, stock purchase rights, other stock-based awards and/or performance-related awards. Under the LTIP:

- the total number of shares of Class A Common Stock reserved and available for distribution was limited to an aggregate of 27,635,410;
- the number of shares available for grant in the form of restricted stock, deferred stock and other stock-based awards was limited to an aggregate of 5,000,000 shares issued on or after May 17, 2005;
- the provisions of the LTIP provided flexibility with respect to the option price per share for stock option conversions associated with a merger or acquisition, but prohibited the repricing of stock options without stockholder approval;
- upon a change of control of the Company (as defined in the LTIP), any issued and outstanding stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights, performance shares or any other stock-based awards may have continued to be in effect or may have been converted to equivalent equity awards of any successor company; and

- no more than 1,000,000 shares of stock may have been granted to any employee in a one-year period.

The LTIP was to terminate in May 2015. However, as a result of the Transaction on March 30, 2007 (see Note 2), all eligible, outstanding awards were accelerated and vested and deemed to be exercised and canceled.

Sabre Holdings Corporation Stock Option 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 have been granted stock options or stock appreciation rights. The total number of shares of Class A Common Stock authorized for distribution under the 2000 Plan was 7,000,000 shares. As a result of the Transaction on March 30, 2007 (see Note 2), all eligible, outstanding awards were accelerated and vested and deemed to be exercised and canceled.

Travelocity Stock Incentive Plans—In 2002, in conjunction with the tender offer to acquire the portion of the Travelocity.com business that we did not already own, we assumed the Travelocity.com plans and converted options in Travelocity.com to options in our Common Stock. We recognized stock compensation expense based on the intrinsic value of the awards converted at the date of acquisition over the remaining vesting periods. These converted options remained under the original Travelocity plans and were administered under the original terms and conditions. In 2002, we terminated the plans so that no future grants could be issued. As of March 30, 2007, as a result of the Transaction (see Note 2), all eligible, outstanding options were accelerated and vested and deemed to be exercised and canceled.

Stock Appreciation Rights— Stock appreciation rights (“SAR”) may have been granted in conjunction with all or part of any stock option granted. All SARs were to be forfeited upon termination or exercise of the related option and were to be exercisable only during the time that the related option was exercisable. If a SAR were exercised, the related stock option would have been deemed to have been exercised. As of March 30, 2007, any eligible, outstanding stock appreciation rights were accelerated and vested and deemed to be exercised and canceled.

10. Income Taxes

The provision for income taxes relating to continuing operations consists of the following (in thousands):

	(Successor)		(Predecessor)	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 30, 2007	December 31, 2006
Current portion:				
Federal	\$ 1,596	\$ 152	\$ (1,099)	\$ 32,868
State and Local	3,650	282	(1,305)	1,855
Foreign	14,577	16,506	4,869	12,274
Total current	<u>19,823</u>	<u>16,940</u>	<u>2,465</u>	<u>46,997</u>
Deferred portion:				
Federal	(131,580)	(32,918)	(2,135)	35,348
State	(5,012)	166	1,672	(18,635)
Total deferred	<u>(136,592)</u>	<u>(32,752)</u>	<u>(463)</u>	<u>16,713</u>
Total provision (benefit) for income taxes	<u>\$ (116,769)</u>	<u>\$ (15,812)</u>	<u>\$ 2,002</u>	<u>\$ 63,710</u>

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

	(Successor)		(Predecessor)	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 30, 2007	December 31, 2006
Income tax provision (benefit) at statutory federal income tax rate	\$ (129,300)	\$ (20,640)	\$ (10,718)	\$ 76,182
State income taxes, net of federal benefit	(879)	1,022	498	4,163
Reversal of previously accrued taxes	-	(730)	-	(19,843)
Non deductible transaction related expenses	-	-	9,089	-
Valuation allowance	2,811	3,617	-	-
Goodwill impairment	6,300	-	-	-
Other, net	4,299	919	3,133	3,208
Total provision (benefit) for income taxes	<u>\$ (116,769)</u>	<u>\$ (15,812)</u>	<u>\$ 2,002</u>	<u>\$ 63,710</u>

Our current federal income tax expense for the three months ended March 31, 2007 and the year ended December 31, 2006 was reduced by approximately \$24 million and \$4 million, respectively, as a result of the settlement and exercise or cancellation of stock-based awards. The 2007 income tax benefit resulting from the exercise of these options has been credited to additional paid-in capital in the Successor Consolidated Balance Sheet. The 2006 income tax benefit resulting from the exercise of these options has been credited to additional paid-in capital in the Predecessor Consolidated Balance Sheet.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Deferred tax assets:		
Accrued expenses	\$ 34,326	\$ 38,676
Employee benefits other than pension	27,589	28,288
Deferred revenue	21,187	15,374
Pension obligations	28,115	1,646
Net operating loss carryforwards	129,220	83,092
Non-compensatory options	-	10,558
Unrealized gains and losses	36,029	21,181
Subscriber incentives	6,602	12,480
Currency translation adjustment	-	3,160
Foreign Operations	3,690	-
Tax credit carryforwards	21,728	11,635
Other	5,128	3,316
Total deferred tax assets	<u>\$ 313,614</u>	<u>\$ 229,406</u>
Deferred tax liabilities:		
Depreciation and amortization	\$ (19,892)	\$ (14,092)
Internally developed software	(39,791)	(18,964)
Intangible assets	(367,017)	(518,558)
Currency translation adjustment	(10,484)	-
Foreign operations	-	(1,133)
Total deferred tax liabilities	<u>\$ (437,184)</u>	<u>\$ (552,747)</u>
Valuation Allowance	(14,087)	(6,480)
Net deferred tax liability	<u>\$ (137,657)</u>	<u>\$ (329,821)</u>

We pay United States income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered permanently reinvested outside the United States ("U.S."). To the extent that the foreign earnings previously treated as permanently reinvested are repatriated, the related U.S. tax liability may be reduced by any foreign income taxes paid on these earnings. As of December 31, 2008, the cumulative amount of earnings upon which U.S. income taxes have not been provided is approximately \$75 million. It is not practical to estimate the unrecognized deferred tax liability for these

earnings, as this liability is dependent upon future tax planning strategies.

As of December 31, 2008, we had net operating loss carryforwards (“NOLs”) of approximately \$369 million, which will expire between 2020 and 2029. We also had research tax credit carryforwards of approximately \$5 million and foreign tax credits of \$17 million, which will expire between 2018 and 2029. \$160 million of NOLs and \$1 million of research tax credit carryforwards are subject to an annual limitation on their ability to be utilized under Section 382 of the Internal Revenue Code, but are expected to be fully realized.

As of December 31, 2008, we had a liability of \$68 million related to unrecognized tax benefits. \$65 million of this liability, if recognized, would impact the effective tax rate. The total amount of accrued interest and penalties resulting from such unrecognized tax benefits during 2008 was \$3 million. As of December 31, 2008, we had cumulative accrued interest and penalties of \$15 million. It is the Company’s policy to recognize penalties and interest accrued related to income taxes as a component of income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (1):

Balance at January 1, 2008	\$	62,511
Additions for tax positions taken in the current year		2,816
Additions for tax positions of prior years		5,701
Reductions for tax positions of prior years		(2,777)
Reductions for tax positions of expired statute of limitations		(669)
Settlements		-
Balance at December 31, 2008	\$	<u>67,582</u>

(1) Foreign currency translation amounts are included within each line as applicable.

We file income tax returns in the U.S. and various state, local, and foreign jurisdictions. The Internal Revenue Service (“IRS”) is currently auditing our U.S. federal income tax returns for the tax years 2000 through 2006, and certain refund claims for the tax years 1996 through 2000. The federal statute of limitations is closed for years prior to 1996. With few exceptions, we are no longer subject to state, local, or foreign income tax examinations by tax authorities for years prior to 2000.

It is reasonably possible that a reduction of approximately \$44 million of unrecognized tax benefits may occur within the next 12 months as a result of resolutions of worldwide tax disputes and the expiration of statutes of limitations.

11. Derivatives

Accounting Policy for Derivative Instruments—FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”), requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

FASB Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities- an amendment of FASB Statement No. 133*, requires enhanced disclosures about an entity’s derivative and hedging activities. The enhanced disclosures include additional information about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how these instruments and related hedged items affect an entity’s financial position, financial performance and cash flows.

We are exposed to certain risks relating to ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Forward contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on operational exposure denominated in foreign currencies. Interest rate swaps are entered into to manage interest rate risk associated with our floating-rate borrowings.

In accordance with SFAS 133, we designate foreign currency forward contracts as cash flow hedges on operational exposure and interest rate swaps as cash flow hedges of floating-rate borrowings.

Cash Flow Hedging Strategy—For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (ineffective portion) or hedge components excluded from the assessment of effectiveness, are recognized in the Consolidated Statements of Income during the current period.

To protect against the reduction in value of forecasted foreign currency cash flows resulting from export sales over the next year, we have instituted a foreign currency cash flow hedging program. We hedge portions of our expenses denominated in foreign currencies with forward contracts. When the dollar strengthens significantly against the foreign currencies, the decline in present value of future foreign currency revenue is offset by gains in the fair value of the forward contracts designated as hedges. Conversely, when the dollar weakens, the increase in the present value of future foreign currency cash flows is offset by losses in the fair value of the forward contracts.

We have entered into interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreements utilized effectively modify our exposure to interest rate risk by converting floating-rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense and net earnings. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

Forward Contracts—In order to hedge our operational exposure to foreign currency movements, we are a party to certain foreign currency forward contracts that extend until September 2, 2009. We have designated these instruments as cash flow hedges. No hedging ineffectiveness was recorded in earnings relating to the forwards during years ended December 31, 2008, 2007 and 2006. As the outstanding contracts settle, it is estimated that \$19 million in losses will be reclassified from other comprehensive income (loss) to earnings. We have also entered into short-term forward contracts to hedge a portion of our foreign currency exposure related to travel supplier liability payments. As part of our risk management strategy, these derivatives were not designated for hedge accounting at inception; therefore, the change in fair value of these contracts is recorded in results of operations.

As of December 31, 2008, we had the following unsettled purchased foreign currency forward contracts that were entered into to hedge our operational exposure to foreign currency movements (in thousands):

Foreign Currency	Currency Denomination	Notional Amount
Polish Zloty	PLN	56,800
Australian Dollar	AUD	34,100
British Pound Sterling	GBP	10,600
Euro	Euro	25,100
Indian Rupee	INR	490,500

Interest Rate Swap Contracts—We were a party to certain interest rate swap contracts which were designated as fair value hedges of our notes payable, maturing in 2011, and capital lease obligation. These interest rate swaps were settled during the first quarter of 2007 for a total of \$8 million, \$7 million of which was related to the capital lease swap. The swap liability related to the capital lease obligation was capitalized as a portion of the basis of the assets purchased under the capital lease obligation (see Note 7 for more information about our purchase of the assets under our capital lease facility) and amortized over the life of the assets. The remaining swap liability relating to the public notes was treated as a discount on the 2011 Notes and was to be amortized over the remaining life of the notes. However, due to the Transaction, the 2011 Notes were revalued to their fair market value at March 30, 2007 and the new discount based on this fair value is being amortized to interest expense (see Note 12).

During April 2007, in connection with our Senior Secured Debt (see Note 12) with a floating interest rate of the London Interbank Offered Rate ("LIBOR") plus a margin of 2.00%, we entered into six interest rate swaps. The terms of the interest rate swaps are the following:

	<u>Notional Amount</u>	<u>Interest Rate Received</u>	<u>Interest Rate Paid</u>	<u>Maturity Date</u>
Matured:	<u>\$100 million</u>	3 month LIBOR	5.21%	April 30, 2008
Outstanding:	\$350 million	3 month LIBOR	5.02%	April 30, 2009
	\$350 million	3 month LIBOR	4.99%	April 30, 2010
	\$125 million	3 month LIBOR	5.04%	April 30, 2011
	\$125 million	3 month LIBOR	5.03%	April 30, 2011
	<u>\$800 million</u>	3 month LIBOR	5.04%	April 30, 2012
	<u>\$1,750 million</u>			

Under the terms of the swaps, the interest rate payments and receipts are quarterly on the last day of January, April, July and October. The reset dates on the swaps are also the last day of January, April, July and October each year until maturity.

The objective of the swaps is to hedge the interest payments associated with floating-rate liabilities on a total notional amount of \$1,750 million. The effectiveness of the swaps is periodically assessed throughout the life of the swaps using the “hypothetical derivative method.” The hypothetical swap has terms that identically match the terms of the floating rate liability, and is therefore presumed to perfectly offset the hedged cash flows. We review the critical terms of the swaps and the hedged instrument quarterly to validate that the terms continue to match and that there has been no deterioration in the creditworthiness of the counterparties. Hedge ineffectiveness is calculated quarterly based upon the excess of the cumulative change in the fair value of the actual swap over the cumulative change in the fair value of the “perfect” hypothetical swap. The amount of ineffectiveness, if any, will be recorded in earnings. For the year ended December 31, 2008, no hedge ineffectiveness has been incurred. Because these interest rate swaps are cash flow hedges, changes in the fair value of the swaps are recognized as an asset or liability and a component of other comprehensive income (loss) in each reporting period. On April 30, 2008, the first of our six swaps with a notional amount of \$100 million matured, leaving a total notional amount of \$1,750 million as of December 31, 2008.

The estimated fair values of our derivatives as of December 31, 2008 and 2007 are provided below (in thousands):

	<u>Derivative Assets</u>		<u>Derivative Liabilities</u>			
	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2007</u>		
	<u>Location</u>	<u>Fair Value</u>	<u>Location</u>	<u>Fair Value</u>		
Derivatives designated as hedging instruments under Statement 133						
Foreign exchange contracts	Prepaid assets	\$ -	\$ 5,842	Other accrued liabilities	\$ (23,485)	\$ -
Interest rate swaps	Other assets, net	-	-	Other non-current liabilities	(80,088)	(56,925)
Total derivatives designated as hedging instruments under Statement 133		<u>\$ -</u>	<u>\$ 5,842</u>		<u>\$ (103,573)</u>	<u>\$ (56,925)</u>

As of December 31, 2008, the estimated fair value of our foreign exchange contracts, which are not designated as hedging instruments, are assets of approximately \$1 million recorded in prepaid assets on the Consolidated Balance Sheets. See Forward Contracts for additional information on our purpose for entering into derivatives not designated as hedging instruments and our overall risk management strategies.

The effects of derivative instruments net of taxes on other comprehensive income (loss) (“OCI”) for the year ended December 31, 2008 (Successor), nine months ended December 31, 2007 (Successor), three months ended March 30, 2007 (Predecessor) and year ended December 31, 2006 (Predecessor) are provided below (in thousands):

Derivatives in Statement 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	12/31/2008	12/31/2007	3/30/2007	12/31/2006
Foreign exchange contracts	\$ (20,752)	\$ 1,502	\$ (1,894)	\$ 8,016
Interest rate swaps	(14,775)	(36,631)	-	-
Total	\$ (35,527)	\$ (35,129)	\$ (1,894)	\$ 8,016

Derivatives in Statement 133 Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			
		Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
		12/31/2008	12/31/2007	3/30/2007	12/31/2006
Foreign exchange contracts	Other operating expenses	\$ 3,408	\$ (2,579)	\$ (1,095)	\$ (1,918)
Interest rate swaps	Other operating expenses	(20,953)	1,791	-	-
	Total	\$ (17,545)	\$ (788)	\$ (1,095)	\$ (1,918)

For the year ending December 31, 2008, we have recognized a \$3 million gain in income in the other operating expenses line of our Consolidated Statements of Income on our foreign exchange contracts which are not designated as hedging instruments. See Forward Contracts for additional information on our purpose for entering into derivatives not designated as hedging instruments and our overall risk management strategies.

12. Debt

Capital Lease Obligation

In June 2003, Sabre Inc. entered into a ten-year master lease for our corporate headquarters facility in Southlake, Texas, with CSL Leasing, Inc., and accounted for the lease as a capital lease. At the inception of the lease, we recorded an asset of approximately \$168 million, along with a liability of approximately \$168 million, representing the present value of the minimum lease payments due under the lease and the residual value guarantee. As a result of the following two transactions, the capital lease obligation has been reduced to zero.

In December 2006, we exercised our option under the capital lease facility and sold the Solana building, associated improvements and certain undeveloped land and other property rights at our Southlake, Texas headquarters (together with the Solana building, the "Property") to affiliates of Maguire Partners – Dallas, LTD ("Maguire"), and began our five-year leaseback of the Solana building from Maguire. We used the proceeds from the sale to repay a portion of the capital lease facility. The sale resulted in a \$4 million deferred loss that was to be amortized to expense over the leaseback term. However, due to plans to vacate the Solana building during late 2008, we recorded a \$27 million liability related to the present value of future obligations net of the previously deferred loss under the leaseback as a part of the Transaction, \$17 million of which remained at December 31, 2008. As of December 31, 2008, we had re-accommodated a significant portion of employees from the Solana building into two other headquarters buildings in Southlake, Texas and occupied only a small portion of the Solana building.

On March 29, 2007, we purchased all remaining headquarters assets under our capital lease facility not included in the sale of the Property to Maguire for \$104 million. The purchase was financed through an \$85 million mortgage facility and \$19 million from cash on hand. The \$85 million mortgage facility carries an interest rate of 5.8%. Payments made through March 1, 2012 are applied to accrued interest only. Subsequent to that date, payments will also be applied to the principal balance of the note. Payments are due on the first business day of each month. The note matures on March 1, 2017 and all unpaid principal will be due at that time. As of December 31, 2008, we are in compliance with all covenants set forth in the facility agreement.

Publicly Issued Senior Unsecured Notes

In March 2006, we issued \$400 million in senior unsecured notes (“2016 Notes”), bearing interest at a rate of 6.35% and maturing March 15, 2016, in an underwritten public offering resulting in net cash proceeds after expenses of approximately \$397 million. The 2016 Notes include certain non-financial covenants, including restrictions on incurring certain types of debt or entering into certain sale and leaseback transactions. We used all of the net proceeds plus available cash and cash equivalents and marketable securities to prepay \$400 million of the bridge facility used to finance our acquisition of lastminute.com. Under the terms of the 2016 Notes, we paid \$29 million in interest charges in 2007 and are obligated to pay \$34 million per year afterwards until 2016. Interest payments are due in March and September each year. The interest rate payable on the notes increased to 8.35% effective March 16, 2007 due to a credit rating decline resulting from the take-private transaction. As of December 31, 2008, we are in compliance with all covenants under the indenture for the 2016 Notes.

In August 2001, we issued \$400 million in senior unsecured notes (“2011 Notes”), bearing interest at a rate of 7.35% and maturing August 1, 2011, in an underwritten public offering resulting in net cash proceeds to us of approximately \$397 million. The interest payments are due in February and August each year. The 2011 Notes include certain non-financial covenants, including restrictions on incurring certain types of debt or entering into certain sale and leaseback transactions. As of December 31, 2008, we are in compliance with all covenant requirements under the 2011 Notes.

On March 30, 2007, in connection with the Transaction (see Note 2), we terminated the registrations of our 2011 Notes and 2016 Notes under Section 12(g) of the Securities Exchange Act of 1934.

Predecessor Revolving Credit Agreement

On March 17, 2006, we borrowed \$180 million under our revolving credit agreement. We used the proceeds to prepay \$180 million of the outstanding principal on the bridge facility used to finance the lastminute.com acquisition. The interest rate on this indebtedness was based on LIBOR plus a borrowing spread and was sensitive to our credit rating.

As of March 31, 2007, all outstanding borrowings were repaid and the revolving credit agreement was terminated.

Senior Secured Debt

In connection with the sale of the Company in March 2007, we entered into a \$3,515 million credit agreement (“Credit Agreement”). Under the Credit Agreement, we borrowed \$3,015 million as a term loan which expires in September 2014. We also obtained a \$500 million revolving credit facility which expires in March 2013. This indebtedness is collateralized by substantially all of our assets and equity interest held and is considered senior to any other debt. We are required to pay down 0.25% of the \$3,015 million borrowing under the term loan at the end of each fiscal quarter commencing June 30, 2007. Our total required pay-down for the year ended December 31, 2008 was \$30 million. During 2007, we exceeded this requirement by paying down \$85 million and no further payments are due under this obligation until March 2010. Beginning with the fiscal year ended December 31, 2008, we are also required to pay down the term loan by an amount equal to 50% of excess cash flow, as defined by the Credit Agreement, each fiscal year end after our annual Consolidated Financial Statements are delivered. This percentage may decrease if certain leverage ratios are achieved. We do not anticipate the required payment to be significant as of December 31, 2008. Additionally, we are required to pay down the term loan with proceeds from any non-permitted asset sales or borrowings as defined by the Credit Agreement. We may repay the indebtedness under the Credit Agreement at any time prior to the maturity dates without penalty.

The interest rate on this indebtedness is based on LIBOR plus a base margin of 2.25%. The margin will adjust during the term of the loan if certain leverage ratios are achieved. During August 2007, we reached a lower leverage ratio, which reduced our interest rate on this indebtedness to LIBOR plus 2.00%. On May 31, 2008, we elected the one-month LIBOR as the floating interest rate on \$1,180 million of our outstanding term loan and three-month LIBOR for the remaining term loan balance. The interest rates as of December 31, 2008 and 2007 were as follows:

<u>Loan Amount</u>	<u>Interest rate as of December 31, 2008</u>	<u>Interest rate as of December 31, 2007</u>
\$1,750 million	3-month LIBOR + 2%	3-month LIBOR + 2%
\$1,180 million	1-month LIBOR + 2%	3-month LIBOR + 2%
<u>\$2,930 million</u>		

Interest payments are due quarterly on the last day of January, April, July and October. The interest on the outstanding loan of \$1,750 million is subject to interest rate swaps (See Note 11).

In addition, we capitalized \$94 million in costs relating to the issuance of the Credit Agreement that is being amortized to interest expense over 7.5 years which resulted in the following effective interest rates:

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Effective interest rate	5.61%	7.97%

The following table summarizes the activity under the revolving credit facility through December 31, 2008 (in thousands):

<u>Month Ended</u>	<u>Draws</u>	<u>Payments</u>	<u>Outstanding Balance</u>
December 31, 2007	\$ -	\$ -	\$ 69,600
January 31, 2008	105,000	(69,600)	105,000
February 29, 2008	133,500	(161,500)	77,000
March 31, 2008	160,350	(215,350)	22,000
April 30, 2008	93,300	(93,300)	22,000
May 31, 2008	148,800	(136,500)	34,300
June 30, 2008	204,200	(238,500)	-
July 31, 2008	57,300	(57,300)	-
August 31, 2008	188,600	(160,600)	28,000
September 30, 2008	234,300	(62,300)	200,000
October 31, 2008	95,000	-	295,000
November 30, 2008	-	-	295,000
December 31, 2008	<u>63,846</u>	<u>(62,000)</u>	296,846
Total	<u>\$ 1,484,196</u>	<u>\$ (1,256,950)</u>	\$ 296,846

In September 2008, we elected a monthly renewal process on our revolving credit facility balance under the Credit Agreement such that the interest rates are reset each month but the balance is not paid and redrawn. In December 2008, we paid down \$62 million and drew approximately \$64 million equivalent in Euros and British Pounds Sterling. As of December 31, 2008, we had a \$297 million outstanding balance on the revolving credit facility with a weighted average interest rate of 3.88%. In addition, we had a \$59 million outstanding balance on letters of credit which reduces our overall credit capacity under the revolving credit facility.

Under the Credit Agreement, when the revolver has an outstanding balance, the Senior Secured Debt is subject to certain covenants including a maximum Senior Secured Leverage Ratio. This ratio is calculated as Senior Secured Debt (net of cash) to EBITDA as defined by the Credit Agreement. The definition of EBITDA is based on a trailing twelve months EBITDA adjusted for certain items including non-recurring expenses and the pro forma impact of cost saving initiatives. As of December 31, 2008, we are in compliance with all covenants under the Credit Agreement.

13. Fair Value Measurements

Effective January 1, 2008, we adopted the provisions of SFAS 157. This standard defines fair value, provides guidance regarding the measurement of fair value and expands the required disclosures for fair value measurements. On February 6, 2008, the FASB deferred this statement's effective date for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. Beginning in 2010, we will adopt the provisions of SFAS 157 for non-financial assets and liabilities, including as it relates to any future impairments of goodwill or long-lived assets.

Effective January 1, 2008, we adopted the provisions of SFAS 159. This standard is designed to work in concert with SFAS 157 and provides an option to measure many financial instruments and other items at fair value that are not currently required to be measured at fair value. This statement also establishes disclosures that will help compare the different measurement attributes for similar assets chosen by different companies. After evaluating this statement, we elected not to re-measure applicable financial instruments that we carry at fair value. New financial instruments will be evaluated on an individual basis in the future to determine if the fair value option will be elected.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. SFAS 157 establishes a valuation hierarchy for disclosure of inputs used in measuring fair value. The hierarchy defined by SFAS 157 is as follows:

Level 1 – inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.

Level 2 – inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data.

Level 3 – inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

A financial asset's or liability's classification within the hierarchy is determined based on the least reliable level of input that is significant to the fair value measurement. In determining fair value in accordance with SFAS 157, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider the counterparty and our own non-performance risk in our assessment of fair value.

The following table presents the fair value of our financial assets and liabilities that are required to be measured at fair value on a recurring basis as of December 31, 2008 (in thousands):

Fair Value Measurements as of December 31, 2008				
Assets (Liabilities)	Level 1	Level 2	Level 3	
Available-for-sale securities	\$ 3,469	\$ 3,469	\$ -	\$ -
Foreign currency forward assets (see Note 12)	722	-	722	-
Foreign currency forward liabilities (see Note 12)	(23,485)	-	(23,485)	-
Interest rate swap liabilities (see Note 12)	(80,088)	-	(80,088)	-
Total	\$ (99,382)	\$ 3,469	\$(102,851)	\$ -

Available-for-sale securities – The fair value of our available-for-sale securities were estimated by using market quotes as of the last day of the period.

Foreign currency forward contracts – The fair value of the foreign currency forward contracts were estimated based upon pricing models that use inputs derived from or corroborated by observable market data such as currency spot and forward rates.

Interest rate swaps – The fair value of our interest rate swaps were estimated using a combined income and market-based valuation methodology based upon credit ratings and forward interest rate yield curves obtained from independent pricing services reflecting broker market quotes.

14. Capital Stock

Successor

As of March 31, 2007 we are authorized by our certificate of incorporation to issue up to one thousand shares of Class A Common Stock each with a par value of \$0.01. As of December 31, 2008 and 2007, 100 shares were issued.

Dividends (Predecessor)

Based on the amounts per share in the table below, we paid total dividends of \$17 million and \$57 million in the three months ended March 31, 2007 and the twelve months ended December 31, 2006, respectively.

<u>Declaration Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
2006:		
January 30, 2006	February 28, 2006	\$0.100
May 1, 2006	May 25, 2006	0.100
August 1, 2006	August 28, 2006	0.100
October 11, 2006	November 10, 2006	0.130
2007:		
January 30, 2007	March 5, 2007	0.130

Repurchases of Stock (Predecessor)

During 2006, we repurchased 1,100,000 shares of Class A Common Stock pursuant to authorizations by our Board of Directors. No shares were repurchased during 2007, however, as a result of the Transaction all of our Common Stock was purchased by Sovereign Holdings as of March 30, 2007 and subsequently retired.

15. Commitments and Contingencies

Future Minimum Payments Under Contractual Obligations

At December 31, 2008, future minimum payments required under the 2011 Notes and 2016 Notes, the mortgage facility, 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):

<u>Contractual Obligations</u>	<u>Payments Due by Year</u>						<u>Total</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>	
Notes payable (1)	\$ 231,520	\$ 253,028	\$ 636,403	\$ 209,363	\$ 497,622	\$ 3,385,408	\$ 5,213,344
Headquarters Mortgage (2)	4,997	4,997	4,997	5,734	5,984	98,748	125,457
Operating lease obligations	33,117	28,772	25,223	12,488	6,700	7,624	113,924
IT outsourcing agreement (3)	126,753	83,578	72,232	61,588	43,965	26,195	414,311
WNS agreement (4)	29,906	30,803	-	-	-	-	60,709
Pension and other benefit obligations	24,930	23,489	25,311	27,032	30,239	160,757	291,758
Other purchase obligations (5)	36,841	21,801	15,084	27,878	10,250	-	111,854
Amounts receivable under non-cancelable subleases (6)	(7,878)	(7,569)	(3,883)	-	-	-	(19,330)
Total contractual cash obligations	<u>\$ 480,186</u>	<u>\$ 438,899</u>	<u>\$ 775,367</u>	<u>\$ 344,083</u>	<u>\$ 594,760</u>	<u>\$ 3,678,732</u>	<u>\$ 6,312,027</u>

(1) Includes activity under the revolving credit facility, which will mature in March 2013, and all interest and principal related to the 2011 Notes and 2016 Notes. Also includes all interest and principal related to borrowings under the Credit Agreement, which will mature in September 2014. Commencing with the fiscal year ended December 31, 2008, we are required to pay 50% of the excess cash flow generated during the year to our lenders (see Note 12), which is not reflected in the table above. Interest on the term loan is based on the LIBOR rate plus a base margin and includes the effect of interest rate swaps. For purposes of this table, we have assumed the LIBOR rate for all future periods will be the same as the rate at December 31, 2008.

(2) Includes all interest and principal related to \$85 million mortgage facility, which matures on March 1, 2017.

- (3) Represents minimum amounts due to EDS under the terms of an outsourcing agreement through which EDS manages a significant portion of our information technology systems.
- (4) We are committed to minimum payments to WNS, an entity to which we outsource a portion of our Travelocity contact center operations and back-office fulfillment through 2010 based upon current and historical transactions.
- (5) Consists primarily of minimum payments due under various marketing agreements, a note payable and related interest owed to a joint venture partner, management services monitoring fees and media strategy, planning and placement agreements.
- (6) Primarily relates to an office facility that EDS subleases from us in Fort Worth, Texas under sublease that will expire in 2011.

There are no change in control provisions that would require us to accelerate any principal repayments due under our 2011 Notes, 2016 Notes, Credit Agreement or mortgage facility.

The following table presents rental expense for continuing operations for the year ended December 31, 2008 (Successor), nine months ended December 31, 2007 (Successor), three months ended March 30, 2007 (Predecessor) and year ended December 31, 2006 (in thousands):

	(Successor)		(Predecessor)	
	Fiscal Year Ended	Nine Months Ended	Three Months Ended	Fiscal Year Ended
	December 31, 2008	December 31, 2007	March 30, 2007	December 31, 2006
Rent expense	\$ 52,879	\$ 59,714	\$ 24,452	\$ 90,326
Less:				
Sublease rent	(7,043)	(5,134)	(1,673)	(6,615)
Total Rent expense	\$ 45,836	\$ 54,580	\$ 22,779	\$ 83,711

Legal Proceedings

Some state and local taxing authorities impose taxes on the sale, use or occupancy of hotel room accommodations, which are called transient, occupancy, accommodation, sales or hotel room taxes. Hotel operators generally collect and remit these occupancy taxes. Consistent with that practice, when a customer books a hotel room under our net rate hotel program, the hotel operator will charge us for the net rate as well as the applicable occupancy taxes. Accordingly, under the program, we collect from the customer and pay to the hotel operator an amount sufficient to pay the hotel its room charge and, in the form of a tax recovery charge, the occupancy taxes on that charge, as well as additional amounts that represent our fees. We do not, however, collect or remit occupancy taxes. Some tax authorities claim that occupancy taxes should be collected on some or all of our fees. We believe there are strong arguments that our fees are not subject to occupancy taxes and we intend to vigorously defend against all of these claims.

To date, there have been more than 40 lawsuits filed by various municipalities pertaining to occupancy taxes. In addition, there have been three consumer lawsuits filed relating to taxes and fees. Of the municipality lawsuits filed, approximately ten were dismissed based on a failure by the jurisdiction to exhaust administrative remedies, and three more were dismissed based on a finding that we were not subject to the local hotel occupancy tax ordinance. The U.S. Fourth Circuit Court of Appeals recently upheld one of these dismissals on the merits. The remaining municipality lawsuits are in various stages of litigation. In addition to the lawsuits, there are approximately ten administrative proceedings pending against us in which a local taxing authority has determined to audit and possibly assess local hotel occupancy taxes against us. As with the lawsuits, we will continue to vigorously defend against all of these claims. In some jurisdictions, if an assessment is issued, we may need to pay the entire assessment in cash upfront in order to appeal the assessment to a court (with the objective to have the court reverse the assessment and refund the money). We will vigorously attempt to avoid this to the extent possible. Prior to 2007, we had a reserve for potential occupancy tax liability arising in California but certain events in 2007 led us to determine that a loss was no longer probable but could be considered possible. We reversed the entire reserve in 2007 and made no material changes in 2008. If our assessment of the outcome of any of these lawsuits were to change, the amount we would be required to accrue could be material to our results of operations.

We are also engaged from time to time in other routine legal and tax proceedings incidental to our business. We do

not believe that any of these routine proceedings will have a material impact on the business or our financial condition.

16. Subsequent Events

In February 2009, we amended our retiree medical plan to reduce the Company subsidies received by participants by 20% per year over the next 5 years, with no further subsidies beginning January 1, 2014. We are still working with our actuaries to determine the impact of this amendment. Based on preliminary estimates, this amendment will result in a curtailment gain of approximately \$6 million that will be recognized immediately to operating expense and a \$60 million negative prior service cost that will be amortized to operating expense over the remaining term through December 2013.